

## MINUTES OF ANNUAL GENERAL MEETING

### VÁTRYGGINGAFÉLAG ÍSLANDS HF.

On Wednesday, March 20, 2019, at 4:00 p.m., the Annual General Meeting of Vátryggingafélags Íslands hf., reg. no. 690689-2009, was held at the Company's headquarters at Ármúli 3, 108 Reykjavík.

Valdimar Svavarsson, Chairman of the Board, called the meeting to order and welcomed the participants. Attorney Gunnar Sturluson was elected as Chairman of the meeting and attorney Vilhjálmur Herrera Þórisson was elected as Secretary for the meeting.

In attendance were 32 shareholders or shareholders' proxies, controlling a total of 1,073,812,367 votes or 56.22% of the share capital of the Company.

The Chairman verified the lawfulness of the meeting. He declared that the meeting had been lawfully convened and that it was lawfully constituted to address the business before it.

All principal directors were in attendance: Svanhildur Nanna Vigfúsdóttir, Gestur Breiðfjörð Gestsson, Marta Guðrún Blöndal, Vilhjálmur Egilsson and Valdimar Svavarsson. CEO Helgi Bjarnason was also in attendance.

The meeting was attended by the auditors of the Company, Kristinn Freyr Kristinsson and Magnús Mar Vignisson, as required by the Act on Insurance Activities. Also in attendance was a representative of the Icelandic Financial Supervisory Authority, Anna Sif Scheving.

The meeting agenda was as follows:

1. Report of the Board of Directors on the activities of the Company in 2018.
2. The Board of Directors submits for approval the Company's audited annual financial statements for the preceding year.
3. Decision on the Board of Director's proposal on disposal of the year's profits and the payment of a dividend.
4. Proposal on a remuneration policy that includes a framework for a bonus scheme.
5. Proposal to reduce share capital in connection with repurchases of own shares in accordance with share repurchase program.
6. Proposals to amend the Company's Articles of Association.
7. Proposal to amend the rules of procedure for the Nomination Committee
8. A decision on the fees to be paid to the Board of Directors, sub-committees of the Board of Directors and the Nomination Committee.
9. Election of the Board of Directors.
10. Election of auditors.
11. Election of the Nomination Committee.
12. Proposal for an authorisation to purchase own shares.
13. Other lawfully submitted business.

The meeting addressed the agenda.

#### **1 Report of the Board of Directors on the activities of the Company in 2018**

Valdimar Svavarsson, Chairman of the Board, presented the report of the Board of Directors on the preceding year of operation, highlighting certain key points. He summarised the main elements of the Company's operation during the year, which was among the best in its history. Among the takeaways was that in 2018, VÍS delivered a combined ratio below 100% for the second year running. The Chairman also summarised what transpired during the year and the tasks ahead.

The Chairman concluded by thanking the directors for their cooperation during the year, the employees of the Company for their good work, and the shareholders for their support of the Board.

## **2 The Board of Directors submits for approval the Company's audited annual financial statements for the preceding year**

CEO Helgi Bjarnason presented the Company's annual financial statements for 2018.

The CEO began by giving a summary of the key figures for the year. Premiums totalled ISK 22,709 million, versus ISK 20,528 million in 2017. Net earnings were ISK 2,061 million in 2018, versus ISK 1,326 million in 2017. The 2018 earnings were a record for the Company. The combined ratio was 98.7%, coming in below 100% for the second year running. Return on investments was 8.3% and return on equity was 13.2%, a five-year high. The solvency ratio was in line with expectations.

The CEO then proceeded to go over the Company's income statement. He noted that premium growth had been robust during the year and that losses were substantially up from the previous year. The latter development was largely the result of two major fires that occurred during the year. The CEO also gave a summary of the development of premiums and losses, the development of the loss and combined ratios, the Company's balance sheet, investments, the solvency ratio, and various other information of particular relevance to shareholders.

Finally, the CEO briefly explained the Company's strategy and areas of focus. He stated that the year ahead would be a challenging one, in particular on the cost side, but noted that the Company was well equipped to meet these challenges. The CEO concluded by giving a brief description of the Company's strategy in the area of digital solutions.

The following proposal of the Board of directors, to confirm the Company's annual accounts, was submitted to the meeting:

*"The Board of Directors moves that the Company's annual accounts for 2018 be approved."*

The chairman of the meeting now declared the floor open for discussion on the report of the Board of Directors and the Company's annual financial statements. No one requested the floor.

The chairman of the meeting then submitted the proposal to a vote of the shareholders, who approved it unanimously.

## **3 Decision on the Board of Director's proposal on disposal of the year's profits and the payment of a dividend**

The following proposal of the Board of directors, concerning the disposal of the Company's profits, was submitted to the meeting:

*"The Board of Directors moves that the Company should pay shareholders a dividend of ISK 1.07 per share for the year 2018. The total dividend paid is approximately ISK 2,044 million. The declaration date is March 20, 2019, meaning that shareholders of record at the end of March 22, 2019 (the date of record) are entitled to receive a dividend. The ex-dividend date, i.e. the date on which the stock of the Company starts trading without the right to receive a dividend, is therefore March 21, 2019, and dividends will be paid on March 29, 2019 (the payment date)".*

The Chairman presented the statement of the Board of Directors that accompanied the proposal.

The Chairman called for discussions on the proposal. No one requested the floor.

The Chairman then submitted the proposal to a vote of the shareholders, who approved it unanimously.

## **4 Proposal on a remuneration policy that includes a framework for a bonus scheme**

Svanhildur Nanna Vigfúsdóttir, Chairman of the Remuneration Committee, presented a report on the implementation of a remuneration policy. The report is available on the Company website. She gave a summary of the bonus scheme introduced last year, describing in particular the compensation terms of the CEO and senior management. According to the Board of Directors' proposal for a remuneration policy for 2019, the bonus scheme is to be divided into two levels: one for the CEO, senior management and the Chief Investment Officer, and another, general bonus system, for other employees.

The following proposal of the Board of Directors on a remuneration policy was submitted to the meeting:

*"The Board of Directors moves that the Company's remuneration policy, in the form presented by the Board of Directors in advance of the meeting, be approved. The remuneration policy and the proposed bonus scheme are described in a separate document that accompanies this motion."*

The Chairman called for discussions on the proposal. No one requested the floor.

The Chairman then submitted the proposal to a vote of the shareholders, who approved it unanimously.

## **5 Proposal to reduce share capital in connection with repurchases of own shares in accordance with share repurchase program.**

The following proposal of the Board of Directors, on the reduction of share capital in connection with repurchases of own shares in accordance with the share repurchase program, was submitted to the meeting:

*"The VÍS AGM held on March 20, 2019 agrees to decrease the Company's share capital from ISK 1,952,642,307 in nominal value to ISK 1,910,042,307 in nominal value, through the cancellation of own shares in the nominal value of ISK 42,600,000. The proposal is adopted subject to the approval of the Icelandic Financial Supervisory Authority, as required by EU Regulation No 2015/35, see Article 51 of Regulation No 585/2017, and the approval of the Icelandic Register of Companies. After obtaining the approval of the Financial Supervisory Authority, the Board of Directors shall be entitled to update the Company's Articles of Association in accordance with the reduction in share capital."*

The Chairman called for discussions on the proposal. No one requested the floor.

The Chairman then submitted the proposal to a vote of the shareholders, who approved it unanimously.

## **6 Proposals to amend the Company's Articles of Association**

The following proposals to amend the Company's Articles of Association were submitted to the meeting:

a) Update of Article 3 of the Company's Articles of Association as proposed under agenda item 5:

*"The share capital of the Company is ISK 1,910,042,307 - one billion nine hundred and ten million forty-two thousand and three hundred and seven Icelandic krónur - divided into an equal number of shares."*

The Chairman called for discussions on the proposal. No one requested the floor.

The Chairman then submitted the proposal to a vote of the shareholders, who approved it unanimously.

b) Update of Article 12 of the Company's Articles of Association:

*"The Board of Directors shall convene shareholders' meetings by an advertisement in newspapers or by an advertisement in the news system of the Iceland Stock Exchange.*

*The announcement of the meeting shall list the items of business to be discussed at the shareholders' meeting. If a motion to amend the Company's Articles of Association is to be considered at the meeting, the main substance of the motion shall be stated in the meeting announcement. However, the materials to be presented at the shareholders' meeting, such as financial statements and the report of the Board of Directors, the auditor's report, resolution proposals by the Board of Directors or, as the case may be, comments from competent bodies within the Company, proposal on a remuneration policy, and information on the total number of shares and votes on the date on which the meeting is convened, shall be published at least three weeks prior to the meeting. Each shareholder is entitled to have a specific matter dealt with at a shareholders' meeting if a written or electronic request for such is submitted to the Board of Directors with at least 10 days' notice.*

*The final agenda and list of motions shall be sent out one week prior to the shareholders' meeting."*

The Chairman called for discussions on the proposal. No one requested the floor.

The Chairman then submitted the proposal to a vote of the shareholders, who approved it unanimously.

b) Amendment of point 7 of Article 13 of the Company's Articles of Association:

*"7. A decision shall be taken on the fees to be paid to the Board of Directors, sub-committees of the Board of Directors and the Nomination Committee."*

The Chairman called for discussions on the proposal. No one requested the floor.

The Chairman then submitted the proposal to a vote of the shareholders, who approved it unanimously.

b) Amendment of Article 15.a. of the Company's Articles of Association:

*"The Company shall have a Nomination Committee. The Nomination Committee shall have the role of preparing elections to the Board of Directors of the Company and shall advise shareholders on the election of Board members at the Annual General Meeting or, as the case may be, shareholders' meetings where the election of Board members is on the agenda.*

*The objective of the Committee is to provide shareholders with enough information so that they can take an informed decision on the election of Directors. The Committee shall be composed of three members, elected at a shareholders' meeting. A special shareholders' meeting may be held to elect a Nomination Committee, such meeting to be held at least six months prior to the Annual General Meeting.*

*The majority of the members shall be independent of the Company and those charged with its day-to-day management. The assessment of the members' independence shall be based on the same criteria as that used for assessing the independence of members of the Board of Directors. Moreover, at least one Committee member shall be independent of shareholders who hold a qualifying holding in the Company, either by themselves or in partnership with others.*

*Board members, senior managers and other employees are not permitted to sit on the Committee."*

The Chairman called for discussions on the proposal. No one requested the floor.

The Chairman then submitted the proposal to a vote of the shareholders, who approved it unanimously.

e) Amendment of the fourth paragraph of Article 19 of the Company's Articles of Association:

*"Prospective candidates for seats on the Board of Directors shall notify the Nomination Committee of their candidacy no later than five days before the start of the shareholders' meeting on an appropriate form. The Nomination Committee shall review notifications of candidacy and grant to the parties in question, in a verifiable manner, an opportunity to remedy any defects in their announcements within a set deadline. Information on candidates to the Board of Directors shall be laid open for inspection by shareholders at the office of the Company no later than two days before a shareholders' meeting."*

The Chairman called for discussions on the proposal. No one requested the floor.

The Chairman then submitted the proposal to a vote of the shareholders, who approved it unanimously.

## **7 Proposal to amend the rules of procedure for the Nomination Committee**

The Board of Directors moved that the rules of procedure for the Nomination Committee should be amended in the manner proposed by the Board of Directors. Draft amendments to the rules of procedure for the Nomination Committee accompanied the proposal.

Valdimar Svavarsson presented the proposed amendments to the Nomination Committee rules of procedure, highlighting the following: The functions of the Committee will be simplified through amendments to the Company's Articles of Association; the members of the Committee will be three rather than three to five; specific provisions are introduced on the Committee's interaction with the Board of Directors and shareholders; it is suggested that the Committee should prepare a work plan and budget for its work.

The Chairman displayed the proposals on the screen. The Chairman called for discussions on the proposal. No one requested the floor.

The Chairman then submitted the proposal to a vote of the shareholders, who approved it unanimously.

## **8 A decision on the fees to be paid to the Board of Directors, sub-committees of the Board of Directors and the Nomination Committee**

The following proposal, on the fees to be paid to the Board of Directors, sub-committees of the Board of Directors and the Nomination Committee, were submitted to the meeting:

*"It is proposed that the monthly fee for members of the Board of Directors should be set at ISK 410,000 and double that amount for the Chairman. Alternate members of the Board are to be paid a one-time fee of ISK 410,000 at the beginning of the operating year and an additional ISK 115,000 for each meeting attended."*

*The fee for members of sub-committees and the Nomination Committee is set at ISK 95,000 for each formal committee meeting and double that amount for committee chairmen."*

Valdimar Svavarsson took the floor to explain the proposal presented by the Board.

The Chairman called for discussions on the proposal.

Árni Guðmundsson, Managing Director of the pension fund Gildi, took the floor. He expressed his concerns regarding the second paragraph of the Board's proposal concerning the fees to be paid to members of sub-committees and the Nomination Committee. He stated that he did not think he could vote for the proposal in the form presented, due the lack of clarity over the total fees that members would receive.

Haukur Hafsteinsson, Managing Director of the pension fund LSR, took the floor. He agreed with the concerns expressed by the previous speaker. He stated that a better arrangement

could be devised, for instance by placing a cap on the total fees paid to members. He stated that he was considering presenting an alternative proposal.

Svanhildur Nanna Vigfúsdóttir took the floor. She explained that the Board had expressed similar concerns and discussed the option of fixing the number of meetings or paying a fixed monthly amount that would take into account the fixed number of scheduled meetings.

Valdimar Svavarsson took the floor. He agreed with the views expressed by the previous speakers. He briefly explained the complexities that might result from fixing the amount of total fees. He stressed the importance of putting in place an arrangement that was practicable and that the shareholders considered acceptable.

Árni Guðmundsson and Haukur Hafsteinsson took the floor again. They both stressed the importance of having an element of predictability in the arrangement finally adopted.

The Chairman inquired if anyone else wished to speak on the matter.

The Chairman called a recess.

The Chairman took the floor. After the meeting reconvened, the Board of Directors presented an amendment to the proposal. The wording of the previous proposal remains, but with the following addition: *"However, fees shall not be paid for more than 9 meetings per year of the Audit Committee, 7 meetings per year of the Risk Committee, 5 meetings per year of the Compensation Committee, and 7 meetings of the Nomination Committee for each election to the Board of Directors."*

Thus, the proposal in its final form reads as follows:

*"It is proposed that the monthly fee for members of the Board of Directors should be set at ISK 410,000 and double that amount for the Chairman. Alternate members of the Board are to be paid a one-time fee of ISK 410,000 at the beginning of the operating year and an additional ISK 115,000 for each meeting attended.*

*The fee for members of sub-committees and the Nomination Committee is set at ISK 95,000 for each formal committee meeting and double that amount for committee chairmen. However, fees shall not be paid for more than 9 meetings per year of the Audit Committee, 7 meetings per year of the Risk Committee, 5 meetings per year of the Compensation Committee, and 7 meetings of the Nomination Committee for each election to the Board of Directors."*

The Chairman then submitted the proposal to a vote of the shareholders, who approved it unanimously.

## **9 Election of the Board of Directors.**

According to the Company's Articles of Association, the Board of Directors shall be composed of five principal members and two alternate members.

Sandra Hlíf Ocares, Chairman of the Nomination Committee, took the floor to give a summary of the work performed by the Committee and to present its findings.

The following persons stood for election to the Board of Directors:

### Principal Members

Gestur Breiðfjörð Gestsson

Marta Guðrún Blöndal

Svanhildur Nanna Vigfúsdóttir

Valdimar Svavarsson

Vilhjálmur Egilsson

Alternate Members

Sveinn Friðrik Sveinsson

Valgerður Halldórsdóttir

The Chairman declared that the above persons were appointed to the Board of Directors without the need for a vote as there were no other candidates.

**10 Election of auditors**

The following proposal, on the election of auditors for the Company, was submitted to the meeting:

*"The Board of Directors moves that PricewaterhouseCoopers ehf. remain the auditor of VÍS."*

The Chairman called for discussions on the proposal or the alternative proposal of K2B. No one requested the floor.

The Chairman then submitted the proposal to a vote of the shareholders, who approved it unanimously.

**11 Election of the Nomination Committee**

The following proposal, on the election of the Company's Nomination Committee, was submitted to the meeting:

*"The Board of Directors moves that three persons should be elected as members of the Company's Nomination Committee for the ensuing year of operations."*

The following persons stood for election to the Nomination Committee:

Engilbert Hafsteinsson

Gunnar Egill Egilsson

Sandra Hlíf Ocares

The Chairman declared that the above persons were appointed to the Nomination Committee without the need for a vote as there were no other candidates.

**12 Proposal for an authorisation to purchase own shares**

The following proposal of the Board of Directors, on an authorisation to purchase own shares, was submitted to the meeting:

*"The Board of Directors of the Company shall be authorised to purchase, over the next 12 months, shares in the Company for the purpose of making a market in the Company and/or instituting a formal repurchase program, so that the Company together with its subsidiaries will own, subject to fulfilment of all relevant legal requirements, up to 10% of its share capital. The authorisation to repurchase shares for the purpose of reducing the amount of outstanding shares is subject to the approval of the Icelandic Financial Supervisory Authority. The price paid for repurchased shares shall not exceed the price paid in the most recent independent transaction or the highest independent quoted price in the Iceland Stock Exchange, whichever is higher. However, such purchases are permitted if carried out by a market maker in accordance with Article 116 of the Act on Securities Transactions or under point 1 of the third paragraph of Article 115 and the second paragraph of Article 119 of the*

*Act on Securities Transactions and regulations issued under Articles 118 and 131 of the same Act."*

Also submitted to the meeting was the following alternative proposal presented by K2B fjárfestingar ehf.:

*"The Board of Directors of the Company shall be authorised to purchase, over the next 12 months, shares in the Company for the purpose of i) making a market in the Company, ii) instituting a formal repurchase program and/or iii) making an offer to shareholders generally for the repurchase of their shares, e.g. by means of a tender offer, provided that the principle of equal treatment of shareholders is observed in issuing such offer, so that the Company together with its subsidiaries will own, subject to fulfilment of all relevant legal requirements, up to 10% of its share capital. The authorisation to repurchase shares for the purpose of reducing the amount of outstanding shares is subject to the approval of the Icelandic Financial Supervisory Authority. The price paid for repurchased shares shall not exceed the price paid in the most recent independent transaction or the highest independent quoted price in the Iceland Stock Exchange, whichever is higher. However, such purchases are permitted if carried out by a market maker in accordance with Article 116 of the Act on Securities Transactions or under point 1 of the third paragraph of Article 115 and the second paragraph of Article 119 of the Act on Securities Transactions and regulations issued under Articles 118 and 131 of the same Act." This authorisation shall be valid until the next Annual General Meeting to be held in 2020, and in any event not beyond March 31, 2020. Previous authorisations to repurchase shares shall be cancelled on the approval of this authorisation."*

Svanhildur Nanna, in her capacity as shareholder, took the floor to explain the amending proposal.

The Chairman called for discussions on the proposal or the alternative proposal of K2B. No one requested the floor.

The Chairman then submitted the alternative proposal to a vote of the shareholders, who approved it unanimously.

### **13 Other lawfully submitted business**

No further proposals were on the agenda and the Chairman opened the floor for discussion.

Árni Guðmundsson, Managing Director of the pension fund Gildi, took the floor. He thanked the Board of Directors for giving a detailed account of the implementation of the remuneration policy and for having in place a clear policy on the issue of compensation.

No further items were on the agenda.

The Chairman and Secretary for the meeting were authorised to finalise the minutes of the meeting. The minutes were read out for those who so requested. There being no further business, the meeting was adjourned at 17:35 p.m.

Gunnar Sturluson, Meeting Chairman (sign)

Vilhjálmur Herrera Þórisson, Secretary (sign)

**AGM meeting materials:**

Meeting announcement and agenda

Declaration of candidacy for the Board of Directors

Proposals by the Board of Directors

Shareholder rights at annual general meetings

Summary of major shareholders

The Company's remuneration policy

Candidates for the Board of Directors

Nomination Committee rules of procedure

Report of the Nomination Committee

AGM proxy form

Amendment to proposal on authorisation to purchase own shares

The Company's remuneration report