

Report of the Nomination Committee of TM hf.
Presented at the Annual General Meeting on 12 March
2020

Reykjavík, 18 February 2020

Introduction

The Nomination Committee of TM hf. (TM) was elected at the company's Annual General Meeting on 14 March 2019. The Nomination Committee operates in accordance with the company's rules of procedure which may be seen in Annex 1 and according to the authorisation granted in Article 26 in the Articles of Association of the company. The Nomination Committee's rules of procedure are set with reference to the corporate governance guidelines issued by the Icelandic Chamber of Commerce, the Confederation of Icelandic Employers and the Icelandic Stock Exchange.

The Nomination Committee has the role of nominating candidates to the company's Board when elections to the Board of Directors is on the agenda of a shareholders' meeting. The role of the Committee is to request candidates; assess the legitimacy of candidates; assess candidates based on qualifications, experience and knowledge; and evaluate independence, as well as evaluate and propose the best composition for the Board of Directors.

The elected Committee members are Jakobína H. Árnadóttir, Consultant at Capacent (Chairman), and Ingibjörg Ösp Stefánsdóttir, Project Manager for the Confederation of Icelandic Enterprise. The Committee member nominated by the Board of TM hf. is Örvar Kjærnedsted, Chairman of the Board. All members of the Committee are independent of the company and have no stakeholder interests in relation to TM's largest business partners or competitors. Ingibjörg and Jakobína own no shares in the company, but Örvar is an indirect shareholder and Board member of Stoðir, which owns a 9.97% share in TM.

This report from the Nomination Committee describes the work of the Committee and the proposal that will be submitted to the Annual General Meeting on 12 March 2020.

The work of the Nomination Committee

The Nomination Committee formally began its work on 9 December 2019, laying the foundations for the Committee's operating plan and work arrangements. On signature of the report, the Committee had held three meetings, and it is expected to hold one or two additional meetings as needed. In addition to the meetings of the Committee itself, the Committee met with current directors and alternate Board members, CEOs, shareholders and candidates. Some work has also taken place between meetings.

On 16 January 2019, the representatives of the twenty largest shareholders were sent a letter explaining the work of the Committee and offering them a meeting or conversation with the Committee regarding the shareholders' interests, information on the work of the Board, the skills needed to be on the Board and governance in general. At the same time, an announcement was made on TM's investor website, where smaller shareholders / all shareholders are given the opportunity to contact the Committee. Meetings and discussions with shareholders took place between 27 January and 6 February 2020.

In conjunction with shareholders' meetings, members of the Committee met with other parties mentioned above. The purpose of these meetings was to obtain information about the company, the work of the Board over the past year, the composition of the Board, what has been a success and what could be done better, as well as to gain an insight into the challenges facing the company, not least in light of the company's acquisition of Lykill. The Chairman of the Board was not present at meetings with other directors or Board alternates. The Chairman of the Board was present at a meeting with the CEO.

The Nomination Committee requested candidates for the Board of Directors on the website of the company www.tm.is. A total of 5 candidates were nominated for the TM Board of Directors and two candidates for the Board alternate position before the publication of this report. All candidates were interviewed. Submitted candidatures were assessed based on legitimacy on 14 February, and at the same time, a competency assessment was prepared based on available definitions. In continuance of this work, the proposal for the Annual General Meeting was formulated.

Basis of assessment of candidates to the Board of Directors of TM

In its proposal to the Annual General Meeting, account is taken, on the one hand, of an assessment of the individuals based on a certain competency view and, on the other, of the knowledge, experience and competency that must be present in the Board of Directors as a whole. Other views that relate to the provisions of the Act on Public Limited Companies as regards to gender divisions in the Board and a certain level of diversity in its composition also formed the basis.

In late 2019, TM finalised the acquisition of Lykill, and it is clear that this acquisition will change the nature of its operations. In light of this, the Nominating Committee considered that there was every reason to review the competency criteria taken into account when assessing directors for TM's Board of Directors.

When assessing directors and the composition of the Board, the following qualifications criteria were considered:

- Experience and knowledge of investments, financial markets and financing
- Experience or knowledge of risk analysis and assessment
- Experience of marketing or consumer behaviour
- Experience of policy formulation, planning and change management
- Management and operational experience
- Knowledge of financial market law
- Good collaboration and communications skills
- Foresight
- Analytical thinking
- Logical thinking / boldness
- Emphasis on long-term shareholder benefits

As previously stated, these criteria are used as the basis for the assessment of the individuals that announce their candidature as well as in judging the overall composition of the Board of Directors.

The proposal of the Nomination Committee

The Nomination Committee bases its proposal on shareholder views relating to the interests of the company and on the information obtained on the work of the Board and the company's activities in recent quarters, as well as information on the challenges facing the company in the coming quarters, in view of the above changes. In addition, guidelines on good corporate governance are considered. The focal point of the Nomination Committee is that proposals to the Annual General Meeting should be based on ensuring that the Board forms a strong, dynamic whole, in the interests of the company and its shareholders. To this end, and in light of changes within the company, the available candidates and the previously stated priorities regarding important skills and competences of the Board of Directors and the Board as a whole, the Committee submits the following proposal for TM's Board for 2020–2021.

Andri Þór Guðmundsson, Einar Örn Ólafsson, Helga Kristín Auðunsdóttir, Kristín Friðgeirsdóttir and Örvar Kærnested. In addition, the following Board alternates, Bjarki Már Baxter and Bryndís Hrafnkelsdóttir

Andri Þór Guðmundsson

Andri was appointed to the Board of TM in August 2013. He has been the CEO of Ölgerðin Egill Skallagrímssonar ehf. since 2004. Andri holds a Cand. oecon. degree in economics and business administration from the University of Iceland and completed, in 2002, an MBA degree from the Rotterdam School of Management. Andri is a member of the Board of Directors for Mjöll-Frigg ehf., Býlið okkar ehf., Kolefni ehf., Sól ehf., Danól ehf., Borgar Brugghús ehf. and OA eignarhaldsfélag ehf. He is also a member of Ofanleiti 1 ehf., Verzlunarskóli Íslands and Viðskiptaráð Íslands (Iceland Chamber of Commerce). Andri was born in 1966. His shareholding in the company consists of 120,000 shares. He does not have any stakeholder interests in TM's largest customers or competitors of the company.

Einar Örn Ólafsson

Einar took a seat on the Board of Directors of TM in March 2017. Einar worked for Fjárfestingarbanki atvinnulífsins and Íslandsbanki from 1997–2001 and 2004–2009 and was the CEO of Skeljungur from 2009–2014 and the Managing Director of Arnarlax from 2014–2016. Einar is a mechanical and industrial engineer and holds an MBA degree. Einar is the Chairman of the Board for Terra hf., Löður ehf and Dælan ehf. He owns Eini ehf., which indirectly holds a 6.8% share in Stoðir hf., TM's largest shareholder. He does not have any stakeholder interests in TM's largest customers or competitors of the company. Einar was born in 1973.

Helga Kristín Auðunsdóttir

Helga Kristín has worked for the past eight years as Dean, Vice dean and an Assistant professor at Bifrost University. Her main academic fields to date have been company law, legal methods and legal innovation. Prior to that she worked as an in-house lawyer for Stodir hf. and as a Visiting Assistant Professor at the University of Miami School of Law, teaching European company law and European competition law.

Helga holds an LL.M from the University of Miami where she was the recipient of the Cobb-Family Fellowship. Prior to that she obtained a Master of Laws degree and a B.Sc. degree in Business and Law from Bifrost University. She will complete her doctorate in Law in Spring 2020 from Fordham University in New York. Her doctorate dissertation focuses on a comparative analysis of hedge fund activism in the United States and Europe. She has presented in various international conferences, focusing on innovation in legal services and the transformative effects of technology in today's society. She does not own any shares in TM and has no stakeholder interests in TM's largest customers or competitors of the company. Helga was born in 1980.

Kristín Friðgeirsdóttir

Kristín was appointed to the Board of TM in August 2013. She is a consultant and Adjunct Professor of Management Sciences and Operations at the London Business School. Kristín has worked in consulting, research and teaching in the areas of decision making, risk management, pricing and income management. Kristín holds a BS degree in mechanical and industrial engineering from the University of Iceland in 1995, an MS degree in financial engineering from Stanford University in 1997 and completed, in 2002, her PhD in business engineering from the same university. Kristín is a member of the University Council of the University of Reykjavik and is on the Board of Distica hf. and Valka ehf. Kristín was Chairman of the Board of Hagar hf. from 2011–2019. Kristín was born in 1971. She does not own any shares in TM and has no stakeholder interests in TM's largest customers or competitors of the company.

Örvar Kærnested

Örvar first took a seat on the Board of Directors of TM in March 2012. He was born in 1976 and is a self-employed investor. Örvar holds a BSc degree in economics and business administration from the University of Iceland and is a Certified Stockbroker. Örvar worked for Kaupthing Bank from 1998–2007 and at Stoðir hf. 2007–8 but has been working on his own investments ever since. Örvar is an indirect shareholder and member of the Board of Directors of Stoðir hf. which owns 9,97% share in TM. Örvar sits on the boards of several companies in connection with his own investments both in Iceland and abroad. He does not have any stakeholder interests in TM's largest customers or competitors of the company.

Proposal for Board alternates

The Nomination Committee also proposes that the following members be elected as Board alternates:

Bjarki Már Baxter

Bjarki Már first took a seat on the Board of Directors of TM in December 2012. He is a lawyer and worked as chief legal officer for WOW air ehf. From 2013–2015, he worked as a lawyer with Hilda ehf., and in 2011–2013, he was chief legal officer of the winding-up board for Frjalsi hf. and SPRON hf. He sits on the Board of Hylja verktakar ehf. He has no shares in the company. He does not have any stakeholder interests in TM's largest customers or competitors of the company. Bjarki Már was born in 1982.

Bryndís Hrafnkelsdóttir

Bryndís took a seat as a Board alternate on TM's Board in March 2011. She is a business graduate (Cand. oecon) from the University of Iceland in 1989 and has an MS in business administration from the same school in 2015. She has, since 2010, been the CEO of Hapdrætti Háskóla Íslands. From 2000 to 2006, she was Managing Director of Debenhams in Iceland, worked in the financial division of the Kaupthing Bank hf. from 2007–2008 and was CFO of Landfestar ehf. in the years 2008–2010. Bryndís sits on the Board of Regin hf. She is Chairman of the Board of Ofanleiti 1 ehf. along with the School Board of Verzlunarskóli Íslands. She has no stakeholder interest in TM and there are no vested interests with major shareholders, major business partners or competitors. Bryndís was born in 1964.

Reykjavík, 18 February 2020

Ingibjörg Ösp Stefánsdóttir

Jakobína H. Árnadóttir

Örvar Kærneded

Appendix 1

Rules of procedure of the Nomination Committee of TM hf.

Version No. 1, approved at a shareholders' meeting of the company on 25 October 2018.

Introduction.

The Nomination Committee operates in accordance with authorisations contained in Article 26 of the company's Articles of Association. The shareholders' meeting sets the following rules:

1. Appointment and composition of the Nomination Committee.

1.1 The Nomination Committee shall consist of three members, two of whom shall be elected at the Annual General Meeting. The company's Board of Directors shall appoint the third member no later than one month after the Annual General Meeting.

1.2 Board members of the company may stand for election or be appointed to the Nomination Committee but may not form a majority within the Committee. Board members may not chair the Committee.

1.3 The management of the company and its employees may not take a seat on the Committee.

1.4 The majority of the Committee shall be independent of the company and its day-to-day managers. In addition, at least one member of the Committee must be independent of shareholders owning 10% or more of shares in the company. The TM Board shall evaluate the independence of its members in accordance with paragraph 2 of Article 16 of the company's Articles of Association as amended.

1.5 Candidatures to the Nomination Committee shall be delivered to the Board of Directors at least five days prior to the Annual General Meeting. In other respects, notifications of candidature are to be in accordance *mutatis mutandis* with the first paragraph of Article 16 of the Articles of Association, as amended.

1.6 Elections to the Nomination Committee are to be in accordance with the rules of company law as regards majority votes between individuals.

1.7 The announcement of the appointment of Committee members shall be advertised on the website of the company no later than six months after the Annual General Meeting.

2. Meetings.

2.1 The Committee selects a Chairman at its first meeting.

2.2 The Committee shall meet at least twice during its operating year and shall hold extraordinary meetings when the Chairman is of the opinion that such a meeting is necessary.

2.3 The Chairman of the Committee is responsible for keeping the minutes as regards what is done during Committee meetings.

2.4 The Nomination Committee shall ensure that at least one Committee member attends the Annual General Meeting of the company as well as extraordinary shareholders' meetings when an election to the Board of Directors is on the agenda. In the event that a Committee member is unable to attend a meeting, his participation must be ensured in another manner, e.g. electronically.

3. Role and scope of responsibility.

3.1 The Nomination Committee has the role of nominating candidates to the Board of Directors in the company when elections to the Board are on the agenda of a shareholders' meeting.

3.2 The main tasks of the Nomination Committee are to:

- a. request proposals for candidates to the Board from the shareholders in good time before the Annual General Meeting of the company;
- b. ensure that shareholders are informed of the manner in which to submit proposals for candidates to the Nomination Committee;
- c. prepare candidature nominations and ensure that such information is accessible and that the submission of candidatures is in accordance with the laws and Articles of Association of the company;
- d. assess prospective Board members based on qualifications, experience and knowledge;
- e. assess the independence of candidates;
- f. submit a reasoned proposal for the appointment of candidates for Board membership and describe them and their other tasks to a shareholders' meeting where voting for Board membership is on the agenda;
- g. submit a proposal for the chair of the shareholders' meeting; and
- h. review and assess these rules of procedure and prepare proposals for changes to submit to the shareholders' meeting if the Committee considers this necessary.

3.3 In the preparation and creation of proposals for candidates for Board membership, the Committee shall, among other things, ensure that the composition of the Board is as advantageous as possible in accordance with the operation and policies of the company; that it has diversity and breadth in its range of capabilities, experience and knowledge; and that the gender division within the Board is as equal as possible. In such work, the Committee shall take advantage of the results of the performance assessments of the Board as regards the composition of the Board and the capabilities of its members.

4. Authorisations of the Nomination Committee, access to data.

4.1 The Nomination Committee can request the delivery of information relating to its work for the company. Access to data and company employees, however, must be subject to the restrictions applicable to the access of Board members in insurance undertakings pursuant to applicable legislation and the rules of procedures of the company's Board of Directors.

4.2 The Nomination Committee may seek the involvement of external consultants in the execution of its duties. Such consultants must be independent of the company, its day-to-day managers and those members of the Board who are not independent. The Committee must use the same rules as when the independence of Board members is assessed.

5. Confidentiality.

5.1 Committee members are bound by professional secrecy as regards the affairs of the company and other issues of which they become aware in their work as Committee members and which must remain confidential according to the company's Articles of Association, laws or by their nature, unless the matter in question is something that the Board decides to make public or where such disclosure is provided for in legal provisions or the company's Articles of Association.

The obligation of professional secrecy remains in effect after cessation of employment.

6. Entry into effect.

6.1 These rules were approved by a TM hf. shareholders' meeting on 25 October 2018.

Interim provisions

Due to the work of the Nomination Committee in connection with elections to the company's Board of Directors during the Annual General Meeting in 2019, irrespective of the provisions of paragraphs 1, 5 and 7 of Article 1, the arrangement of the election and appointment of the members of the Nomination Committee shall be in accordance with interim provisions to the Articles of Association of the company as regards this election to the Board. In addition, candidatures to the Nomination Committee shall have been submitted to the company's Board, in writing, no later than five days prior to the shareholders' meeting on 25 October 2018, and notification of the appointment of Committee members shall be published on the website of the company no later than one day after the meeting.