

# **Proposals to the Annual General Meeting 2020**

**19 March 2020**

Thursday 19 March 2020 at 15:00 at Íslandsbanki hf. (the Bank) headquarters in Norðurturn, Hagasmári 3, Kópavogur.

### **1. Proposal for the allocation of profits and payment of dividends 2019**

Notwithstanding the Bank's long-term dividend payout ratio target of 40-50%, it is proposed that a dividend to shareholders for the 2019 financial year shall not be paid in light of uncertainties due to unprecedented circumstances in the financial markets. The Board may convene a special shareholder meeting later in the year where a proposal regarding payment of dividends of profit for previous fiscal years could be suggested.

### **2. Proposal for the election of members to the Board of Directors**

It is proposed that the Annual General Meeting (AGM) of the Bank elects the following persons as members, and alternates, on the Board of Directors of the Bank for a term of up until the next AGM.

#### **Board of Directors:**

Hallgrímur Snorrason  
Heiðrún Jónsdóttir  
Anna Þórðardóttir  
Árni Stefánsson  
Flóki Halldórsson  
Frosti Ólafsson  
Guðrún Þorgeirsdóttir

#### **Alternates:**

Herdís Gunnarsdóttir  
Óskar Jósefsson

Moreover, it is proposed that Hallgrímur Snorrason be elected as Chairman.

### **3. Proposal for the appointment of external auditors**

At the AGM of the Bank in 2015 Ernst & Young was elected the auditing firm of the Bank for the next five years. It is proposed that the AGM of the Bank elects Ernst & Young as the Bank's auditing firm.

### **4. Proposal for the Board of Directors' remuneration for the coming term**

It is proposed that the AGM of the Bank resolves to pay remuneration to members of the Board of Directors for their services on the Board of Directors in the amount of ISK 420,000 per month and to the Chairman of the Board ISK 735,000 per month, and to the Vice-Chairman of the Board ISK 525,000 per month. In addition to that each Board member shall be paid remuneration in the amount of ISK 210,000 per month for services on sub-committees. In addition to this the chairmen of sub-committees shall be paid ISK 30,000 per month.

Alternate members of the Board of Directors shall be paid remuneration in the amount of ISK 210,000 for each meeting they attend and meetings with the Financial Supervisory Authority on the Fit and Proper Assessment of Managing Directors and Directors of Financial Undertakings but never higher than the monthly remuneration to members of the Board. Remuneration to each alternate member of the Board shall be at least ISK 420,000 per annum.

### **5. Proposal for the Compensation Policy**

It is proposed that the AGM approves the attached proposal of the Bank's Compensation Policy.

**6. Other matters**

None.

Proposal for Compensation Policy to the Annual General Meeting of Íslandsbanki hf. 19 March 2020

### **Article 1. Objectives**

Íslandsbanki (the Bank) emphasises hiring and employing exceptional employees. The objective of the Compensation Policy is to make Íslandsbanki a desirable workplace for qualified employees to ensure the Bank's competitiveness, continued development and acceptable profitability.

Moreover, the objectives of the Compensation Policy are to foster trust in the Bank's management and operations, with the Bank being a leader in the field of good corporate governance and social responsibility, while respecting its interests, in particular, its reputation and integrity, and operating in accordance with the relevant guidelines, values and ethics relevant to a financial undertaking in public ownership.

The Compensation Policy shall support sound operations in the long term and not encourage unreasonable risk-taking. It is the Bank's goal that the terms of employment of executives and other employees are competitive yet proportionate without being leading in the market. In determining the terms of employment, responsibility and performance shall be taken into account, as well as equal rights perspectives.

In accordance with the provisions of article 79(a) of Act. 2/1995, on Limited Liability Companies, the Bank's Compensation Policy shall be submitted to the Annual General Meeting (AGM) for approval.

### **Article 2. State's Ownership Policy for Financial Undertakings**

The State's Ownership Policy for Financial Undertakings, July 2017, provides for the setting of a compensation policy which is competitive, proportionate and not leading.

A competitive compensation policy in this sense shall mean that the Bank should be able to attract and retain qualified employees and that the Bank can be competitive in employees, in spite of salaries paid by the Bank being below the highest salaries paid in the society.

In stating that salaries shall not be leading regard shall be had to the compensation trend in a wide sense and the impact on the compensation trend in general. Companies paying salaries considered among the highest in the labour market, but not the highest, should be considered leading.

Salaries being proportionate means that decisions on salary are taken with due care and not contribute an large or increased difference in salaries. Due regard shall also be had to salaries paid by companies in majority state ownership for comparable work. A large increase in salaries over a short period of time shall be avoided. It is preferable that salaries are increased on a regular basis in accordance with general compensation trends. Salaries and other benefits in kind shall be made as simple and transparent as possible.

### **Article 3. Remuneration Committee**

The compensation committee of the Bank shall be comprised of three Directors of the Board. The role of the compensation committee shall be to guide the Board of Directors and CEO in deciding on the terms of employment of senior management. The committee shall ensure that the terms of employment of the Bank's executives are within the framework provided by the compensation policy and report on its implementation yearly in connection with the Bank's AGM and in the Board of Directors' annual financial statements. Moreover, the committee shall monitor the developments of collective bargaining agreements, trends in salary expenses and number of employees. The Board of Directors shall approve rules of procedure for the Committee defining its role and responsibilities which shall be published on the Bank's website.

### **Article 4. Compensation of Board members**

Board members shall receive set monthly payment in accordance with the decision of the AGM of the Bank as provided for in Article 79 of Act No. 2/1995 on Public Limited Companies. In determining the remuneration amount, consideration shall be had for the hours spent on the job, the responsibilities borne by the Directors and the Bank's performance. The remuneration committee shall present the Board of Directors with a substantiated proposal for remuneration to members of the Board of Directors in the coming operating year. The Board of Directors deliberates on the committee's proposal and submits a final proposal on remuneration to the AGM. The Bank reimburses members of the Board of Directors domiciled outside the capital region for travel expenses. The Bank may not conclude severance agreements with members of the Board of Directors.

### **Article 5. Terms of employment of the CEO and member senior management**

The terms of employment of the CEO and senior management shall be competitive but proportionate and not leading, cf. Article 2 of this Compensation Policy.

The Bank may not conclude agreements including severance payments with the CEO or senior management other than what is provided in employment agreements, collective bargaining agreements and legal obligations. CEO and senior management contractual period of notice shall not be longer than six to twelve months, considering tasks and responsibilities borne.

### **Article 6. Compensation policies of subsidiaries etc.**

The Board of Directors shall promote competitive but proportionate and not leading compensation policies of its subsidiaries.

Moreover, the Board of Directors shall promote the guidelines provided in the State's Ownership Policy for Financial Undertakings, cf. Article 2 of this Compensation Policy, being clearly reflected therein.

The CEO shall present a proposal for the compensation policies of subsidiaries, as well as on the compensation of board members, for the approval of the Board of Directors.

**Article 7. Varying terms**

The Bank shall not conclude or authorise agreements on salary incentives, that is not authorise agreements on terms defined by performance and do not form part of fixed remuneration, where the final amount or size is not exactly known beforehand.

Any move by the Board of Directors to instigate such a system must first be approved by a shareholders' meeting.

While the Bank's shares in Borgun hf. in a sales process a change of its compensation policy is not demanded in spite of a limited provision for the payment of a salary incentive being provided therein.

**Article 8. Information disclosure**

The Bank shall report the terms of employment of members of the Board of Directors, CEO and each member of the executive board in its annual financial statements.

This Compensation Policy shall be published on the Bank's website.

**Article 9. Approval of the Compensation Policy etc.**

The Compensation Policy shall be presented to the Bank's AGM for approval.

The compensation policy may be reviewed more than once yearly and any amendments submitted to a shareholders' meeting for approval.

The remuneration policy serves as a guideline for the Bank and the Board of Directors. The

Board of Directors shall record any deviations from the compensation policy in minutes along with the substantiated grounds for such deviation. Deviations shall be presented to the Bank's next AGM.