

NOMINATION COMMITTEE REPORT 2019

Role

The objective of the Nomination Committee is to establish a transparent and clear procedure for the nomination of Board Members at the Company's Annual General Meeting. The procedure is intended to enable the shareholders to take a more informed decision regarding whom to elect for Board Membership.

The Committee's objective is also to ensure that the Company's Board is sufficiently diverse, when it comes to capabilities, experience and knowledge. Also that the Board Members' capabilities are usable for the Company and its subsidiaries.

The Nomination Committee has an advisory role regarding the election of Board Members by putting forth a proposal at the Annual General Meeting. The Nomination Committee shall take into account the overall interests of the Company's shareholders. Further information regarding the Committee's role may be found in its rules of procedure, accessible on Skeljungur's webpage, and in the Icelandic Chamber of Commerce, SA Business Iceland and Nasdaq Iceland's Corporate Governance Guidelines (the Guidelines).

Composition

The members of the Nomination Committee during the period 2018-2019 were Katrín S. Óladóttir, CEO of Hagvangur recruitment, Trausti Fannar Valsson, Associate Professor at the law faculty of the University of Iceland, and Jens Meinhard Rasmussen, board member of the Board of Skeljungur. At the Committee's first meeting, Katrín was re-elected as its chairman and Gróa Björg Baldvinsdóttir, head of legal at Skeljungur, was elected as the Committee's secretary.

All Committee members are independent of the Company and its managers. All Committee members are also independent of the Company's significant shareholders.

Main activities during the year

When this report is published the Committee has met six times. An additional meeting will be held if new nominations or applications for Board Membership are received. At the meeting the Committee conducted the following business:

Meeting date	Main activities
January 22, 2019 (Meetings in the absence of the board member.)	<ul style="list-style-type: none">• Elected a Chairman and a Secretary.• Approved a meeting schedule.• Meetings with each Board Member. Information gathered on the Board's work and the Board Members' view on its upcoming tasks. Inquiries regarding the

	<p>current Board Members' candidacy for 2019.</p> <ul style="list-style-type: none"> Letters to the biggest shareholders of the Company discussed, offer the shareholders meetings with the Committee and invite shareholders to send comments on the Board. Decided to send the letters out January 24th, 2019.
<p>January 29, 2019</p> <p>(Meeting in the absence of the board member.)</p>	<ul style="list-style-type: none"> A meeting with the Company's CEO. An introduction to the Company, its strategy, environment and main risk factors. The CEO's view on the Board. The Board's yearly self-assessment reviewed.
<p>January 30, 2019</p>	<ul style="list-style-type: none"> Criteria regarding the Board's necessary skills, experience and knowledge defined. Forms for applications / nominations updated, re-published on the Company's website.
<p>January 31 and February 5, 2019</p> <p>(Meetings in absence of the board member and one of the committee members.)</p>	<ul style="list-style-type: none"> Chairman of the Committee met with shareholders that had requested a meeting.
<p><i>The evaluation of the independence of the current Board members was completed on February 1th, 2019 in relation to the Company's Corporate Governance Statement.</i></p>	
<p>February 13, 2019</p> <p>(Partially in the absence of the board member.)</p>	<ul style="list-style-type: none"> Gender quota reviewed. The current board members' independence, skills, experience evaluated.
<p>February 20, 2019</p>	<ul style="list-style-type: none"> The candidates' skills, experience and knowledge evaluated. A draft proposal to the AGM prepared. The need for changes to the Committee's Rules of Procedures assessed. The Committee's self-evaluation. A draft report to the AGM prepared.
<p><i>A final proposal to the AGM regarding Board Members and a final version of the Committee's report approved via email on March 1, 2019.</i></p>	
<p>March 13, 2019</p>	<ul style="list-style-type: none"> <i>New candidacies will be reviewed, if announced.</i> <i>A change to the Committee's proposal will be made, if necessary.</i> <i>A presentation for the AGM prepared.</i>



Main conclusions of the Committee

I. The Committee's definition of key skills, experience and knowledge of value for the Board of Skeljungur.

The Nomination Committee has defined the following key skills, experience and knowledge of value for the Board of Skeljungur:

- a) *Management experience*
- b) *Policy making and planning*
- c) *Marketing*
- d) *Legal skills*
- e) *Experience of international business*
- f) *Financial management*
- g) *Knowledge and experience in investment and the financial market*
- h) *Risk management*
- i) *Change management*
- j) *Domestic or international experience or technical knowledge in the field of the business or other areas of the energy sector*
- k) *Knowledge of the Faroe Island commercial or regulatory environment*
- l) *Knowledge and experience of innovation*
- m) *Experience in retail business*
- n) *Other matters which the candidate deems relevant*

Whilst evaluating the nominations and applications for the Board, the Committee seeks to ensure that the Board forms a strong and professional unit, beneficial to the Company and its shareholders. The Board Members shall preferably have skills, experience and knowledge in any of the abovementioned areas and most of the key factors shall be reflected in the Board. Other aspects, such as knowledge of the Company's operations, a continuity in the management, a candidate's capacity to handle the challenging tasks of the board, gender quotas etc. are also assessed in the making of the Committee's proposal.

II. Skeljungur's Board of Directors 2018-2019

- Jón Diðrik Jónsson, Chairman.

Jón Diðrik is the owner/CEO of Draupnir Fjárfestingafélag ehf. and one of the owners and the CEO of Sena ehf. During 2005-2007 he was the Executive Vice president of Investment and Corporate Banking at Glitnir bank and later CEO of Glitnir Iceland. Before that he was the CEO of Ölgerð Egils Skallagrímssonar from 2001. Between 1990 and 2001 Jón Diðrik had various managerial roles within Coca-Cola International in Europe and Asia. Jón Diðrik has a B.Sc. degree in marketing from Florida Institute of Technology, a Master in Int'l Management, Thunderbird School of Global Management, and an Owner/President Management (OPM) degree from Harvard Business School

Jón Diðrik owns ca 98% share in Draupnir fjárfestingarfélag ehf., which holds ca 1% share in Skeljungur.

It is the conclusion of the Nomination Committee that according to the Guidelines that Jón Diðrik is independent of the Company, its managers and significant shareholders.

- Birna Ósk Einarsdóttir, Vice-Chairman.

Birna Ósk Einarsdóttir is the Head of Customer Experience at Icelandair hf. Previously she was the Chief Business Development and Strategy Officer at Icelandair hf., 2018, Director of marketing and business development at Landsvirkjun, from 2017-2018, and prior to that Birna had various roles within Síminn hf. since 2001 among them managing director of sales and service, head of marketing, head of project management, human resources and public relations.



Birna has an AMP degree from IESE Business School, M.Sc. degree in Strategic Management from the University of Iceland and a B.Sc. degree in Business Administration from Reykjavík University.

Birna does not own shares in Skeljungur.

It is the conclusion of the Nomination Committee that according to the Guidelines that Birna is independent of the Company, its managers and significant shareholders.

- Gunn Ellefsen, director.

Gunn Ellefsen is a lawyer and one of the partners at the law firm Advokatfelagið við Strond 4 in the Faroe Islands, since 2012, after having practise law since 2004, thus with vast experience in this area. Gunn further has various experience from the public sector working for the Office of the Faroese Prime Minister. Gunn is a board member at Sp/f Advokatsmápartafelagið Gunn Ellefsen and Advokatfelagið við Strond 4 Í/F. Gunn is also an examiner at Faroes University and the Chairman of the Faroese Handball Association. Gunn has a Cand. Jur. degree from the University of Copenhagen.

Gunn does not own shares in Skeljungur.

It is the conclusion of the Nomination Committee that according to the Guidelines that Gunn is independent of the Company, its managers and significant shareholders.

- Jens Meinhard Rasmussen, director.

Jens Meinhard Rasmussen is the CEO of Skansi Offshore, which is a company servicing the offshore oil- and gas industry, since 2006. Previously Jens Meinhard was a shipbroker at Atlantic Shipping AS and before that first officer on Bornholmstrafiken. Jens Meinhard is also the Chairman of the Board of Smyril Line and the Shipowners of the Faroe Islands, along with being a board member at the International Chamber of Shipping. Jens Meinhard has a cand. jur. degree from the University in Copenhagen and is a master mariner from Vinnuháskúlin Tórshavn.

Jens Meinhard does not own shares in Skeljungur.

It is the conclusion of the Nomination Committee that according to the Guidelines that Jens Meinhard is independent of the Company, its managers and significant shareholders.

- Baldur Már Helgason.

Baldur is a Managing Director of Reginn hf. Previously he was a Managing director of Eyja fjárfestingarfélag, 2017-2019, private equity investment manager at Auður Capital 2009-2016. Loan and investment manager at Íslandsbanki 2000-2009. Baldur serves on boards of directors of various companies on behalf of Eyja fjárfestingarfélag, additional Baldur is alternate board member at Sýn hf. Baldur has a C.s. degree in mechanical- and industrial engineering and certification as a securities broker.

Baldur does not own shares in Skeljungur.

It is the conclusion of the Nomination Committee that according to the Guidelines that Baldur Már is independent of the Company, its managers and significant shareholders.

The gender quota is met as the Board is composed of two women and three men.

III. Candidature that the Nomination Committee received

The Committee received three applications from the current Board Members; Birna Ósk Einarsdóttir, Jens Meinhard Rasmussen and Baldur Már Helgason. Neither Jón Diðrik Jónsson nor Gunn Ellefsen submitted an application to stand as a candidate.

- The Committee refers to the review of the current Board Members, under point II above.

The Committee also received applications to stand as candidate from Ata Bærentsen, Kjartan Örn Sigurðsson and Kristján Geir Gunnarsson.

- Ata Bærentsen

Ata is a Senior Legal Counsel and Board 's and Management 's Secretary at NNIT A/S, which is a listed Danish IT company. Before Ata was a Senior Legal Counsel at Copenhagen Airports (A/S), Attorney at law at Gorrissen Federspiel law firm (Copenhagen), Legal counsel at the Ministry of Foreign Affairs of Denmark and Legal assistant for a Faroese MP in the Danish Parliament. Ata has, due to her education and work experience of Faroese, Danish and international legal environment, among other things knowledge in the field of sea and air transport, business and corporate operations. Furthermore, Ata also has considerable experience of working with management and board of large companies and advising on such jobs. Ata is Faroese, she graduated with a BA degree from Copenhagen University in 2007, Master of Laws (cand.jur), from the same university in 2010 and in 2014 Attorney-at-law, The Danish Bar and Law Society.

Ata does not own shares in Skeljungur.

It is the conclusion of the Nomination Committee that according to the Guidelines that Ata is independent of the Company, its managers and significant shareholders.

- Kjartan Örn Sigurðsson

Kjartan Örn is a Managing Director at SRX ehf. and Managing Director of Verslanagreining hf. Previously, he was, among other things, the market manager for B&L, Managing Director of Strax Ltd. in Eurpoe and the CEO of Egilsson hf. Kjartan therefore has extensive experience in management, corporate development, corporate restructuring and in retail business. Kjartan has also served on the boards of various organizations and companies, among other things, the board of Samtök atvinnulífsins, member of the representative council of Samtök atvinnulífsins, member of a town council and on the Board of Stætó bs. Kjartan Örn is a political scientist with MBA degree from the University of Iceland.

Kjartan does not own shares in Skeljungur.

It is the conclusion of the Nomination Committee that according to the Guidelines that Kjartan Örn is independent of the Company, its managers and significant shareholders.

- Kristján Geir Gunnarsson

Kristján Geir Gunnarsson is the CEO of Oddi umbúðir og prentun ehf. Previously, he was among others Managing Director of Sales division of the same company, Managing Director of Marketing and Sales at Núi Sírius hf., Market Consultant at Íslenska auglýsinagstofan, Brand Manager at Ölgerðin hf. and Managing Director at Ferskar kjötvörur ehf. Kristján therefore has extensive experience in management, corporate development, business restructuring, marketing, brand development and retail business. Kristján has also served on the boards of organizations, he is a member of the board of directors of Stjórnvísi and was previously a board member of ÍMARK. Kristján Geir is an industrial engineer from the University of Reykjavík, with a BSc in International Marketing from the same school and MBA degree from Copenhagen Business School.

Kristján Geir does not own shares in Skeljungur.



Oddi umbúðir og prentun ehf. has a contract with Skeljungur, fuel purchase agreement. This agreement does not involve a significant trading nor is it of such a nature that it has a significant impact on the operation, neither in the case of Skeljungur hf. nor Oddi umbúðir og prentun ehf.

It is the conclusion of the Nomination Committee that according to the Guidelines that Kristján Geir is independent of the Company, its managers and significant shareholders.

IV. Evaluation of candidacies

When forming a proposal for the composition of the Board, the Nomination Committee looks towards the upcoming tasks facing Skeljungur and that the Board, as a whole, is sufficiently diverse, when it comes to capabilities, experience and knowledge. The Committee looks to the key-elements defined in point I. above. It is however not the goal with the Committee's proposal that each and every element is reflected in the Board. The aim of the proposal is that the capabilities, experience and knowledge of the Board is likely to support prosperous operations and development of Skeljungur hf., to benefit the Company and its shareholders.

The Nomination Committee reviewed the three applications from the current Board Members. It is the conclusion of the Committee that important key-knowledge and experience, which the Board had previously defined (point I), were to find among those candidates. It is the conclusion of the Committee that their capabilities, experience and knowledge in these fields, along with their current knowledge of the Company's operations, are beneficial to the Company and its shareholders in the year 2019.

The Nomination Committee considers it to be important for Skeljungur hf. and the Company's operations that within the Board of Directors is appropriate knowledge of law. The Nomination Committee also considers it important that the board has appropriate knowledge of the Faroese and international legal and business environment. In this light, the committee considers that Ata Bærentsen's competence capabilities, experience and knowledge is important for the board of Skeljungur hf. Other candidates do not have comparable qualifications in this respect. It also matters that Gunn Ellefsen did not submit an application to stand as candidate.

The Committee considers it important for Skeljungur and the operations of the Company, not the least in the Icelandic market, to seek to ensure knowledge of the management of companies, change management and retail business in the board of Skeljungur. In its opinion, the Committee has not the least looked at the latter aspect. Both candidates, Kristján Geir and Kjartan Örn, come out strong in regard to these strengths. The Committee therefore particularly welcomes the fact that such professionally strong managers have a mindset to become a board member of Skeljungur. However, it is the conclusion of the Committee's assessment, taking into account the overall composition of the Board, to propose to the Annual General Meeting that Kristján Geir Gunnarsson should be elected to the Board of Directors. In this context, the Committee has preferably considered their experience, among other things on leadership and decision making, which Kristján Geir has from his experience of organizing operations in the retail business.

The Committee's conclusion is that Ata Bærentsen and Kristján Geir Gunnarsson are very compatible with the key-elements previously defined (point I) and also very fitting against the capabilities, experience and knowledge represented by other candidates. The Committee's proposal to the AGM is therefore that Ata and Kristján Geir will be elected to the Board of Directors of Skeljungur along together with the three board members that have expressed an interest in continuing their board membership. With regards to the tasks and challenges facing Skeljungur and with respect to the candidates experience and knowledge of the Company, the Committee concluded that these candidacies would ensure a diversity in capabilities, experience and knowledge. Also, that the candidates' competence is beneficial to the Company and its subsidiaries and would ensure the interests of the 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.

No other applications or nominations have been received by the Board when this report is published. The Nomination Committee points out that the Committee will review candidacies received until two weeks before the AGM and reserves the right to change its proposal until ten days before the AGM. Candidates can however send in their declarations of candidacy until five days before the meeting and such candidacies are fully legit. Such candidacies can however not be reviewed by the Nomination Committee and can therefore not be the subject of the Committee's proposal. Forms for nominations and declarations of candidacy are accessible on Skeljungur's website.

V. The Nomination Committee's Rules of Procedure

The Nomination Committee does not propose any changes to its Rules of Procedure.

The Nomination Committee's proposals to the Annual General Meeting 2019

I. Proposal regarding the Chairman of the meeting.

The Nomination Committee proposes that Mr. Viðar Lúðvíksson, will be elected as the Chairman of Skeljungur's Annual General Meeting 2019.

II. Proposal regarding the Board of Directors

The Nomination Committee proposes that the following candidates will be elected to the Board of Directors of Skeljungur hf.:

- Ata Bærentsen
- Baldur Már Helgason
- Birna Ósk Einarsdóttir
- Jens Meinhard Rasmussen
- Kristján Geir Gunnarsson

Reykjavík, March 1, 2019

Jens Meinhard Rasmussen
Katrín S. Óladóttir
Trausti Fannar Valsson



Skeljungur

Appendixes:

- I. Rules of Procedure
- II. Nomination Committee Members, beside the board member
- III. Declaration of candidacy / nomination form
- IV. Current Board of Skeljungur



Appendix I

STARFSREGLUR TILNEFNINGARNEFNDAR SKELJUNGS HF.

RULES OF PROCEDURE FOR SKELJUNGUR HF.'S NOMINATION COMMITTEE

1. Markmið Objectives

Markmið með skipun tilnefningarnefndar er að koma á gagnsæju og skýru fyrirkomulagi tilnefninga stjórnarmanna á aðalfundi félagsins, sem m.a. skapar hluthöfum þess forendur fyrir upplýstri ákvarðanatöku.

The goal of establishing a Nomination Committee is to establish a transparent and clear procedure for the nomination of Board Members at the Company's Annual General Meeting. The procedure is intended to enable the shareholders to make a more informed decision regarding Board Membership.

Einnig er það markmið með skipun nefndarinnar að tryggja að stjórn félagsins hafi yfir að búa breidd í hæfni, reynslu og þekkingu. Jafnframt að færni stjórnarmanna sé af þeim toga að hún nýtist félaginu og dótturfélögum þess.

A second goal is to ensure that the Company's Board is sufficiently diverse, when it comes to capabilities, experience and knowledge. Also that the Board Members' capabilities are usable for the Company and its daughter companies.

2. Hlutverk og skyldur Role and obligations

Tilnefningarnefnd hefur ráðgefandi hlutverk við val á stjórnarmönnum og leggur tillögur þess efnis fyrir aðalfund. Við framkvæmd starfa sinna skal tilnefningarnefnd taka mið af heildarhagsmunum hluthafa félagsins

The Nomination Committee has an advisory role regarding the election of Board Members by putting forth a proposal at the Annual General Meeting. The Nomination Committee shall take into account the overall interests of the Company's shareholders.

Hlutverk nefndarinnar felst m.a. í eftirfarandi:
The Committee's role is e.g.:

- Mat á því hvort starfsreglur nefndarinnar séu fullnægjandi og framlagning tillögu um breytingu á starfsreglunum fyrir aðalfund, ef þörf krefur.
Evaluation of the Committees Code of Conduct and putting forth an amendment proposal at the Annual General Meeting, if it sees fit.
- Að óska eftir tillögum að stjórnarmönnum frá hluthöfum, tímanlega fyrir aðalfund félags.
Requesting proposals from the shareholders, regarding Board Members, in a timely manner before the Annual General Meeting.
- Að taka á móti framboðum og tillögum hluthafa og annarra að stjórnarmönnum.



Receiving declarations of candidacy and proposals from shareholders and others regarding Board Members.

- d) Mati á hæfni, reynslu og þekkingu tilvonandi stjórnarmanna, m.a. út frá leiðbeiningum Viðskiptaráðs Íslands, Nasdaq Iceland og Samtaka atvinnulífsins um stjórnarhætti fyrirtækja¹, hvað varðar stærð og samsetningu stjórnar, og út frá árangursmati stjórnar, hvað varðar samsetningu stjórnar og hæfni stjórnarmanna.

Assessing prospective Directors based on capabilities, experience and knowledge of potential Board Members, e.g. with regards to the ICC and other's guidelines on corporate governance (the Guidelines), regarding the size and combination of the Board, and with regards to the Board's performance analysis, regarding the combination of the Board and the competence of the Board Members.

- e) Mati á óhæði tilvonandi stjórnarmanna, í samræmi við leiðbeiningar VÍ o.fl.

Evaluating the independence of prospective Directors, with regards to ICC and other's guidelines on corporate governance.

- f) Að gæta að lögbundnum kynjahlutföllum í stjórn félagsins.

Ensure that statutory demands regarding gender ratios are met.

- g) Kynningu á öllum framboðum til stjórnarsetu á aðalfundi.

Presenting all candidates for Board Membership at the Annual General Meeting.

- h) Gerð skriflegrar skýrslu til aðalfundar um það hvernig nefndin hafi hagað störfum sínum, auk kynningar á þeirri skýrslu á aðalfundi.

Delivering a written report to the Annual General Meeting regarding the Committee's work and presenting the report at the meeting.

- i) Gerð rökstuddrar, skriflegrar tillögu til aðalfundar um kosningu stjórnarmanna, byggðri á ofangreindum atriðum, auk kynningar á þeirri tillögu á aðalfundi.

Delivering a reasoned, written proposal to the Annual General Meeting regarding Board Membership, based on the above mentioned criteria, and to present the proposal at the meeting.

- j) Ef til þess kemur að stjórnarmaður láti af störfum á starfstímabilinu, að tilnefna nýjan stjórnarmann í samræmi við ofangreind viðmið og leggja fyrir sérstakan hluthafafund, verði stjórn við brotthvarfið ekki lengur ákvörðunarþær eða komi um það beiðni frá stjórn.

If a Director leaves the Board during the year, to propose a new Director to a special shareholders' meeting, according to the criteria above.

3. Skipan Appointment

Í auglýsingu til hluthafafundar, skemmst þremur vikum fyrir fund, þar sem kjör tilnefningarnefndar er á dagskrá skal stjórn óska eftir framboðum til tilnefningarnefndar sem berast skulu stjórninni eigi síðar en fimm dögum fyrir fund. Framboð og tillögur að nefndarmönnum skulu liggja fyrir á vefsíðu félagsins eigi síðar en tveimur dögum fyrir hluthafafund. Nefndarmenn skulu kosnir til eins árs í senn. Tvo nefndarmenn skal hluthafafundur kjósa en nýkjörin stjórn félagsins skal skipa einn úr stjórn í nefndina í kjölfar hluthafafundar. Fyrirkomulag samþykktu um kosningu stjórnarmanna, og um framkvæmd kosningar, skal gilda um kosningu nefndarmannanna tveggja í tilnefningarnefnd. *In the advertisement regarding a shareholders' meeting, at latest three weeks before a meeting, where the election of a Nomination Committee shall take place, the Board shall call for declarations of candidacy for the Nomination Committee, which shall be delivered no later than five days before*

¹ Hér eftir vísað til sem leiðbeininga VÍ o.fl.



the meeting. Proposals regarding committee members shall be available on the Company's website no later than two days before the meeting. The Committee is established for one year at a time. Two committee members are elected by the shareholders' meeting and the new Board elects one of their own after the shareholders' meeting. The arrangement regarding the shareholders' voting of Committee Members shall be the same as for voting Board Members, according to the Articles of Association.

Tilnefningarnefnd skal skipuð þremur mönnum. Meirihluti nefndarinnar skal vera óháður féluginu og daglegum stjórnendum þess. Í það minnsta einn nefndarmanna skal vera óháður stórum hluthöfum félagsins. Við mat á óhæði skal miðað við leiðbeiningar Viðskiptaráðs Íslands, Nasdaq Iceland og Samtaka atvinnulífsins um góða stjórnarhætti.

The Nomination Committee shall consist of three members. The majority of the Committee shall be independent of the company and its day-to-day management. At least one member shall be independent of the Company's major shareholders. The evaluation of independence shall be based on the ICC and others' guidelines on corporate governance.

Nefndarmenn skulu hafa þekkingu og reynslu í samræmi við störf nefndarinnar. Leitast skal við að í nefndinni sitji einn aðili er hefur reynslu af ráðningum eða hæfisnefndum og einn lögfróður aðili. Þriðji nefndarmaðurinn skal vera stjórnarmaður. Hvorki stjórnendur félagsins né starfsmenn þess skulu eiga sæti í tilnefningarnefnd. Nýir nefndarmenn skulu fá leiðsögn og upplýsingar um störf og starfshætti nefndarinnar.

The Committee Members shall have the knowledge and experience to carry out the committee's role. The Committee shall preferably consist of a person with experience with recruitment and a lawyer. The third Member shall be a Board Member. Neither the Company's management nor its employees shall be members of the Committee. New Committee Members shall receive information and guidance on the work and procedures of the committee.

Tilnefningarnefnd skal, á fyrsta fundi sínum eftir aðalfund, kjósa sér formann úr hópi nefndarmanna. Stjórnarmaður félagsins skal ekki gegna formennsku í nefndinni. Jafnframt skal nefndin útnefna ritara nefndarinnar.

The Nomination Committee shall, at its first meeting after the Annual General Meeting, elect a Chairman. The Board Member may not be the Chairman of the Committee. The Committee shall also elect a secretary.

Starfskjör nefndarmanna skulu ákveðin á aðalfundi.

The Committee's remuneration shall be decided at the Annual General Meeting.

4. Heimildir **Authorizations**

Tilnefningarnefnd er veitt heimild til að:

The Nomination Committee is authorized to:

- a) afla faglegar ráðgjafar sem hún telur nauðsynlega til að sinna hlutverki sínu. Ráðgjafar skulu vera óháðir féluginu, daglegum stjórnendum og þeim stjórnarmönnum sem ekki eru óháðir. Það er nefndarinnar að ganga úr skugga um óhæði ráðgjafa þessara. Við mat á óhæði ráðgjafa skal miðað við sömu sjónarmið og þegar óhæði stjórnarmanna er metið. Öflun faglegar ráðgjafar skal tilkynna forstjóra félagsins með formlegum hætti



hire a professional advice as it deems necessary to carry out its role. The Advisors shall be independent of the Company, its day-to-day management and those Board Members who are not independent. It is the Committee's role to ensure the independence of the advisors. The evaluation shall be based on the evaluation of Board Members. The hiring of advisors shall be formally reported to the CEO.

- b) hafa samband við hluthafa í tengslum við framkvæmd starfa sinna
to contact the shareholders, in relations to the Committee's work
- c) hafa óheftan aðgang að stjórn og stjórnendum
have free access to the Board and the management
- d) fá ótakmarkaðan aðgang að upplýsingum sem hún telur nauðsynlegar til að sinna hlutverki sínu
get unlimited access to the information it deems necessary to fulfill its functions

5. Fundir

Meetings

Nefndin skal halda fundi eftir þörfum. Formaður nefndarinnar stýrir fundum hennar. Ritari nefndarinnar skal rita fundargerðir, sem skulu einungis aðgengilegar nefndarmönnum nema nefndin ákveði annað.

The Committee shall hold meetings when it considers it necessary. The Chairman of the Committee manages its meetings. The Secretary shall take minutes, which shall only be accessible to the Committee Members, unless they decide otherwise.

Að minnsta kosti einn fundur skal haldinn án aðkomu stjórnarmanns nefndarinnar.
At least one meeting shall be held without the presence of the Board Member.

6. Þagnar- og trúnaðarskylda

Confidentiality

Á tilnefningarnefndarmönnum hvílir þagnar- og trúnaðarskylda um störf sín, málefni fyrirtækisins og önnur atriði sem þeir fá vitneskju um í starfi sínu og leynt skulu fara samkvæmt samþykktum Skeljungs, lögum eða eðli máls. Þagnar- og trúnaðarskylda helst þótt látið sé af starfi. Öll gögn skulu varðveitt með tryggilegum hætti.

Committee Members are to uphold a confidentiality agreement on their work, the Company's matters and other items as they become aware of in their work and must be kept confident in accordance with the Company's articles, the law or the nature of the case. Professional secrecy and confidentiality remains even after the termination of employment. All data shall be kept in a secure manner.

7. Birting upplýsinga

Publication of information

Tilkynna skal um skipun nefndarmanna á vefsíðu félagsins strax í kjölfar aðalfundar. Einnig skulu þar birtar upplýsingar um það hvernig hluthafar geta lagt fram tillögur fyrir tilnefningarnefndina eða komið að athugasemdum sínum varðandi stjórn félagsins og um það hvernig aðrir geta komið framboðum sínum á framfæri.

The appointment of Committee Members shall be announced on the Company's website following the Annual General Meeting. Information on how shareholders can make proposals to the



Committee or make comments regarding the Company's Board and on how prospective Directors can contact the Committee, shall also be published on the website.

Tillaga tilnefningarnefndar skal send ásamt fundarboði til hluthafafundar, skemmst þremur vikum fyrir fund þar sem stjórnarkjör er á dagskrá. Þar skal jafnframt bent á unnt sé að senda inn framboð til stjórnar þar til fimm dögum fyrir fundinn en að tilnefningarnefnd geti ekki, vegna eðlis og umfangs starfa nefndarinnar, lagt mat á framboði sem berast eftir að tvær vikur eru til fundarins. Eins að nefndin áskilji sér rétt til þess að breyta framkominni tillögu þar til tíu dagar eru til fundarins. Skal tillaga nefndarinnar um stjórn félagsins jafnframt birt á vefsíðu félagsins í kjölfar útsendingar fundarboðsins.

In the advertisement regarding a shareholders' meeting, at latest three weeks before a meeting, where the election of a Board Member shall take place, the Committee shall publish its proposal. There it shall also be stated that candidates can nevertheless send in their declarations of candidacy until five days prior to the meeting. Because of the nature and scope of the Committee's work it however cannot evaluate candidates who are presented later than two weeks before the meeting. The Committee reserves the right to change its proposal until ten days before the meeting. The Committee's proposal to the shareholders regarding Board Members shall be available on the Company's website following its publishing to the stock market.

Starfsreglur þessar skulu birtar á heimasíðu félagsins.

This Code of Conduct shall be published on the Company's website.

* * *

Þannig samþykkt á aðalfundi, þann 16. mars 2017.
So approved by the Annual General Meeting, March 16, 2017

Undir ritar stjórn eða prókúruhafi:
Signatures of the Board of Directors or the Procuration Holder:



Skeljungur

Appendix II

Members of the Nomination Committee, beside the board member:

Katrín S. Óladóttir

Katrín S. Óladóttir has worked at Hagvangur recruitment since 1983, first as a hiring manager and then she became a partner in 1986. From 2003 she has been the CEO and taking care of its daily operations. She specializes in evaluation and hiring of key management both at private companies and public institutions. Katrín has also a long experience of nominations of board members.

Katrín does not own shares in Skeljungur.

Katrín is independent of the Company, its managers and significant shareholders in the Company, according to the definition in the Guidelines.

Trausti Fannar Valsson

Trausti Fannar Valsson is an assistant professor at the law faculty of the University of Iceland. Previously he worked at the Althing Ombudsman and prior to that he was the legal counsel of the Icelandic Association of Local Authorities. Trausti has a Cand. Jur degree from the University of Iceland. Trausti is experienced with nomination committees within the administration.

Trausti Fannar does not own shares in Skeljungur.

Trausti Fannar is independent of the Company, its managers and significant shareholders in the Company, according to the definition in the Guidelines.



Appendix III

Candidates for the Board of Skeljungur hf.

Note that candidates may also send a separate CV and refer to it for factors that are given in this form, as appropriate.

Name of candidate: _____

Id number: _____

Address: _____

Education: _____

Primary occupation: _____

Career: _____

When did the candidate first become a member of the board of Skeljungur, if applicable: _____

Other positions of trust, such as on other Boards or committees: _____

Shares in the company directly or through related parties: _____

Connections with a) main clients², b) main competitors³ or c) major shareholders in the Company⁴:

a) _____

b) _____

c) _____

² Referring to big purchasers and suppliers of fuel and other oils, big purchasers of fertilizer or chemical products for industrial and food production. Also big purchasers or suppliers of house heating products or on the retail market in the Faroe Islands.

³ The company operates mainly in the field of purchasing, inventory, distribution and sale of fuel and other oils, fertilizers and chemical products, in Iceland, and in the area of purchasing, inventory, distribution and sale of fuel and other oils, convenience stores and sales of heating equipment in the Faroe Islands.

⁴ This refers to the shareholders holding at least 10% of the total share capital or voting rights in the company, alone or in cooperation with related parties. A list of the largest shareholders of Skeljungur is published on the company's website: <https://www.skeljungur.is/?Pageld=333d3aac-9e06-11e7-8100-005056a6135c>



Other relations to the company or its management team:

1. Is the candidate an employee of Skeljungur or related companies⁵ or has in the past three years before taking a seat on the Board? Yes ☐ No ☐

If so, please explain: _____

2. Has the candidate accepted or received substantial payments from Skeljungur, closely related company or day-to-day management, excluding salaries for board membership, for example, as a consultant or contractor, in the three years prior to taking a seat on the Board? Yes ☐ No ☐

If so, please explain: _____

3. Is the candidate in, or has he/she in the past year been in, significant business with the Company or closely related companies, e.g. as a customer, supplier or partner, whether personally or through another company? Yes ☐ No ☐

If so, please explain: _____

4. Is the candidate one of the day-to-day managers of another company, in which one of the board members is a day-day-manager of Skeljungur? Yes ☐ No ☐

If so, please explain: _____

5. Is the candidate or has he/she been, in the past year prior to taking a seat on the Board of Skeljungur, a partner of KPMG or related company⁶, or an employee who has been involved in the external audit of Skeljungur? Yes ☐ No ☐

If so, please explain: _____

6. Does the candidate have a close family ties⁷ with day-to-day managers or any other persons mentioned above, and that person is in direct or indirect business with the company to such an extent that the director could not be considered independent? Yes ☐ No ☐

If so, please explain: _____

⁵ This refers to Magn P/F, Bensínorkan ehf., Tollvörugeymsla Skeljungs ehf., Íslenska vetnisfélagið ehf., Barkur ehf., Vegsauki ehf., Wedo ehf., Eldsneytisafgreiðslan á Keflavíkurflugvelli EAK (EAK) ehf., EBK ehf. and Fjölver ehf.

⁶ This refers to a company where KPMG holds, either directly or indirectly, a minimum of 10% of the total share capital or voting rights. If KPMG holds 50% or more of the total voting rights or in another company, the company shall be deemed to have indirect control over the latter company's holdings in other companies.

⁷ This refers to i.e. if the Director in question is or has been the spouse of or related in a direct or indirect line to an individual or similarly joined by means of adoption.



Other relations to major shareholders⁸ in Skeljungur:

1. Does the candidate have direct or indirect control⁹ of Skeljungur or is a board member or an employee of a company that has control over Skeljungur? Yes ☐ No ☐

If so, please explain: _____

2. Does the candidate own a significant share in Skeljungur or is a board member or an employee of a company that owns a significant share in Skeljungur? Yes ☐ No ☐

If so, please explain: _____

3. Does the candidate have connections to major shareholders, other than those listed above, that the candidate wants to disclose? (See for example possible connections listed on previous pages.)

Is the candidate legally and financially competent? Yes ☐ No ☐

Has the candidate in the past three years, in relation to the business operations, been convicted of a criminal offense under the Criminal Code or any of the Companies Act, acts regarding annual, bankruptcy or taxes? Yes ☐ No ☐

In forming a proposal regarding the composition of the board, the Nomination Committee will look to their tasks ahead at Skeljungur and to the board, as a whole, possessing a broad set of skills, experience and knowledge. The Committee will in this context, among others take account of the following factors:

- a) *Management experience*
- b) *Policy making and planning*
- c) *Marketing*
- d) *Legal skills*
- e) *Experience of international business*
- f) *Financial management*
- g) *Knowledge and experience in investment and the financial market*
- h) *Risk management*
- i) *Change management*
- j) *Domestic or international experience or technical knowledge in the field of the business or other areas of the energy sector*
- k) *Knowledge of the Faroe Island commercial or regulatory environment*
- l) *Knowledge and experience of innovation*

⁸ "Major shareholder" is anyone who holds at least 10% of the total share capital or voting rights in the company, alone or in cooperation with related parties. The largest shareholders of Skeljungur can be found on the Company's website: <https://www.skeljungur.is/?PageId=333d3aac-9e06-11e7-8100-005056a6135c>.

⁹ "Control" refers to 50% or more of the total voting rights or shares.



- m) Experience in retail business*
- n) Other matters which the candidate deems relevant*

It is requested that the candidates submit a brief letter on how their knowledge and experience will benefit the Board of Skeljungur.

place, date

Signature of the candidate

Enclosed:

- ☐ Curriculum vitae
- ☐ Letter regarding key knowledge and experience



Skeljungur

Appendix VI

The current Board of Directors of Skeljungur poses of:

Jón Diðrik Jónsson, Chairman

<i>First elected to the Board:</i>	January 2014
<i>Education:</i>	B.Sc. Marketing, Florida Institute of Technology, 1988; Master Int'l Management, Thunderbird School of Global Management, 1990; Owner/President Management (OPM), Harvard Business School Executive Education, 2013
<i>Main occupation:</i>	CEO of Sena ehf.
<i>Career:</i>	Head of Marketing at Olís, 1988-1989; various managerial roles at Coca-Cola International in Europe and Asia, 1990-2001; CEO of Ölgerðin 2001-2004; Executive at Íslandsbanki / Glitnir, 2005-2007; owner/CEO Draupnir fjárfestingafélag (investment company) since 2007; CEO of Sena ehf. since 2015.
<i>Other positions of trust:</i>	Chairman of the Board of Sena ehf. and its subsidiaries, Draupnir fjárfestingafélag ehf., and Húsafell hraunlóðir ehf., member of the boards of directors of P/F Magn and Húsafell Resort ehf.
<i>Holdings in Skeljungur:</i>	98% share in Draupnir fjárfestingafélag ehf., which holds a 1% share in Skeljungur.
<i>Posts for Skeljungur:</i>	Board and committee membership at Skeljungur and board membership at P/F Magn, Skeljungur's subsidiary in the Faroe Islands.
<i>Relevant affiliations:</i>	Holdings referred to above.

In the opinion of the Skeljungur Nomination Committee Jón Diðrik Jónsson is independent of the Company, its day-to-day management and large shareholders in the Company, according to the definition of independence in the ICC corporate governance guidelines.

* * *

Birna Ósk Einarsdóttir, Vice-chairman

<i>First elected to the Board:</i>	May 2015.
<i>Education:</i>	AMP (Advanced Management Program), IESE Business School, 2015; M.Sc. Strategic Management, University of Iceland, 2008; B.Sc. Business Administration, Reykjavík University, 2001.
<i>Main occupation:</i>	Head of Customer Experience at Icelandair hf.
<i>Career:</i>	Various roles at Síminn hf. since 2001, including the posts of managing director of sales and service, head of marketing, head of project management, human resources and public relations. Director of marketing and business development at Landsvirkjun from 2017-2018; Chief Business Development and Strategy Officer at Icelandair, 2018.
<i>Other positions of trust:</i>	None.
<i>Holdings in Skeljungur:</i>	None.

Posts for Skeljungur: Board and Committee membership at Skeljungur and board membership at P/F Magn, Skeljungur's subsidiary in the Faroe Islands.

Relevant affiliations: None.

In the opinion of the Skeljungur Nomination Committee Birna Ósk Einarsdóttir is independent of the Company, its day-to-day management and large shareholders in the Company, according to the definition of independence in the ICC corporate governance guidelines.

* * *

Gunn Ellefsen, Director

First elected to the Board: April 2016.

Education: Cand. Jur., University of Copenhagen, 2004.

Main occupation: Partner at Advokatfelagið Yviri við Strond 4.

Career: Partner at Advokatfelagið law firm since 2012, having previously been an attorney at the firm since 2007, and in training since 2004. Gunn also has diverse experience from the public sector, having worked for the Office of the Faroese Prime Minister.

Other positions of trust: Board Member at Magn P/F, Sp/f Advokatsmápartafelagið Gunn Ellefsen and Advokatfelagið við Strond 4 Í/F. Examiner at Faroes University School of Law and Chairman of the Faroese Handball Association.

Holdings in Skeljungur: None.

Posts for Skeljungur: Member of the Board of Skeljungur and board member of P/F Magn, Skeljungur's subsidiary in the Faroe Islands.

Relevant affiliations: None.

In the opinion of the Skeljungur Nomination Committee Gunn Ellefsen is independent of the Company, its day-to-day management and large shareholders in the Company, according to the definition of independence in the ICC corporate governance guidelines.

* * *

Jens Meinhard Rasmussen, Director

First elected to the Board: May 2014.

Education: Cand. Jur., University of Copenhagen, 2005; Master Mariner, Vinnuháskúlin Tórshavn, 1997.

Main occupation: CEO of Skansi Offshore

Career: CEO of Skansi Offshore since 2006; shipbroker at Atlantic Shipping AS, 2005-2006; 1st Officer, Bornholmstrafiken, 2002-2004.

Other positions of trust: Chairman of the board at P/F Magn, P/F Smyril Line and the Shipowners of the Faroe Islands; board member of the International Chamber of Shipping.

Holdings in Skeljungur: None.

Posts for Skeljungur: Board and committee membership at Skeljungur and chairman of the board of P/F Magn, Skeljungur's subsidiary in the Faroe Islands.

Relevant affiliations: None.

In the opinion of the Skeljungur Nomination Committee Jens Meinhard Rasmussen is independent of the Company, its day-to-day management and large shareholders in the Company, according to the definition of independence in the ICC corporate governance guidelines.

* * *

Baldur Már Helgason, Director

First elected to the Board: March 2018.

Education: C.s. degree in mechanical and industrial engineering and certification as a securities broker.

Main occupation: Managing director of Reginn hf.

Career: Managing director of Eyja fjárfestingafélag 2017-2019; private equity investment manager at Auður Capital 2009-2016; managed investments and sales of unlisted companies and served on the boards of directors of various companies such as Securitas, Já, Domino's and Íslenska gámafélagið; loan- and investment manager at Íslandsbanki 2000-2009, including 3 years at Íslandsbanki offices in Copenhagen and New York.

Other positions of trust: Serves on the boards of directors of various companies on behalf of Eyja, in addition to be an alternate board member at Syn hf.

Holdings in Skeljungur: None.

Posts for Skeljungur: Board and committee membership at Skeljungur and board membership at P/F Magn, Skeljungur's subsidiary in the Faroe Islands.

Relevant affiliations: None.

In the opinion of the Skeljungur Nomination Committee Baldur Már Helgason is independent of the Company, its day-to-day management and large shareholders in the Company, according to the definition of independence in the ICC corporate governance guidelines.

