



## **Proposals of the Nomination Committee in Accordance with item 1 of the Agenda for the Shareholders' Meeting 9 August 2019**

On 12 July 2019 a Shareholders' Meeting of Arion Bank (the "Bank") was formally called (the "Shareholders' Meeting"). The meeting will be held on 9 August 2019 at the Bank's HQ at 16:00.

Below is the report of the Nomination Committee (the "Committee") and the proposals of the Committee in accordance with item 1 of the Agenda for the Shareholders' Meeting.

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

The principal role of the Committee is to ensure that Board members of the Bank have wide and versatile qualifications and experience in order to promote good corporate governance within the Bank. The Committee has an advisory role regarding the election of Board members by putting forth a proposal of candidates to serve on the Board of Directors at each shareholders' meeting where Board election is on the agenda. Based on submissions of candidacy, the Committee shall propose to the shareholders candidates to serve on the Board of Directors and publish its proposal along with other declarations of candidacy.

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

### **2. Composition of Nomination Committee**

At the Annual General Meeting of the Bank 20 March 2019 ("2019 Annual General Meeting") Sam Taylor and Christian Felix Johannes Guth were appointed as members of the Nomination Committee. In addition, Herdis Fjeldsted, Vice Chairman of the Board of Directors of the Bank, is a member of the Nomination Committee. The Committee elected Mr Taylor as Chairman of the Committee.

It is noted that Mr Guth has notified the Committee that he is stepping down at the Shareholders' Meeting and he has not participated in the process of proposing candidates to serve on the Board of Directors, but he is aware of the process and does not object to it.

### **3. Work of the Nomination Committee**

Following the work of the Nomination Committee in advance of the Annual General Meeting 2019, where the Committee engaged in work to select international Board members with technical expertise and legal background, the Committee proposed the appointment of three new international candidates, all with extensive experience and expertise in relation to digital banking and credit. One of the candidates, Paul Horner, had to withdraw his candidacy due to conflicting engagements. He has now announced his candidacy before the Shareholders' Meeting on 9 August. The Committee therefore refers to its report in relation to the proposal to appoint Mr Horner.



The Committee further identified the need to appoint a board member with a legal background and experience of financial services and management. As a listed company and regulated by the FME, the Committee is of the view that the Board would benefit from including a board member with legal expertise and experience in relations with financial services. This has been reinforced by conversations and soundings that the Committee has had with various parties. Further, Nordic banks and Icelandic listed companies frequently have a board member with a legal background.

In its search, the Committee emphasised that the proposed candidate should possess the necessary 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 Guidelines on Corporate Governance published by the Iceland Chamber of Commerce, Business Iceland and Nasdaq Iceland, whilst at the same time ensuring the Board collectively possess sufficient knowledge, skill, diversity and experience necessary for the operations of the Bank as a financial undertaking. Further, the Committee has ensured that the composition of the Board of Directors comply with the Bank's Articles of Association, including provisions on gender equality within the Board of Directors.

The Committee took soundings and sought recommendations which resulted in a list of 7-8 prospective candidates with a legal background, which was then narrowed to a short-list of three lawyers, including an academic and attorneys in private practice. Members of the Committee had meetings and interviews with prospective candidates meeting the above criteria and gathered information from referees. Following the interview process, the Nomination Committee held a meeting on 1 August 2019 to discuss candidates to be selected for proposal to the board. Having given it due consideration the Committee recommends that Gunnar Sturluson, partner of Logos Legal Services, be appointed as a board member.

The final meeting of the Committee before the Shareholders' Meeting on 9 August was held 6 August 2019 following the expiry of the deadline for individuals who intend to stand for election as a member of the Board of the Bank to submit their candidacies.

#### **4. Candidacies to serve on the Board of Directors**

In accordance with the Articles of Association of the Bank individuals who intend to stand for election as a member of the Board had to give notice of their candidacy in writing no later than five days prior to the Shareholders' Meeting, i.e. by 16:00 Icelandic time on 1 August 2019.

Three individuals gave notice of their candidacy before the deadline.

Based on the board evaluation, oral reports and other information, as described in section 3 above, the Committee has discussed the composition of the Board of the Bank and the competence that should be represented in the Board. The Committee proposes that the below individuals to be appointed as Board members:

<b>Name:</b>	<b>Paul Richard Horner</b>
<b>Date of birth:</b>	5 August 1962
<b>Education:</b>	University of Oxford - M.A. Honours in Music (1983)



UK Chartered Institute of Bankers - Associate

RBS Global Banking & Markets - Advanced Credit Training Programme

**Principal employment:** The Royal Bank of Scotland Group plc (2003-)

- Ulster Bank Ireland DAC - Director of Risk (2018-)

**Other responsible positions, including board membership:**

Coutts International - Non-Executive Director

**Experience:**

The Royal Bank of Scotland Group plc (2003-2017)

- Coutts International - Chief Executive (2016-2017)
- Coutts International - Managing Director and Chief Risk Officer (2012-2016)
- RBS Non-Core Division - (2009-2012) Head of Risk, International Businesses, RBS Non-Core Division
- ABN Amro, Europe & Middle East, Commercial & Consumer (Amsterdam) - (2008-2009) Chief Risk Officer (2008-2009)
- RBS European Consumer Finance (Dusseldorf) - Chief Risk Officer (2007-2008)
- RBS Group Risk Management - Senior Manager (2003-2007)

Barclays PLC (1988-2003)

- Credit Risk Director, Specialist Larger Business (2002-2003)
- Area Director, Medium Business (1999-2002)
- Head of Corporate Credit, Group Risk Management (1996-1999)
- Head of Supplier Management, Group Operations Centres (1996)
- Relationship Director, Larger Business, Central London (1993-1996)
- Corporate Manager, London (1992-1993)
- Assistant Manager, Central Advances Department (1991-1992)
- Barclays Management Development Programme (1988-1992)

**First appointment to the Board of Arion Bank:** N/A

**Information on work carried out for Arion bank hf. (other than Board work):** None

**Shares in Arion Bank hf., whether direct ownership or through associated parties:** None

**Interest links to Arion Bank's main clients and competitors and large shareholders in Arion Bank:** None

**Evaluation of independence or non-independence:** It is the conclusion of the Nomination Committee that according to the Guidelines that Paul is independent of the Company, its managers and significant shareholders.

**Reasons for proposal of candidate:** The Nomination Committee is of the view that Paul possesses the relevant background and experience for a Board member of the Bank. Paul is a seasoned banking professional with extensive experience of Risk and General Management in Retail, Commercial and Private Banking, gained across various international markets at both management and board level, within the RBS group and, prior to that, Barclays.

**Name:** Gunnar Sturluson

**Date of birth:** 17 July 1967

**Education:** University of Iceland – Cand.Jur (1992)

University of Amsterdam – LLM (1995)

**Principal employment:** Partner, Logos legal services slf.

**Other responsible positions, including board membership:**



Board member of Gamma hf. (2017-2019)  
Chairman of RUV – The Icelandic National Broadcasting Service (2016-2017)  
Board member of the Nordic Arbitration Centre of the Icelandic Chamber of Commerce  
President of FEIF, the International Federation of Icelandic Horse Associations (2014-)  
Chairman of the Board of Directors of the Icelandic Dance Company, appointed by the Minister of Education  
Elected by Parliament as a member for the Parliamentary Elections Committee (2013-2017)  
**Experience:** Partner Logos Legal Services (2000-), managing partner (2001-2013)  
Counsel office 1992-1999  
Lecturer at the Law Faculty of the University of Iceland (1995-2007)  
Founder and owner of Hrísdalshestar sf. horse breeding farm (2003-)

**First appointment to the Board of Arion Bank:** N/A

**Information on work carried out for Arion bank hf. (other than Board work):** None

**Shares in Arion Bank hf., whether direct ownership or through associated parties:** None

**Interest links to Arion Bank's main clients and competitors and large shareholders in Arion Bank:** None

**Evaluation of independence or non-independence:** It is the conclusion of the Nomination Committee that according to the Guidelines that Gunnar is independent of the Company, its managers and significant shareholders.

**Reasons for proposal of candidate:** The Nomination Committee is of the view that Gunnar possesses the relevant background and experience for a Board member of the Bank. As lawyer, Gunnar has relevant background as a board director.

Reasons for the proposal of each candidate with references and explanations for their qualification are summarised above. The Committee has after careful deliberation concluded that the candidates proposed above, both individually and collectively as part of the Board of directors, possess sufficient knowledge, skill, diversity and experience necessary for the operations of the Bank as a financial undertaking. The Committee is of the view the Board is well suited to fulfil its roles in the best interest of the Bank and its shareholders.

An evaluation of the independence of the proposed Board Members has been performed, showing that the group fulfils the requirements made in the Guidelines. The group also fulfils legal gender ratio requirements.