



SKEL

FJÁRFESTINGAFÉLAG

FINANCIAL SUMMARY
2022

*This summary is translated from the original financial statements which is in Icelandic.
Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.*

SKEL FJÁRFESTINGAFÉLAG
FINANCIAL SUMMARY
2022

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Statement of Profit and Loss and other Comprehensive Income

	Notes	2022	2021*
Sale	29.	0	32.665
Cost of goods sold	30.	0 (	26.970)
Gross profit		0	5.695
Other operating income	5.	736	274
Salaries and related expenses	15.	(823) (	2.059)
Sales and distribution expenses	31.	0 (	1.817)
Other operating expenses	6.	(396) (	413)
		(1.218) (	4.288)
Operating (loss) profit before depreciation and financial expenses (EBITDA)		(483)	1.680
Depreciation of assets and intangible assets	20.	(35) (	894)
(Loss) profit before financial items (EBIT)		(518)	786
Fair value change of financial assets	3.2	12.904	97
Fair value change of investment properties	3.2	5.947	0
Financial income	7.	718	8
Financial expenses:	8.	(179) (	491)
		19.389 (	387)
Impact of subsidiaries	10.	0	6.799
Impact of associated companies	10.	0 (	151)
		0	6.648
Pre-tax profits		18.871	7.047
Income tax	18.	(1.354) (	939)
Net profit for the year		17.517	6.107
Prospective items entered under equity			
Recategorised in P&L		0	834
Translation diff. of associated companies and subsidiaries		0 (	118)
Translation diff. of ass. companies and subsidiaries through P&L		0	291
Translation diff. rel. to hedging of net investment		0	147
Effect of inc. tax rel. to hedging of net investment		0 (	29)
Translation diff. rel. to hedging of net investment through P&L		0	544
		0	834
Total profit for year		17.517	6.942
Share in profit:			
Earnings per share	14.	9,05	3,15
Diluted earnings per share	14.	9,05	3,15

* Comparative amounts are based on the parent company statement and are not fully comparable.

Balance Sheet

	Notes	31.12.2022	31.12.2021*
Assets			
Cash and cash equivalents	12.	4.731	7.711
Treasury notes at fair value through profit & loss	9.	2.116	0
Listed stocks at fair value through profit & loss	9.	4.921	0
Other financial assets at fair value through profit & loss	9.	23.137	0
Investment assets at fair value through profit & loss	9.	690	0
Loans and receivables from related companies	27.	2.129	9.981
Receivables	23.	26	746
Other receivables	24.	297	86
Current assets	20.	30	2.223
Long-term receivables	22.	428	411
Holdings in associated companies	10.	0	2.422
Holdings in subsidiaries	10.	0	6.039
Total assets		38.505	29.619
Shareholders equity			
Share capital		1.936	1.936
Share premium		3.210	3.210
Restricted equity		14.200	902
Retained earnings		14.084	10.281
Total shareholders equity	13.	33.430	16.329
Liabilities			
Deferred Income tax liabilities	19.	2.014	955
Long-term debts to credit institutions	25.	0	2.725
Short term debts to credit institutions	25.	2.473	3.688
Current maturities of long-term debts	25.	42	664
Accounts payable		41	1.682
Other short-term debts	26.	449	2.368
Debts to related companies	27.	57	1.209
Total liabilities		5.075	13.291
Total equity and liabilities		38.505	29.619

* Comparative amounts are based on the parent company statement and are not fully comparable.

Statement of Changes in Equity

	Share capital	Share premium	Statutory reserve	Stock options reserve	FX exchange difference	Restricted equity	Retained earnings	Total
2022								
Shareholders' equity 31.12.2021	1.936	3.210	501	1	0	400	10.281	16.329
Net profit for the year							17.517	17.517
Paid dividends							(500)	(500)
Redeemed fair value changes						(5.636)	5.636	0
Restricted fair value changes						19.064	(19.064)	0
Redeemed stock options				(1)				(1)
Restricted for stock option agreements				85				85
Position 31.12.2022	1.936	3.210	501	85	0	13.829	13.869	33.430
2021								
Shareholders' equity 31.12.2020	1.936	3.210	501	1	(834)	1.898	2.957	9.669
Net profit for the year							6.107	6.107
Translation difference					717		(38)	679
Translation difference from hedging					118			118
Total profit for year					834	0	6.070	6.904
Restricted profits of subsidiaries and associated companies						(1.253)	1.253	0
Dividend received from subsidiary						(245)	245	0
Dividends allocated to shareholders							(350)	(350)
Impact of IFRS 16							106	106
Position 31.12.2021	1.936	3.210	501	1	0	400	10.281	16.329

Statement of Cash Flows

	Notes	2022	2021*
Operating activities			
Net profit for the year		17.517	6.107
Adjusted for			
Depreciation		35	894
Impact of subsidiaries and associated companies		0 (	6.648)
Unrealised fair value change of financial assets .....	(	13.214)	0
Financial income and financial expenses .....	(	539)	447
Realised fair value changes of financial assets .....	(	5.636)	2
Income tax		1.354	939
Working capital provided by (to) operating activities, net of income tax	(	483)	1.742
Changes in current assets and liabilities:			
Inventory, change		0 (	1.200)
Trade receivable and other short-term receivables, change		477	1.020
Trade payable and other short-term payables, change .....	(	4.801)	2.570
	(	4.324)	2.391
Cash provided by (to) operating activities, net of interest and taxes	(	4.806)	4.133
Received interest income		601	21
Paid interest expenses .....	(	178)	(398)
Paid income tax		0 (	83)
Net cash provided by (to) operating activities	(	4.384)	3.673
Investing activities			
Investment in operating assets .....	(	8)	(705)
Sale price of investment assets		7.431	21
Investment in subsidiaries .....	(	200)	(1.681)
Investment in associated companies		0 (	2.686)
Investment in securities .....	(	19.700)	(302)
Sale of securities		11.126	10.058
Dividends from associated companies		0	245
Dividends from investment assets		168	0
Receivables from related companies, change		7.650 (	2.939)
Net cash used in investing activities		6.466	2.011
Financing activities			
Dividends paid .....	(	500)	(350)
Payments on long-term debts and lease agreements .....	(	3.347)	(424)
Debts to related companies		0	1.155
Cash provided by company in Group		0	39
Current liabilities, change .....	(	1.216)	1.318
Financing activities	(	5.063)	1.739
(Decrease) Increase in cash and cash equivalents .....	(	2.980)	7.422
Cash at beginning of year		7.711	289
Cash at end of year		4.731	7.711
Investments and financing with no cash flow effects:			
Selling price of operating assets		4.233	5.210
Selling price of subsidiaries and associated companies		0	2.278
Selling price of inventory		0	2.956
Investments in companies .....	(	3.221)	0
Receivables from related companies .....	(	1.500)	(10.444)
Increase in short-term debt		488	0

* Comparative amounts are based on the parent company statement and are not fully comparable.



**Statement of
Corporate Governance**

Corporate Governance Statement

1. SKEL's Corporate Governance Environment

The Board of Directors and management of SKEL fjárfestingafélag hf. ("SKEL") place great emphasis on the observance of good governance. Good corporate governance, in the view of the Board of Directors and management, is the foundation for both trust and management accountability, both of which contribute to good decision making and good relations among the Board members, employees and other stakeholders of the Company.

SKEL's governance is in compliance with laws and rules that apply to the Company's business activities, including Act No. 2/1995 on limited liability companies, the EU Market Abuse Regulation, cf. Act No. 60/2021 on measures against market abuse, Act No. 115/2021 on markets for financial instruments, Act No. 20/2021 on the disclosure requirements of issuers and flagging obligations and Act No. 140/2018 on measures against money laundering and terrorist financing.

SKEL has listed securities in the Icelandic Stock Exchange (Nasdaq Iceland hf.)¹ and is therefore also required to observe the guidelines on corporate governance issued by the Iceland Chamber of Commerce, Nasdaq Iceland hf., and the Confederation of Icelandic Employers, 6th edition, 2021. The Guidelines are accessible on the website of the Iceland Chamber of Commerce.²

SKEL's governance is also in compliance with the Company's internal rules, which are posted on the Company's website, www.skel.is.³

2. Principal activities of the Board of Directors over the operating year

2.1. SKEL's business strategy

This past year was SKEL's first year of operation following the division of the earlier Skeljungur hf. The division served to sharpen the points of focus of the Company's operation with the establishment of three independent operating companies to take over operations which had previously been i) the Company's retail operations, ii) corporate services, and iii) the operation of depots.

Orkan IS ehf. took over operations involving services to individuals, including the operation of Orkan's service stations, Extra, 10-11, the Löður car wash stations, the Lyfjaval pharmacies and Íslenska vetnisfélagið, as well as the Gló restaurants. Skeljungur ehf. took over operations involving sales of goods and services to corporations, distribution, procurement and wholesale of fuel, lubrication oils, cleaning and chemical products and sales of fertiliser and other goods and services to corporations and farmers. Sales of goods and services to large-scale customers in fisheries, airline operations and contracting also form a part of the operations. Gallon ehf. took over the Company's depots and is responsible for their operation.

¹ <http://business.nasdaq.com/list/Rules-and-Regulations/European-rules/nasdaq-iceland/index.html>

² <https://leidbeiningar.is/leidbeiningar>

³ <http://skel.is/stjornarhaettir/stefnur-og-reglur>

Naturally, the work of the Board of Directors early in the year to a large extent featured projects connected with setting up these operating companies and establishing their respective strategies. The members of the Board of Directors of SKEL took on the task of serving on the boards of directors of the three operating companies early in the year, as the Board felt it was important to participate in an active manner and possess a clear oversight of the operation and strategic planning of the companies in their first months of operation. Around mid-year all the members of the Board of Directors of SKEL, apart from the Chairman of the Board, resigned from the boards of the operating companies, to be replaced by the CFO and CEO of SKEL. Subsequently, at year-end 2022, the Chairman of the Board of Directors of SKEL resigned from the boards of directors of the operating companies. Members of the current Board of Directors of SKEL therefore no longer serve on the boards of Orkan, Skeljungur or Gallon.

SKEL operates as an investment company with the objective of creating value for shareholders, subsidiaries and associated companies, as well as other stakeholders. The Company aims to create value by developing its asset portfolio, targeting long-term value creation with the objective of reducing the weight of fossil fuel in its operations by increasing the number of its sources of income and investments. SKEL aims to be a strategic investor and thereby to provide support and assistance to the companies, management teams and entrepreneurs in which the Company decides to invest from time to time. SKEL's staff and management will therefore support its partners in taking full advantage of all the opportunities of the enterprises that they operate, whether in the case of deep-rooted operating companies or good business ideas.

2.2. Review of organisation and governance

Following the division of SKEL, the establishment of its operating companies and the change in the Company's objects the organisation and governance at the group level have been under review with the goal of enhancing and strengthening good governance. Policies have variously been simplified, updated or abandoned to improve consistency with the Company in its current form.

In the course of the year the following policies and rules have been reviewed:

- Rules of procedure of the Board of Directors updated
- Chief Executive Officer's job description updated
- SKEL's rules on the Company signature approved
- Sustainability policy adopted.

The intention is that the policies and rules of SKEL should not apply at the Group level. The operating companies owned by SKEL have adopted their own policies and rules of governance in their business activities as applicable. The Board of Directors, in consultation with management, will continue to review the Company's internal rules in the light of the Company's new objects and update them as appropriate.

3. Internal control and risk management

3.1. Internal control

It is the role of the Board of Directors, together with the CEO, to take the lead in strategic planning, setting goals and defining risk parameters for the Company, both for the short and long term, and to establish an efficient system of internal controls. Among other things, the arrangement of internal controls needs to be formal and documented, and its effectiveness needs to be verified regularly. The purpose of internal control is to ensure to

the extent possible efficiency in the Company's business activities, reliable information and compliance with laws and regulations. The Company does not have an internal auditor; instead, the Company's external auditors conduct focused audits of specific processes.

A Compliance Officer, appointed by the Board of Directors, is responsible for supervision of compliance with rules on inside information and insider trading. The Compliance Officer in the first half of the year was Stefán Orri Stefánsson, attorney at law at Lex Law Firm. The current compliance officer is Árni Gestsson, attorney at law, and his deputy is Guðrún Nielsen. In addition, Lex Law Firm provides expert consultancy on compliance matters.

Auditors are elected for a term of one year at annual general meetings. The Company's annual financial statement is audited in accordance with international standards on auditing. The Board of Directors annually receives an audit report from the Company's auditors containing their principal comments regarding internal control.

The Audit Committee is responsible for the supervision of work processes in the preparation of financial statements and the arrangement and efficiency of internal control and risk management. Among other things, the Audit Committee reviews the principal aspects of the internal control and risk management system with regard to the financial reporting process. The Committee is entrusted with the task of reviewing the Company's financial accounts, among other things in order to verify the existence of effective internal control in the preparation of financial statements.

3.2. Risk Management

The Board of Directors and management of SKEL endeavour to maintain a sound control environment using documented policies, rules and procedures. This ensures efficiency in the work of the Company, reliability of information and compliance with law. The CEO and CFO are responsible for analysing and assessing the Company's financial and operational risk. They also play an active role in shaping the Company's risk strategy and risk appetite. The Company has no dedicated risk manager. Monthly meetings are held with the Board of Directors where Board members are kept abreast of the principal risk factors in the Company's business operation at any time. This enables the Board and management to respond in a timely manner to impending risks.

An Audit Committee is responsible for ascertaining whether risk management is in line with the Company's policies and that control procedures cover risks in the Company's operation. Risk management is reviewed annually to take account of any changes in the principal risk factors in the Company's business.

4. Administrative structure

SKEL's Articles of Association do not provide for the election of a supervisory board, which under paragraph 3 of Article 73 of the Companies Act shall, if established, monitor the Board of Directors' and CEO's management of the Company's affairs and submit a recommendation to the Company's Annual General Meeting as to whether the annual financial statement should be approved and the proposals of the Board of Directors regarding the disposition of retained earnings accepted. No such committee has been established in the Company.

4.1. Board of Directors of SKEL

Each year, SKEL's annual general meeting elects five members to serve on the Board of Directors of the Company. According to article 24 of the Company's Articles of Association, the Board of Directors is the Company's supreme authority between shareholders' meetings and shall oversee all the affairs of the Company, take responsibility for them and ensure that the organisation and operation of the Company are at all times in good and proper order. Furthermore, the Board of Directors shall oversee that the Company's accounting and use the Company's funds are under proper control.

The principal elements of the work of the Board of Directors over the operating year are discussed in Chapter 2 above.

4.2. Board performance evaluation

The Board evaluates the performance of the Company as a whole each year, and also its own functions, composition, and practices, as well as the work of sub-committees and the performance of the CEO and other day-to-day management. The Board also regularly evaluates the progress made by the Company over the year to ensure that the progress is consistent with the Company's established goals. The performance evaluation was carried out in December 2022 and the conclusions were presented to the Board of Directors of SKEL with the results reviewed with the participation of the Nomination Committee in January 2023. Overall, the results of the evaluation were favourable.

4.3. Information concerning Board members

Board of Directors of SKEL hf.:

JÓN ÁSGEIR JÓHANNESSON, CHAIRMAN OF THE BOARD OF DIRECTORS, FIRST TOOK A SEAT ON THE BOARD IN 2019

Year of birth:	1968
Education:	Graduated from the Commercial college of Iceland (Verzlunarskóli Íslands).
Principal occupation:	Investor.
Professional Career:	One of the founders of the Bónus supermarkets, one of the founders of Orkan, CEO and Chairman of the board of directors of Hagar and subsequently Baugur Group. Extensive management experience, e.g. for Iceland foods and Magazin du Nord, as well as a number of other Icelandic companies. Independent investor and advisor.
Other positions of trust:	Chairman of the board of directors of Strengur hf. and Strengur Holding hf. Alternate member of the board of directors of 365 miðlar hf. and agent for Apogee ehf.
Holdings in SKEL:	365 hf. and other related companies own a 38% share in Strengur Holding ehf. Strengur Holding ehf. holds a 100% share in Strengur hf. Strengur ehf. owns 969,152,089 shares in SKEL, corresponding to 50.06% of voting shares. 365 hf. is owned by Jón Ásgeir's wife, Ingibjörg Pálmadóttir.
Posts for SKEL:	Member of the Board of Directors of SKEL, member of the board of Lyfjaval and member of the board of WEDO. Chairman of the Remuneration Committee of SKEL and formerly chairman of the boards of directors of Orkan IS ehf., Skeljungur ehf. and Gallon ehf.
Relevant affiliations:	RES II ehf. holds 523,290 Shares in SKEL hf. RES II ehf. is related to Strengur hf. and Strengur Holding ehf. through board membership, as the same board

member is a member of the board of Strengur hf., Strengur Holding ehf. and RES II ehf.

In the opinion of the SKEL Nomination Committee Jón Ásgeir Jóhannesson is independent of the Company, its day-to-day management but not large shareholders in the Company, according to the definition of independence in the ICC corporate governance guidelines.

GUÐBJÖRG HEIÐA GUÐMUNDSDÓTTIR, FIRST TOOK A SEAT ON THE BOARD IN 2022

Year of birth:	1980.
Education:	B.Sc in industrial engineering from the University of Iceland in 2001, M.Sc. in mechanical engineering from the University of Iceland in 2008
Principal occupation:	Chief Executive Officer
Professional Career:	Various expert and management assignments for Marel since 2011, including posts as project manager, head of product development and CEO of Marel in Iceland.
Other positions of trust:	None.
Holdings in SKEL:	None.
Posts for SKEL:	<i>Directorship functions for SKEL.</i> Committee work on SKEL's Audit Committee. Former member of the boards of Orkan IS ehf., Skeljungur ehf. and Gallon ehf.
Relevant affiliations:	None.

In the opinion of the SKEL Nomination Committee Guðbjörg Heiða Guðmundsdóttir 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

NANNA BJÖRK ÁSGRÍMSDÓTTIR, BOARD MEMBER, FIRST TOOK A SEAT ON THE BOARD IN 2021

Year of birth:	1974
Education:	LLM degree in European law at the University of Stockholm in 2001. She earned a degree in law at the University of Iceland in 2000 and completed various courses in the University of Iceland School of Business, in addition to courses in the Faculty of Arts of the University of Iceland.
Principal occupation:	Private investor.
Professional Career:	Nanna Björk has been engaged in her own investment activities from 2006 to the present. Nanna Björk has extensive experience of the retail sector and has been involved in the operation of retail enterprises both in Iceland and abroad, variously as owner and investor or manager. These include businesses such as All Saints, Whistles, Karen Millen, Shoe Studio Group and Warehouse. In 2004-2006 Nanna was an investor in the Shoe Studio Group UK and a participant in its management. In 2003-2004, Nanna worked as Chief Operating Officer at Karen Millen UK for the United States, Scandinavia and Europe, in addition to her legal work and negotiations for the same company. She was an employee of Corporate Finance at Kaupthing Bank, engaging in normal legal matters from 2001 to 2003 and at Lex Law Firm, also in normal legal work.
Other positions of trust:	Nanna is the chairman of the board of RES 2 ehf., RES 9 ehf. and Eldra ehf.
Holdings in SKEL:	Nanna and her husband, Sigurður Bollason, are majority shareholders of the company RES 9 ehf., which holds a 38% share in Strengur Holding ehf., which owns 100% of Strengur hf. Strengur hf. owns 969,152,089 shares in SKEL, corresponding to 50.06% of voting shares.
Posts for SKEL:	Work on the Board of Directors of SKEL and on the Remuneration Committee of SKEL and formerly member of the boards of directors of Orkan IS ehf., Skeljungur ehf. and Gallon ehf.
Relevant affiliations:	RES 9 ehf. owns a 38% share in Strengur Holding ehf., which owns Strengur hf. which controls shares in SKEL hf. Nanna's husband, Sigurður Bollason, is a

member of the board of directors of Strengur hf. RES 9 ehf. also owns 5,03% shares in SKEL.

In the opinion of the SKEL Nomination Committee Nanna Björk Ásgrímsdóttir is independent of the Company and its day-to-day management, but not of large shareholders in the Company, according to the definition of independence in the ICC Corporate Governance Guidelines.

SIGURÐUR KRISTINN EGILSSON, VICE-CHAIRMAN OF THE BOARD, FIRST TOOK A SEAT ON THE BOARD IN 2021

Year of birth:	1974
Education:	Engineer and certified securities trader.
Principal occupation:	Founder and employee of Arcur Finance.
Professional Career:	From 1998 to 2007 Sigurður Kristinn worked in the Asset Management division of Kaupthing bank, and over the last five years he was head of asset management for professional investors, which specialises in asset management for pension funds, corporations and organisations. From 2007 to 2010 he was an employee of the bank's overseas asset management division for professional investors. From 2010-2016, Sigurður was head of asset management and specialised funds for ALM Securities, which was financed by pension funds.
Other positions of trust:	Chairman of the board of directors of NeckCare Holding.
Holdings in SKEL:	None.
Posts for SKEL:	Vice Chairman of the Board of Directors of SKEL and member of SKEL's Remuneration Committee. Former member of the boards of Orkan IS ehf., Skeljungur ehf. and Gallon ehf.
Relevant affiliations:	None.

In the opinion of the SKEL Nomination Committee Sigurður Kristinn Egilsson 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

THÓRARINN ARNAR SÆVARSSON, BOARD MEMBER, FIRST TOOK A SEAT ON THE BOARD IN 2019

Year of birth:	1969.
Education:	Licensed Real Estate Agent. Graduated from the Icelandic School of engineers (Vélskóli Íslands) and the Icelandic School of Navigation (Skipstjórnarskólinn), and flight training.
Principal occupation:	Certified Realtor, regional manager at RE/MAX Iceland.
Professional Career:	Fourteen years of experience in the fisheries sector. Twenty years' experience in the real estate market relating to acquisition, sale and development of real estate. Investment projects in consulting firms, innovation companies and technology companies. Establishment of real estate chains, both in Iceland and abroad. Thórarinn is a franchisee of RE/MAX Iceland and a board member of that company. Owner of the company Loran ehf.
Other positions of trust:	Chairman of the board of Fjölblendir ehf. On the boards of directors of Remax Iceland, Loran ehf., IREF ehf., Einbýli ehf., Strengur Holding ehf., Strengur hf., Iceland Rent ehf., Henrik ehf. and Smárahvammur ehf.
Holdings in SKEL:	Thórarinn holds 100% of the shares in the company Loran ehf. Loran ehf. holds 50% of the shares in IREF ehf. IREF ehf. holds a 20% share in Strengur Holding ehf. which holds 100% of the shares in Strengur hf.. Strengur hf. owns 969,152,089 shares in SKEL, corresponding to 50.06% of voting shares.
Posts for SKEL:	Member of the Board of Directors of SKEL. Member of the Nomination Committee and Audit Committee of SKEL. Former member of the boards of Orkan IS ehf., Skeljungur ehf. and Gallon ehf.
Relevant affiliations:	Loran ehf. owns a 50% share in IREF ehf., which owns a 20% share in Strengur Holding ehf.

In the opinion of the SKEL Nomination Committee Þórarinn Arnar Sævarsson is independent of the Company, and its day-to, day management, but not independent of large shareholders in the Company, according to the definition of independence in the ICC Corporate Governance Guidelines.

4.4. Policies of the Board of Directors

According to the rules of procedure of the Board of Directors, the Chairman of the Board is the spokesman for the Board and represents the Board in the affairs of the Company, e.g. vis-à-vis the CEO, employees and shareholders pursuant to further applicable rules. According to the Company's recently approved Sustainability Policy, the Company focuses on good relations with stakeholders.

Formal relations between the Board and shareholders take place at shareholders' meetings. However, shareholders can at any time submit their views and questions to the Board by e-mailing stjorn@skel.is; the mailbox is monitored by the Board's secretary, who notifies the Board of all suggestions or questions from shareholders. The Board of Directors is responsible for supervising the Company's responses to such notices and queries. Prior to the annual general meeting, the largest shareholders in the Company (shareholders holding 1% or more in the Company) are invited to attend a formal meeting with the Chairman and Vice-chairman of the Board of Directors.

Investors can at any time send comments and questions to the Board of Directors using the e-mail address fjarfestar@skel.is. The CEO takes delivery of e-mail messages sent to this address and communicates to the Board any messages that fall within the purview of the Board of Directors.

4.5. Meetings of the Board of Directors and minutes

Minutes of meetings of the Board are kept in compliance with guidelines on corporate governance. In all minutes a declaration is entered from those attending the meetings regarding the qualification of the Board and CEO to discuss and address items on the agenda of the meeting. However, the secretary of the Board of Directors shall nonetheless review the register of Board members' interests prior to calling meetings of the Board of Directors and making documents available in the Board's portal. In instances where there may be interests of Board members with links to items on the agenda of a meeting, the Board member in question leaves the meeting and has no access to documents relating to the matter until, as applicable, the matter has been closed as further decided by the Board of Directors.

The Board of Directors filled a quorum in the meetings of the year, except with regard to SKEL's holdings in VÍS hf. It was decided that the Board member Guðbjörg Heiða Guðmundsdóttir was not qualified to participate because of a possible conflict of interests after she announced to the Board of Directors her intention to accept the post of CEO of Vörður Insurance Company. After she took the post she received no information on the matter and no access to its relevant documents.

The number of meetings and attendance by Board members and members of sub-committees at meetings over the operating year were as follows:

The Board of Directors of SKEL hf. held 23 meetings from the annual general meeting of 2022 up to and including 15 February 2023, when the annual financial statement of the Company was approved. All the meetings were fully attended.

SKEL's Audit Committee met 6 times from its appointment after the annual general meeting of 2022 up to and including 15 February 2023. Guðbjörg Heiða Guðmundsdóttir was absent for one meeting. In other respects all meetings were fully attended.

SKEL's Remuneration Committee met 5 times from its appointment after the annual general meeting of 2022 up to and including 15 February 2023. All the meetings were fully attended.

The table below shows the attendance at meetings of the Board of Directors and sub-committees of the Board of Directors.

Board member	Period	Board	Audit Committee	Remuneration Committee
Jón Ásgeir Jóhannesson	10.3.2022-15.2.2023	23		5
Guðbjörg Heiða Guðmundsdóttir	10.3.2022-15.2.2023	23	5	
Nanna Björk Ásgrímsdóttir	10.3.2022-15.2.2023	23		5
Sigurður Kristinn Egilsson	10.3.2022-15.2.2023	23		5
Pórarinn Arnar Sævarsson	10.3.2022-15.2.2023	23	6	

4.6. Sub-committees

In the last operating year there were two sub-committees of the Board of Directors at work: an Audit Committee and a Remuneration Committee, in addition to one shareholders' sub-committee, the Nomination Committee.

4.6.1. Nomination Committee

The role of the Nomination Committee is to nominate candidates for SKEL's Board of Directors. According to its rules of procedure its aim 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 shareholders to make an informed decision regarding the election of candidates to the Board of Directors. Two external and independent persons, one with experience of recruitment and the other versed in the law, shall be elected annually by shareholders at the AGM to serve on the Committee for a term of one year. The third Committee member is nominated by the Board of Directors.

At the 2022 annual general meeting shareholders elected the following candidates to the Committee: Katrín S. Ólafsdóttir, CEO of Hagvangur, and Sigurður Kári Árnason, Head of Department at the Icelandic Ministry of Health. In addition, the Board of SKEL appointed Þórarinn Arnar Sævarsson, Board member, to serve on the Committee. Katrín and Sigurður are both independent of the Company, its day-to-day management and large shareholders in the Company, according to the definition of independence in corporate governance guidelines. Þórarinn is independent of the Company and its day-to-day management, but not its major shareholders.

At the first meeting of the Committee, Sigurður Kári was elected as the chairman. At the time of confirmation of this Corporate Governance Statement, the Committee has met six times in order to prepare a proposal for the Annual General Meeting in 2023, normally without the presence of the Board member. All meetings were fully attended by the external members, but the member appointed by the Board attended only the first meeting of the Committee. The Committee has met both with members of the Board of Directors of the Company, the CEO and shareholders. The Nomination Committee holds meetings with candidates for membership of the Board of

Directors following the adoption of this Corporate Governance Statement. The rules of procedure of the Committee can be accessed on SKEL's website.⁴

4.6.2. Audit Committee

The Audit Committee is a subcommittee of the Board of Directors of SKEL and is, as such, appointed by the Board for a term of one year at the first Board meeting following the annual general meeting. According to its rules of procedure, its objective is to seek to ensure the quality of financial statements and other financial information, and the independence of auditors. The Audit Committee is required to function in accordance with Icelandic laws and regulations and good corporate governance. The functions of the Audit Committee are the following:

- a) supervision of work processes in the preparation of financial statements;
- b) supervision of the arrangement and effectiveness of the Company's internal control and other supervisory functions;
- c) supervision of the auditing of the annual financial statement and consolidated financial statement;
- d) submission of a recommendation to the Board of Directors on the choice of auditor or auditing firm;
- e) assessment of the independence of the auditors or auditing firm and supervision of other tasks of the auditors or auditing firm.

The Audit Committee is also responsible for reviewing and assessing the quality of financial information and the arrangement of reporting information by management and auditors. The Committee annually reviews the Auditor's report on his/her work and independence and any material matters that may have emerged in the course of the audit. The Committee shall also follow up on the implementation of the recommendations contained in the auditor's report.

The Audit Committee also reviews the risk policy, risk appetite, risk criteria and the organisation and effectiveness of risk management in accordance with the Company's risk policy, and submits recommendations to the Board of Directors regarding changes, where warranted.

In 2022-2023, the Committee was composed of the Board members Guðbjörg Heiða Guðmundsdóttir and Þórarinn Arnar Sævarsson, together with Sigrún Guðmundsdóttir, certified public accountant. Sigrún was elected chairman of the Committee. The Committee members are independent of the Company, its day-to-day management and auditor; however, Þórarinn Arnar alone is not regarded as independent of large shareholders in the Company.⁵

4.6.3. Remuneration Committee

The Remuneration Committee is also a subcommittee of the Board of Directors of SKEL and is, as such, appointed by the Board for a term of one year at the first Board meeting following the AGM. According to its rules of procedure, the Committee's aim is to increase efficiency, establish clear procedures and improve the governance of the Board of Directors regarding remuneration matters in the Company.

The functions of the Remuneration Committee are the following:

- Review of the Remuneration Policy
- Preparation of reports and proposals to the AGM regarding the Remuneration Policy
- Conclusion of contracts with the CEO and other management that reports to the Board
- Monitoring of the implementation of, and deviations from, the Remuneration Policy

⁴ <https://www.skel.is/undirnefndir>

⁵ See link above.

- Risk management in relation employment terms
- Evaluation of own work
- Review of workplace analyses

In the operating year of 2022-2023 the Committee was composed of Jón Ásgeir Jóhannesson, Sigurður Kristinn Egilsson and Nanna Björk Ásgrímsdóttir. Sigurður is independent of the Company, its day-to-day management, and major shareholders. Jón Ásgeir is independent of the Company and its day-to-day management, but not its major shareholders. Nanna Björk Ásgrímsdóttir is independent of the Company and its day-to-day management, but is not independent of its major shareholders. Jón Ásgeir was elected chairman of the Committee. The Committee held five meetings in the course of the year. All the meetings of the Committee were fully attended. The rules of procedure of the Committee can be accessed on SKEL's website.⁶

4.7. Executive Board

The CEO has charge of the day-to-day operation of the Company, and in this respect he or she shall observe the policy and instructions of the Board of Directors. The role, responsibility and authority of the CEO are further specified in the job description approved by the CEO and the Board of Directors in November 2022.

Ásgeir Helgi Reyk fjörð Gylfason, CEO, was born in 1982. Ásgeir was appointed CEO of SKEL in April 2022, but took the post on 13 July 2022. Ásgeir also serves on the boards of companies owned by SKEL, *inter alia*, as chairman of the boards of Kaldalón, Orkan, Skeljungur and Gallon. Ásgeir has a BA and ML degree in law from Reykjavík University and is licensed to practice law. Ásgeir formerly held the post of Deputy CEO of Arion Bank. He has previously held the position of Head of Corporate Banking at Kvika Bank hf., Chief Legal Counsel at MP Bank, attorney at law at LOGOS Legal Services in Reykjavik and London, and before that served at Straumur Investment Bank in 2004-2009. Ásgeir was a member of the government's Working Group on the Removal of Capital Controls in 2015, which completed its work with the conclusion of a stability agreement that year. Ásgeir was an adjunct at Reykjavík University for a number of years, teaching securities market law etc.

Ólafur Þór Jóhannesson was Chief Financial Officer from 2019 to February 2022, was appointed Chief Executive Officer from February 2022, but left that post on 13 July 2022.

Árni Pétur Jónsson was Chief Executive Officer from August 2019, but left that post on 4 February 2022.

5. Policy on diversity

SKEL has not established a specific policy on diversity with regard to the Board of Directors or management, but the Company's current sustainability policy lays down the Company's points of focus regarding diversity. The Company emphasises diversity of qualifications and views among management and employees. This serves to create an attractive and fair working environment that contributes to the welfare of all staff.

SKEL's sustainability policy includes the following passage regarding the Company's policy on diversity:

"The Company welcomes diversity in society and among its employees and will not condone discrimination, harassment or bullying of any kind. The ambition of the Company is for the workplace to be safe in every regard. SKEL emphasises the sharing by the Company's partners of its fundamental

⁶ See link above.

values and endeavours to ensure that the Company does not engage in business with entities that do not respect human rights.”

In its sustainability policy the Company has also set itself a policy on gender equality and bullying:

“Equality, where competence and performance are key, is an integral part of the Company’s culture.

All employees of SKEL have the right to be treated with respect. Bullying, gender-related or sexual harassment will not be tolerated. Management is required to manage incidents in an appropriate manner where they arise and rigorously observe rules of procedure on the resolution of such incidents.

Work-related decisions shall be based on appropriate skills, merit and other work-related factors. In the determination of wages it shall be ensured that there is no discrimination based on gender. Employees shall be paid equal wages for work of equal value.”

SKEL also has in place a Nomination Committee with the role and task of ensuring that the Company’s Board of Directors is sufficiently diverse as regards capabilities, experience and knowledge. Among the viewpoints that the Committee is required to observe in assessing proposals for candidates for the Board of Directors is the need to assemble Board members with diverse points of emphasis and viewpoints.

Finally, the rules of procedure of the Board of Directors provide for a performance evaluation which extends, among other things, to the composition of the Board; and in December 2022 the Board carried out a detailed performance evaluation, which included a review of its composition.

See further the means by which the Company supports diversity in its disclosure of information on sustainability (non-financial information) in its Annual Financial Report; the rules of procedure of the Board of Directors can be accessed on the Company’s website.⁷

6. Decisions and judgments that concern SKEL

Over the past five years, the Company has been involved in two judicial proceedings and two administrative decisions:

On 15 December 2020, the Data Protection Authority issued a ruling in Case no. 2020010702 to the effect that SKEL’s handling of an electronic mail box at the end of employment with the Company had not been in compliance with Act No. 90/2018 on personal privacy and the processing of personal data and Rules No. 837/2006 on electronic surveillance.

On 19 November 2021 a district court judgment was pronounced in Tromsø in Norway, where a claim made by Marine Supply AS regarding the joint liability of former managers of P/F Magn and SKEL, and the companies themselves, regarding an alleged violation of a declaration of confidentiality was upheld. The judgment was appealed. The court of appeal dismissed the case from court and sent it back to the District Court for due process. A new hearing on the case is scheduled for March 2023.

On 15 September Decision No. 30/2021 was published by the Competition Authority with the conclusion that SKEL had violated the provisions of Act No. 57/2005 on the surveillance of unfair business practices and market

⁷ See link above.

transparency by posting the statement “lowest prices and cheapest fuel prices”. SKEL has responded to the Competition Authority’s Decision and the case has been closed in the Authority’s case file.

On 20 May 2022 the Court of Appeals, in case no. 189/2021, returned a judgment to the effect that the State of Iceland was required to reimburse to SKEL overpaid transport cost equalisation taxes for the years 2016-2019.

So approved by the Board of Directors of SKEL hf. 15 February 2023.



**Non-financial
Information**

Non-Financial Information

1. About SKEL

SKEL Investment company hf. (hereinafter “SKEL” or the “Company”) is a limited liability company listed on Nasdaq Nordic Iceland. This past year was SKEL’s first year of operation following the division of the earlier Skeljungur hf. The division served to sharpen the points of focus of the Company’s operation with the establishment of three independent operating companies, who took over operations which had previously been i) the Company’s retail operations, ii) corporate services, and iii) the operation of depots. SKEL’s operations and investments are conducted primarily in Iceland, but also in the Faroe Islands.

Orkan IS ehf. took over operations involving services to retail customers, including the operation of Orkan’s service stations, Extra, 10-11, the Lökkur car wash stations, the Lyfjaval pharmacies and Íslenska vetnisfélagið, as well as the Gló restaurants. Skeljungur ehf. took over operations involving sales of goods and services to corporations, distribution, procurement and wholesale of fuel, lubricants, cleaning and chemical products and sales of fertiliser and other goods and services to corporations and farmers. Sales of goods and services to large-scale customers in fisheries, airline operations and contracting also form a part of the operations. Gallon ehf. took over the Company’s depots and is responsible for their operation.

The year 2022 was marked to a significant extent by the process of dividing up the Company, as splitting up a company with a long history involves a number of challenges. Following the division the organisation and governance at the group level has been under review with the goal of enhancing and strengthening its corporate governance. Policies have variously been simplified, updated or abandoned to improve consistency with the Company in its current form. The policies and rules referred to in this disclosure have been approved by SKEL’s Board of Directors. The Company’s policies and rules can be accessed on its website.¹





SKEL operates as an investment company with the objective of creating value for shareholders, subsidiaries and associated companies, as well as other stakeholders. The Company aims to create value by developing its asset portfolio, targeting long-term value creation with the objective of reducing the weight of fossil fuel in its operations by increasing the number of its sources of income and investments. SKEL aims to be a strategic investor and thereby to provide support and assistance to the companies, management teams and entrepreneurs in which the Company decides to invest. SKEL’s staff and management will therefore support its partners in taking full advantage of all the opportunities of the enterprises that they operate, whether in the case of deep-rooted operating companies or good business ideas.

The values of SKEL Investment Company are:

- **Collaboration:** The strength of the team consists in combined experience, expert knowledge and mutual confidence. This teamwork idea extends also to the investment assets and other partners where participants work together to achieve goals.
- **Transparency:** Through transparency emphasis is placed on disclosures and discussions of SKEL, investments and future plans. SKEL emphasises transparency in all relations between employees, partners, regulators and the media.
- **Accountability:** Accountability consists in emphasising the professionalism of management and employees, who are held to account for their actions, words and results. Managers of investment assets are accountable for their own operations.

¹ <https://skel.is/stjornarhaettir/stefnur-og-reglur>

1.1. Value-creating business model

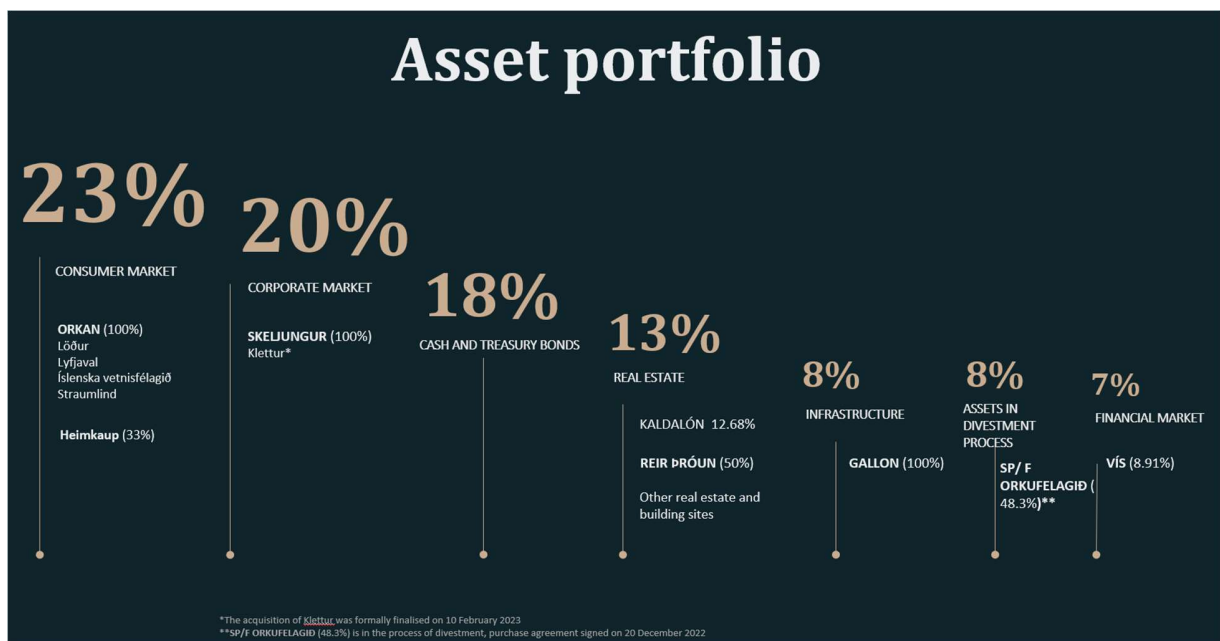
Resources	SKEL's business operation	Value added	Points of focus	Support for Sustainable Development Goals
Capital Cash and cash equivalents created with the development and sale of enterprises.	Investment activities Asset Management Investments Risk Management	Capital Returns on investment assets together with organic and external growth of companies owned by SKEL. Revenues amounted to 19.586 million ISK over the year. Total assets 38.505 million ISK at year-end 2022.	Satisfying jobs and innovation SKEL resolves to exhibit business integrity, transparency in all disclosures and compliance with the Company's Code of Ethics in its operations. Emphasis on acquiring enterprises that are important for the operation of the economy, efforts to protect capital assets as they grow and improve the enterprises in order to generate attractive returns.	 
Human resources SKEL's staff constitutes a group of people with extensive knowledge in their respective fields.	Business development Investigation and analysis of investment options that could be a good fit for the asset portfolio.	Human resources Knowledge, experience and professionalism. Working environment that supports health and well-being at work.	Focus on participating in the infrastructure development that will be needed in the coming years.	
Nature and environment The Company's principal impact on nature and the environment result from its investment activities. Among other things it results from investments that directly or indirectly impact nature and the environment.	Advice and support Collaboration, advice and support to investment assets.	Nature and environment The Company can have a positive impact by investing increasingly in sustainable energy sources and reduce investments that have a negative environmental impact.	Sustainable energy and climate actions Focus on seeking investment opportunities in sustainable energy sources that are a good fit with the current investment portfolio and also new opportunities in such investments.	
Intangible assets Business relationships and image	Rules, policies and criteria SKEL's Articles of Association Governance Investment strategy Other policies and rules of procedure	Intangible assets Maintain good business relationships Quality and transparency of disclosures	Focus on reducing the carbon footprints of investment assets.	
Tangible assets Current asset portfolios, office facilities and information systems.		Tangible assets Asset portfolios and information systems that support the Company's operation.		

1.2. Asset portfolio

SKEL's strategy in its investments is to develop its current asset portfolio, targeting long-term value creation with the additional objective of reducing the weight of fossil fuel in its operations by increasing the number of its sources of income and investments. SKEL thus takes targeted actions to develop options within its asset portfolio that offer customers more environmentally sound options. At the same time, the Company strives to increase its positive impact on society and thereby create common value for the Company itself, society and the environment.

SKEL's asset portfolio is divided into the following five categories: consumer market, corporate market, infrastructure, real estate and financial markets.

The Company's asset portfolio in 2022 featured the following investments:



1.2.1. Consumer market

- Orkan IS ehf. (100%) is the only company in Iceland that offers all energy supplies. Orkan operates 70 petrol stations, two hydrogen stations and one methane station, in addition to offering charging stations for electric vehicles. Orkan also operates nine retail outlets under the Orkan brand, 10-11 and Extra. In addition, Orkan manages holdings in the following companies: Löður (100%), Gló (100%), Íslenska Vetnisfélagið (90%), Lyfjaval (58%), Brauð og co. (38%), Straumlind (34%) and Clippers (23%). [HERE](https://www.orkan.is/um-orkuna/) is a link to Orkan's policies regarding sustainability.²
- Wedo ehf. (33%) - Heimkaup (Wedo ehf.) is a progressive Icelandic online store and one of the largest in the country. Heimkaup's mission is to facilitate customers' shopping for the home and the workplace. The company offers a wide selection of goods, with alcoholic beverages as the most recent offering.

1.2.2. The Corporate Market

- Skeljungur ehf. (100%) – Skeljungur's business primarily involves sales of goods and services to corporations, distribution, procurement and wholesale of fuel, lubrication oils, cleaning and chemical products and sales of fertiliser and other goods and services to corporations and farmers. Sales of goods and services to large-scale customers in fisheries, airline operations and contracting also form a part of

² <https://www.orkan.is/um-orkuna/>

the operations. Skeljungur is also an agent for Shell in Iceland, in addition to managing holdings in Barkur (67%), EAK (33%), Fjölver and Ecomar (67%). [HERE](#) is a link to Skeljungur's sustainability website.³

- Sp/f Orkufelagið (48.3%) - Orkufelagið is a holding company of shares in P/F Magn, which operates in the Faroe Islands. P/F Magn is one of the Faroe Islands' largest companies. Its business activities mostly involve wholesale, services, storage and distribution of fuel and retail operations. SKEL has accepted an offer from a Faroese company for all SKEL's shares in P/F Orkufelagið, 48.3%

1.2.3. Infrastructure

- Gallon ehf. (100%) - Gallon is an infrastructure company based in Iceland. Its principal business activity consists in receiving and delivering fuel from depots around Iceland. Gallon operates a total of six depots, with the terminals all well situated along the shoreline. Gallon owns a total of 36 depot tanks. Of these, the terminal in Örfirisey (Reykjavik) is by far the largest; other terminals are located in Akureyri, Eskifjörður, Reyðarfjörður and the Vestmanna Islands.

1.2.4. Real estate

- Kaldalón hf (12.68 %) - Kaldalón is a real estate company with a diverse portfolio of real properties distributed around the metropolitan area of the capital. The company leases out business premises, such as hotels, storage and industrial premises, retail and services premises and offices. [Here](#) is a link to Kaldalón's sustainability policy.
- Reir þróun ehf. (50%) - Reir þróun was founded in 2022 by Fasti and SKEL who hold equal shares. The company holds development assets at various stages of development, focusing on residential properties
- Other assets – Real properties in Litlatún 1 in Garðabaer and Austurströnd 7 in Seltjarnarnes. The real estate development companies Helgafellsásar, Öxl and Sp/f OMP.

1.2.5. Financial markets

- VÍS hf (8.97%) - VÍS is one of Iceland's largest insurance companies, with deep roots in Icelandic society. Its strong brand, solid history and extensive customer base represent significant value. [Here](#) is a link to VÍS's sustainability policy.

2. Principal risks relating to non-financial factors

Following the splitting up of the Company and after the Company's objects were changed to investment, the Company has a small overhead, which means that the direct risk of environmental, social and human resource matters in the Company's operations is limited. The risk is primarily concentrated in the Company's investments. The risk resulting from environmental changes is diverse. The Company's largest investments are in companies that import, store and sell fossil fuels to retail and corporate customers. For reasons of climate change and government targets regarding energy transition it is foreseeable that sales of fossil fuels will not be as significant as before in the vehicle fuel market. SKEL is therefore stressing the importance of its companies' developing their respective business operations in line with the changing times.

Companies in the fisheries sector are large customers of SKEL, and the biosystem of the sea is interlinked with the interests of the fisheries companies. Acidification of the oceans is therefore a climate change that could have a significant impact on the operation of these companies in the long term. To meet this risk the companies are constantly endeavouring to reduce their environmental impact and to support the government's energy transition targets. To give an example, Skeljungur and Gallon have signed the first memorandum of understanding on the sale and distribution of electrofuel in Iceland, which will be an important factor in the energy transition in fisheries and maritime transport. At the same time that environmental changes are occurring as a result of global warming extensive social and technological changes are also taking place. There is a growing emphasis on green energy

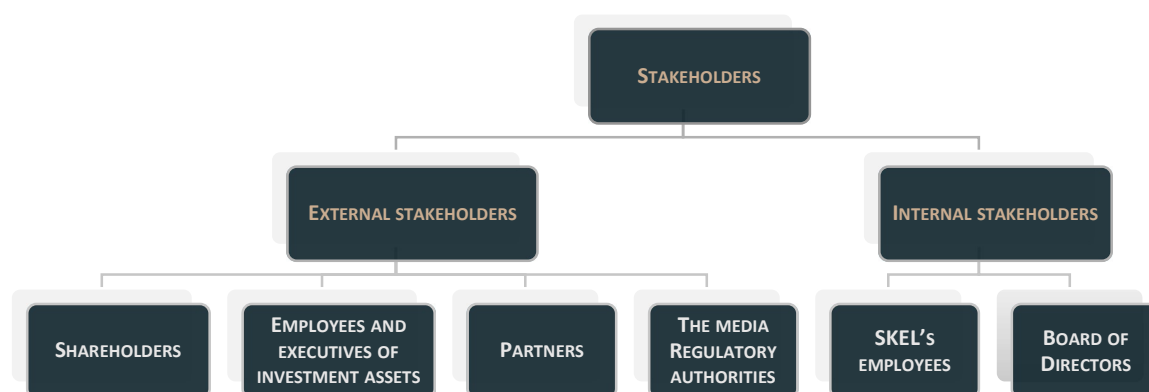
³ <https://www.skeljungur.is/sjalbbaerni>

sources and much progress has been made in the development of electric vehicles, which have grown significantly in number in recent years. This may result in reputation risk arising from the business activities of companies that sell fossil fuels. In order to respond to this risk the Company's investments in enterprises that sell fossil fuels have been adding green energy sources to their product offerings, e.g. in the form of hydrogen, electricity, biodiesel, more environment-friendly lubricants and tar removers. Also, investments in the company Klettur have been finalised, bringing SKEL into active participation in the infrastructure development that will be needed for the targets of the government regarding energy transition to be met.

Following the splitting up of SKEL's business operation there are no precise reference figures available to enable emission targets to be set for the operating companies held by SKEL. The year 2022 will be the first year of operation of the companies in their current form, and so that year will be used as a reference year. All the companies use Klappir's systems to monitor emissions of greenhouse gasses and energy consumption, and SKEL has issued recommendations to its companies to establish targets on reducing their emissions.

3. Stakeholders

Stakeholders have been defined as individuals, groups or legal persons who are impacted by and can have an impact on the operation of organisations. A distinction is made between external stakeholders and internal stakeholders. Information on the business activities of SKEL shall be accessible and easily understandable so that stakeholders have a clear insight into the Company's business activities and understand the reasoning underlying decisions made.



3.1. External stakeholders

Shareholders: We emphasise detailed and timely disclosure of information to enable shareholders and market players to acquire a deep knowledge of the operation and performance of the Company. We endeavour to explain SKEL's strategy and future vision, challenges and opportunities and the overall development of the Company. We are accountable to other shareholders in investment assets where SKEL has a controlling interest.

Employees and executives of investment assets: SKEL emphasises support for the managers of the companies in which SKEL invests and helping them to develop competitive enterprises that are favourably positioned to achieve results in their respective sectors. SKEL encourages the companies to offer an attractive and stimulating working environment where good work is rewarded.

Partners: SKEL's principal partners are banks, brokers and analysts.

The media and regulatory bodies: The media disseminate information about the Company to the public and can therefore have a significant impact on the Company's reputation and image.

Regulatory bodies play an important role for society, and SKEL follows a policy of responding to all queries within set time limits in a clear and detailed manner.

3.2. Internal stakeholders

Employees: Interactions in the workplace are characterised by openness and integrity. SKEL offers a competitive and flexible working environment that supports career development.

Board of Directors: The Board of Directors makes strategic decisions for the Company and is ultimately responsible for its business operations.

4. Environmental factors

SKEL is working on reducing the environmental impact that the business activities of the Company and its investments may entail, e.g. by monitoring developments in environmental affairs and incorporating innovations into its operations. The Company complies with legal and regulatory requirements that apply to environmental matters.

SKEL uses Klappir's system in calculating and keeping records of the Company's carbon footprint in Scopes 1, 2 and 3. At year-end 2021, Skeljungur hf.'s consolidated operation was split up into four companies: SKEL Investment Company hf., Skeljungur ehf., Orkan IS ehf. and Gallon ehf. Previously, Klappir's system had kept records of the combined carbon footprints of all the companies, but in 2022 work was started on splitting up the records.

The Company's carbon footprint in Scopes 1 and 2 is 43,1 tCO₂. Since SKEL is an investment company with a limited overhead it was foreseeable that the Company's carbon footprint in Scopes 1 and 2 would be small. The Company's carbon footprint in Scope 3 was not available when the financial statements were published but will be completed when the investment assets have delivered year end actual data for the year 2022.

In 2019 it was announced that the Company intended to reduce the weight of fossil fuels in its asset portfolio (see [here](#)). In pursuance of this strategy SKEL has increased the weight of sustainable energy in its investments over the year. The projects undertaken in 2022 that support the United Nations Sustainable Development Goals are the following:

- SKEL invested in the electricity supplier Straumlind, which offers the lowest prices of energy for domestic use in Iceland. The future vision of Straumlind is to make the electricity system "smarter". With the use of data science and artificial intelligence utilisation in the electricity system can be maximised, cost minimised and energy balance enhanced.
- In the course of the year an offer was accepted to buy the Company's entire holding in Sp/f Orkufelagid, an oil company in the Faroe Islands. This was in line with the Company's target of reducing the weight of fossil fuel in its portfolio.
- Skeljungur and Gallon have entered into memorandums of understanding with the Danish CI Energy Transition Fund I on exploring the possibilities of the two companies buying electrofuel from the Fund for distribution and sale, e.g. to Icelandic users. CI Energy Transition Fund I is a new fund owned by Copenhagen Infrastructure Partners (CIP) and the world's largest fund dedicated to investment in projects relating to green electrofuel. The government's target of achieving energy transition in the fisheries sector will only be achieved if shipping companies and fisheries operators can substitute fossil fuels with other more environment-friendly energy sources. CIP, Skeljungur and Gallon are of the opinion that electrofuel is the way to put an end to the release of carbon dioxide in maritime operations.
- From the outset Orkan has carbon neutralised all its operations in Iceland through the Wetland Fund and the company offers its environment-conscious customers the option of doing the same. Users of Orkan's Orkulykill tag for fuel purchases can use part of their discount to carbon neutralise their fuel purchases through the Wetland Fund.

One project that started in 2022 and supports the United Nations Sustainable Development Goal on decent work and economic growth and innovation and development is the acquisition of the company Kletttur og þjónusta ehf.,

which was finalised at the start of 2023. Klettur engages in importation and maintenance services of heavy machinery and will play an important role in the maintenance and development of Iceland's infrastructure in the coming years.

SKEL will continue to seek investment opportunities in sustainable energy sources that represent a good fit with the Company's current investment portfolio and to exert influence within its current portfolio. See further [here](#).

5. Social factors

SKEL has the interests of its employees at heart and respects all job-related rights of its employees in conformity with the lawful rights of wage earners. SKEL promotes equality in the workplace and objective and fair relations. Bullying and other harassment is not tolerated. Equality, where competence and performance are key, is an integral part of the Company's culture.

SKEL's objective is to have in its ranks enthusiastic, qualified employees who exhibit initiative and ambition in their work and play an active role in continually improving the Company. SKEL's employees participate in shaping and improving the Company's business operation.

SKEL seeks to offer its employees a quality working environment. The Company promotes a good balance between work and private life with respect for the family conditions of employees. Support from management, motivation and regular management feedback are a part of shaping a good working environment, in combination with mutual support among employees.

The Company is also resolved to promote opportunities for employees to acquire added knowledge and education that contribute to the advancement of their careers.

On average there were seven employees working for the Company in the course of the year, three women and four men. At year-end 2022 the Company had seven employees, two women and five men. Since the Company's employees are so few, all engaged in different and specialised work, it was not considered efficient to obtain equal pay certification.

Over the year 2022 there has been a considerable turnover in staff in the Company, largely as a result of the division of the Company referred to earlier. The average number of full-time employees over the year was seven, but three employees left the Company in the course of the year, one woman and two men, putting the staff turnover at 43%.

SKEL resolves to comply with the requirements of law, rules and ethical criteria that apply to human rights. The Company welcomes diversity in society and among its employees and will not condone discrimination, harassment or bullying of any kind. The ambition of the Company is for the workplace to be safe in every regard.

SKEL emphasises the sharing by the Company's partners and investments of its fundamental values and endeavours to ensure that the Company does not engage in business with entities that do not respect human rights. See further details of SKEL's policy [here](#).

6. Governance

The Board of Directors and management of SKEL Investment company hf.: ("SKEL") place great emphasis on the observance of good governance. Good corporate governance, in the view of the Board of Directors and management, is the foundation for both trust and management accountability, both of which contribute to good decision making and good relations among the Board, employees and other stakeholders of the Company,

SKEL's governance is in compliance with laws and rules that apply to the Company's business activities. SKEL has listed securities in the Icelandic Stock Exchange (Nasdaq Iceland hf.) and is therefore also required to observe the guidelines on corporate governance issued by the Iceland Chamber of Commerce, Nasdaq Iceland hf., and the Confederation of Icelandic Employers, 6th edition, 2021. The Guidelines are accessible on the website of the Iceland Chamber of Commerce. SKEL's governance is also in compliance with the Company's internal rules, which are posted on the Company's website, www.skel.is.

The Board of Directors of the Company is composed of a diverse group of people possessing a wide range of skills, experience and expertise. A Nomination Committee works in the service of the Company with the objective of implementing a transparent and clear arrangement of nominating candidates for membership of the Board. The Board of Directors is composed of two women and three men,.

Following the division of SKEL, the establishment of its operating companies and the change in the Company's objects, the organisation and governance at the group level has been under review with the goal of enhancing and strengthening good governance. Policies have variously been simplified, updated or abandoned to improve consistency with the Company in its current form.

Further details of the Company's Corporate Governance Statement, the rules of procedure of the Board of Directors and the Nomination Committee can be accessed [here](#) and in an annex to the annual financial statement.

6.1. Sustainability Policy and actions against corruption and bribery

SKEL conducts its business activities with integrity and resolves to comply with law, rules and general criteria regarding business integrity and observe the rules established by the Company at any time. SKEL will not accept or contribute anything that could be categorised as bribery, nor will it do business with persons where there is any suspicion of money laundering. All business activities conducted by the Company shall be specified in the Company's accounts in line with accepted rules of procedure and subject to auditing. SKEL will avoid any conflicts between the interests of employees and those of the Company.

7. Reliability of non-financial disclosures

The summarized figures on non-financial information for 2022 were prepared in co-operation with Klappir Green Solutions hf. The key performance indicators used by Klappir reflect the environmental, social and governance (ESG) factors in SKEL's business operation. The guidelines issued by Nasdaq in Iceland and the Nordic Countries in March 2019 are used for reference. Reference is also made to the relevant criteria of the GRI Standard (Global Reporting Initiative, GRI100-400) and the Reporting Principles of the United Nations Global Compact (UNGC, P1-10).

 Environmental (E)	 Social (S)	 Corporate Governance (G)
E1. GHG Emissions E2. Emissions Intensity E3. Energy Usage E4. Energy Intensity E5. Energy Mix E6. Water Usage E7. Environmental Operations E8. Climate Oversight / Board E9. Climate Oversight / Management E10. Climate Risk Mitigation	S1. CEO Pay Ratio S2. Gender Pay Ratio S3. Employee Turnover S4. Gender Diversity S5. Temporary Worker Ratio S6. Non-Discrimination S7. Injury Rate S8. Global Health & Safety S9. Child & Forced Labor S10. Human Rights	G1. Board Diversity G2. Board Independence G3. Incentivized Pay G4. Collective Bargaining G5. Supplier Code of Conduct G6. Ethics & Anti-Corruption G7. Data Privacy G8. ESG Reporting G9. Disclosure Practices G10. External Assurance

Klappir's environment software maintains records of calculations of the Company's carbon footprint, Scopes 1, 2 And 3, based on the GHG Protocol.

Klappir's Sustainability Platform is used to ensure traceability, transparency and efficiency in collecting and disseminating ESG information. Information on the use of fuel and electricity, hot water and cold water is collected automatically from suppliers.

Information on social factors and governance are recorded manually by SKEL's employees. The origin of data can be traced from the Klappir information system.

Reitun ehf. analyses and assesses the situation of the Company as regards risks relating to environmental, social and governance matters. The Company has thereby obtained a third-party assessment of its situation regarding the ESG policy area.

This Annex containing information on ESG factors was prepared by the appropriate responsible parties within SKEL. The Annex has not been audited by a third party, but was reviewed by SKEL's Audit Committee and Board of Directors. The disclosures on non-financial factors are in compliance with Act No. 3/2006 on annual accounts, Article 66 (d), which lays down the provisions on non-financial disclosure.

SKEL

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