

# Proposed resolutions of the Board of Directors and shareholders

to the AGM and remarks on each item of the Agenda

## Agenda Item No. 2

### Proposal for confirmation of the annual accounts

The Board of Directors proposes that the Annual General Meeting of VÍS confirm the Consolidated Annual Financial Statements for 2017.

#### Remarks:

The Annual Consolidated Financial Statements for 2017 are available on the Company's website, [www.vis.is/vis/fjarfestar/investment-information-in-english/](http://www.vis.is/vis/fjarfestar/investment-information-in-english/). The statements will be presented by the CEO of VÍS, Mr. Helgi Bjarnason.

## Agenda Item No. 3

### Proposal on how to address the profit from the Company's operational year 2017

The Board of Directors proposes that a dividend of ISK 0.60 per share be paid for the operational year 2017, or approx. ISK 1,322 million in total. The declaration date is 22nd March 2018, which means that if approved, Company's shares traded on or after 23rd March (ex-date) will be ex-dividend. The right to dividend will therefore be constricted to shareholders identified in the Company's shareholder registry at the end of 26th March 2018 (record date) and the proposed payment date of the dividend is 28th March 2018.

#### Remarks:

VÍS has defined the risk appetite of the Company with regard to a solvency ratio ranging from 1,35 to 1,7. The Company's dividend payment policy is to pay up to 100% of each year's profit after tax on dividends. However, the dividend payment amount must never result in a lower solvency ratio after payment of dividend, than the Company's risk appetite stipulates. The Board of Directors' proposal regarding the amount of the dividend payment, is just under 100% of the profit for the year 2017. The Group's solvency ratio without dividend payment is 1.59, but if dividend and repurchases are taken into account the solvency ratio is 1.42 at the end of 2017.

## Agenda Item No. 4

### Proposal to reduce the Company's share capital due to purchase of own shares pursuant to a buyback program

The Board of Directors proposes to the AGM:

The Annual General Meeting of VÍS agrees to reduce the Company's share capital from ISK 2,223,497,541 in nominal value to 2,202,642,307 ISK, by way of cancelling 20,855,234 of the Company's own shares of ISK 1 each. The share capital of the Company will be ISK 2,202,642,307 after the reduction. The proposal is approved by the AGM subject to the approval of the Financial Supervisory Authority in Iceland, as per requirements of EU Regulation no. 2015/35, Art. 51 of Regulation no. 585/2017 and the approval of the Icelandic Company Registry (RSK). Upon the approval of the Financial Supervisory Authority in Iceland, the Board of Directors shall be authorized to update the Company's Articles of Association in accordance with the share reduction. "

#### Remarks:

At the the Company's AGM on March 15th 2017, it was agreed to authorize the Board of Directors to, i.a. in the form of a share buyback program, purchase in the next 18 months up to 10% of the Company's share capital, i.e. to a maximum of 222,349,754 shares at nominal value.

On the 15th of September 2017 the Board of Directors decided to initiate a buyback program at a market value of ISK 600.000.000 which constitutes about 2,47% of issued shares in VÍS or ISK 55.000.000 at nominal value. On February 18th, 2018 the Board decided to cancel the buy-back program. At that time 0,94% of shares in VÍS had been repurchased (ISK 20,855,234 at nominal value). The purchase price of the shares amounts to a total of ISK 241.610.788 which is about 37,92% of the own shares that would be purchased at most according to the program.



The share buyback program was executed according to Chapter II in the Appendix to the Directive on Insider Dealing and Market Manipulation (Market Abuse) no. 630/2005.

#### **Agenda Item No. 5**

### **Proposal for an authorization on the repurchase the Company's own shares**

The Board of Directors proposes the following resolution:

“The Board of Directors is authorized in the next 18 months to buy up to 10% of own shares with the intent to initiate a share buyback program and/or to establish a market making program with the company's shares, so that subsequently, together with its subsidiaries the Company owns up to 10% of its share capital, provided that all other legal requirements are fulfilled. The Board's authorization to start a buyback program for the purpose of reducing the Company's shares is nevertheless subject to the approval of the Icelandic Financial Supervisory Authority. The purchase price shall not be higher than the price of the last independent trade or the highest available independent bid, whichever is higher, on Nasdaq Iceland's Main Market. Such transactions are only authorized if performed by a market maker according to Art. 116 of the Act on Securities Transactions no. 108/2007 or on the basis of item 1, para. 3 of Art. 115 and para. 2 of Art. 119, in the Act on Securities Transactions, and regulations established on the basis of Articles 118 and 131 of the same Act.

#### **Remarks:**

The Board of Directors wishes to renew its authorization to repurchase own shares. The Board emphasizes that the legal framework of insurance companies assumes that the Icelandic Financial Supervisory Authority must approve a reduction in share capital if the Board proposes it to the Annual General Meeting. A reduction will therefore not be carried out unless approved by the AGM as well as the Icelandic Financial Supervisory Authority.

#### **Agenda Item No. 6**

### **Proposal for amendment of the Company's Articles of Association**

The Board of Directors proposes the following amendments to be made of the Company's Articles of Association:

**Proposal I:** Subject to the AGM approval of the proposal in Agenda Item No. 4 to reduce the Company's share capital due to purchase of own shares pursuant to a buyback program, the Company's Board of Directors shall, upon the approval of the Financial Supervisory Authority in Iceland, be authorized to update the Company's Articles of Association in accordance with the share reduction. Article 3 of the Company's Articles of Association shall read as follows:

*„The Company's share capital is ISK 2,202,642,307 - two billion two hundred two million six hundred forty two thousand three hundred and seven Icelandic krónur - divided into an equal number of shares.“*

**Proposal II:** An amendment to Section 2 of Article 18 of the Company's Articles of Association, namely that it be no longer a duty to bring the minutes of the AGM under the votes of the meeting. Section 2 of Article 18 shall read as follows:

*„Minutes shall be read aloud at the conclusion of a meeting and subsequently signed by the meeting chairman and the secretary.“*

#### **Remarks:**

Subjecting the minutes of the shareholders' meeting to vote at the end of each meeting both exceeds legal requirements and is difficult in implementation, considering the scope and extent of the minutes. It is therefore proposed that Section 2 of Article 18 of the Company's Articles of Association be removed.

#### **Agenda Item No. 7**

### **Election of the Board of Directors**

The Board proposes that five members be elected to the Board and two alternates for the upcoming operating year. Forms for candidate nominations can be found on VÍS's website; <https://www.vis.is/vis/fjarfestar/investment-information-in-english/>. The nomination deadline for Board candidacy is the 17th of March 2018 at 16:00.

A completed and signed form shall be sent by email to [stjorn@vis.is](mailto:stjorn@vis.is) or handed in at VÍS' headquarters, Ármúli 3, 108 Reykjavík,



before the aforementioned deadline. Information on Board candidates will be made available to shareholders no later than two days prior to the Company's Annual General Meeting. This information will also be available on the Company's website.

#### **Agenda Item No. 8**

### **Remuneration Policy and bonus scheme**

The Board of Directors proposes certain amendments to the Company's Remuneration Policy in relation to a new regulation on Insurance Activities no. 585/2017, a new employee bonus scheme and the fact that VÍS has just obtained an Equal Pay Certification.

#### **Remarks:**

The Remuneration Policy including information regarding the new bonus scheme can be found in the attached document.

#### **Agenda Item No. 9**

### **Remuneration of the Board and subcommittees**

The Board of Directors proposes the following remuneration for the Board and its committees:

That the monthly remuneration be a fixed base fee of ISK 410,000 for a member of the Board except the Chairman of the Board who receives double the base fee. Alternate Board members receive a one-time annual payment of ISK 410,000 at the beginning of the operating year, and in addition ISK 115,000 for each meeting they attend. Remuneration for members of all sub-committees of the board be ISK 95,000 for each meeting they attend and double fee for the Chairman of a sub-committee.

#### **Remarks:**

The Board of Directors proposes that the remuneration for a member of the Board be raised with reference to change in the Icelandic wage index in the last 12 months, while the Chairman of the Board receives a fixed fee equalling double the base fee received by the general Board member. Alternate Board members continue to receive, at the beginning of the operating year, a one-time annual payment, equalling the monthly remuneration of a general Board member, and receive payment for each meeting they attend. The Board also proposes that the remuneration for all sub-committees of the Board will be the same.

#### **Agenda Item No. 10**

### **Election of the Company's Independent Auditor**

The Board of Directors proposes that PricewaterhouseCoopers Iceland be elected as the Company's Independent Auditor for the next five years in accordance to para. 4 of Art. 70 of the Act on Insurance activities no. 100/2016.

#### **Remarks:**

KPMG Iceland has been the Independent Auditor of VÍS for the last five years, after which time the AGM of insurance companies must elect a new auditing firm. The Audit Committee of VÍS asked for offers from a few external audit companies late in the year 2017 to audit VÍS for the next five years. In accordance to the Audit committee's conclusion the Board of Directors proposes that that PricewaterhouseCoopers Iceland be the next external auditor of VÍS, in accordance to para. 4 of Art. 70 of the Act on Insurance activities no. 100/2016.

#### **Agenda Item No. 11**

### **Other Items legally put on the agenda**

- a. Vatryggingafelag Islands's Annual General Meeting agrees to establish a nomination committee for the Company. The annual General meeting agrees to give the Board the authority to establish and appoint the nomination committee in accordance with Iceland Chamber of Commerce Guidelines on Corporate Governance.

#### **Remarks:**

The Chairman of the Board of Directors and CEO of VÍS received a letter, dated 5th March 2018, from Eaton Vance Management, submitting a proposal to the AGM to establish a nomination committee for the Company in accordance with the Icelandic Guidelines of Corporate Governance.



Eaton Vance Management the investment manager of several portfolios owning approx. 4.6% of the shares in VÍS, and holds voting rights for the portfolios according to the following notifications:

<https://newsclient.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=777919&lang=is>

<https://newsclient.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=827316&lang=is>

b. The Annual General Meeting of Vatryggingafelag Islands hf. concludes to direct it to the Board of Directors to prepare the establishment of a nomination committee within the Company in accordance with the Corporate Governance Guidelines, issued by the Iceland Chamber of Commerce, Nasdaq Iceland and SA – Business Iceland. A proposal prepared by the Board of Directors on the setup and rules of the nomination committee shall be submitted for approval by a shareholder meeting to be held in the year 2018. Members of the nomination committee shall generally be appointed by a shareholder meeting through vote, except if the shareholder meeting approves that the Board of Directors appoint one Board Member to the committee.

**Remarks:**

The Board of Directors and CEO of VÍS received a letter, dated 16th March 2018, from Gildi Pension Fund, with an amendment proposal relating to the proposal from Eaton Vance Management that VÍS agrees to establish a nomination committee for the Company. Gildi Pension fund supports the view that it could be beneficial to further explore the possibility to establish a nomination committee within the company. Gildi is however of the opinion that shareholders should approve the final setup of the nomination committee and that shareholders appoint committee members by vote if such proposal is accepted. If this amendment proposal would be accepted the Board of Directors could call for a shareholder meeting later this year where the agenda would be to determine, on the basis of a further defined proposal, whether a nomination committee should be established. If such a proposal would be accepted it would be advisable that the existence and work of the committee would benefit the shareholders at the Annual General Meeting in 2019.

This is an English translation. The original Icelandic text, as published on VÍS's website ([www.vis.is/fjarfestar](http://www.vis.is/fjarfestar)), is the authoritative text. Should there be discrepancy between this translation and the authoritative text, the latter prevails.