

# **Festi hf. Nomination Committee Report**

## **For the 2020 Annual General Meeting**

**27 February 2020**

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The annex includes the present Rules of Procedure for Festi's Nomination Committee.

## **Nomination Committee role and ordering**

The objective of the Nomination Committee (Committee) is to ensure a transparent and professional process in appointing Board Directors and support an informed decision by shareholders at Board of Directors (Board) elections.

The purpose of the Nomination Committee is, according to the Rules of Procedure, to prepare and present proposals of candidates when the company's Board is elected at the Annual General Meeting. The Committee's proposals shall aim for the Board to have, at any given time, at its disposal diverse knowledge and experience useful to the company in policy making and monitoring in the environment in which the company operates at any given time.

The Committee has a consulting role when Festi's Board Directors are selected and presents its proposals to a shareholder meeting where election of Board Directors is on the agenda. In its work the Committee shall be guided by the interest of all the company's shareholders.

Festi's Nomination Committee members are Sigrún Ragna Ólafsdóttir and Tryggvi Pálsson, both independent and the Board's proposal for their appointment to the Committee was approved at the 2019 Annual General Meeting, and Þórður Már Jóhannesson, who was appointed by Festi's Board of Directors. At the Committee's first meeting Sigrún Ragna Ólafsdóttir was elected chairman and Tryggvi Pálsson secretary.

The Committee works according to the Festi Nomination Committee Rules of Procedure, first approved at the shareholder meeting on 25 September 2018 and amended at the 2019 Annual General Meeting. The Rules of Procedure included in the Annex further describe the role, scope of responsibility, operation and organisation of the Committee.

### **1. Committee work**

The Committee's first formal meeting was on 19 September last year and it has since held twenty meetings, including the interviews it has conducted. In addition to formal meetings of the Committee, the independent committee members attended a conference on good governance at the University of Iceland on 11 April last year where nomination committees were discussed specifically and Tryggvi Pálsson participated in panel discussions. All members of the Committee then attended a workshop on nomination committees on January 17 this year hosted by the Iceland Chamber of Commerce, Confederation of Icelandic Enterprise and Nasdaq Iceland, where Sigrún Ragna Ólafsdóttir was one of the speakers.

Following division of tasks between members, the Committee reviewed the Rules of Procedure and formed its work schedule leading up to the 2020 Annual General Meeting. The work schedule provides an overview of the issues addressed by the Committee as well as a timetable. According to the Rules of Procedure, the Committee is to report to the Board and submit its nominations at the latest three weeks before the Annual General Meeting which will be on the upcoming 23 March.

During Committee discussions with the Board, CEO and among themselves, it was clearly stated that the Committee did not want to receive information categorised as insider information. The Committee addressed various other issues concerning its work, such as a common access controlled work area for the Committee on the company's inner network where minutes, documents and information concerning its work can be stored in a safe manner. Provisions on

confidentiality concerning the Committee's work were reviewed and the need for safe storing of personal data.

Information regarding the Committee on the company's website (festi.is) were reviewed according to rules of procedure and updated. The Committee has a separate e-mail address [tilnefningarnefnd@festi.is](mailto:tilnefningarnefnd@festi.is) where shareholders and others can submit candidacies or other information to the Committee.

The legal framework for the Committee's work was reviewed and discussed. Committee members read the company's settlement with the Competition Authority and discussed its elements with respect to the obligations that the settlement places on the Board and eligibility of Board Directors in Festi, which the Committee must take into consideration. During the past operating year the Committee indicated to the Board and CEO that it would be useful to have a lawyer to record the Board's minutes. The Board agreed with this suggestion and it is the Board's opinion that the present arrangement strengthens the Board's work.

The Committee made a separate evaluation of reports by nomination committees of other companies listed on the stock exchange. Interesting items in the committees' reports were discussed, among others whether and then how the committees' proposals were argued.

On 14 November, Festi published on the Nasdaq Iceland website that Björgólfur Jóhannsson had informed the company of his resignation from the Board. It was also stated that the Board would continue its work until it would be fully seated at the next Annual General Meeting. No alternate directors are elected to the Board of Festi.

An advertisement was made and published in newspapers and on the company's website. The advertisement called for shareholder proposal of candidates for the Board election as well as their candidacies and that of others. In order to increase transparency it was stated that four of the present Board Directors intended to stand as candidates at the next Annual General Meeting. The advertisement was published on 10 January, or ten weeks before the Annual General Meeting according to the Rules of Procedure, giving prospective candidates until 10 February to notify of their candidacy.

On 10 January the Committee sent a letter to the company's twenty largest shareholders informing them that the Committee had commenced preparation for the company's 2020 Annual General Meeting. Among other things the Committee drew attention to the possibility for shareholders to meet with the Committee or submit questions or proposals to the Committee and that it was preferable that this would be done before 1 February via the Committee's e-mail address. Two shareholders requested meetings with the Committee and these were held in the second part of January. It was very useful for the Committee to hear their points of view and expectations regarding its work.

The Committee improved a specific framework and assessment sheets it had developed for the first time before the 2019 Annual General Meeting which may be used for assessing the competence, experience and knowledge of a Board Director of Festi. The following chapter of this report further details the framework and the implementation.

The independent Committee members, Sigrún Ragna Ólafsdóttir and Tryggvi Pálsson, met with the present Board Directors separately in accordance with the Rules of Procedure. In the meetings the competence, experience and knowledge of the respective Director were discussed and other Board Directors were assessed as well as the Board as a whole.

The independent Committee members also had a meeting with the company's CEO. The purpose was to get his opinion of the key competences and knowledge required for the company's Board and also to assess the Board's composition, cooperation and its achievements. The main challenges facing the company in the coming semesters were discussed in general terms.

The Committee reviewed a specific questionnaire, put together by the Committee in the last year of operation, for interviews with candidates for the Board, other than those presently on it. The questions are presented at the end of the next chapter of this report. Seven such candidacies were received and the Committee met with those candidates. They were all informed that, once the Committee's proposal was available and had been published, it would be up to them whether the Committee would hand their candidacies over to Festi's Board or not. Candidacies sent to the Board would thereby become part of a lawful process for candidacies to the company's Board in accordance with article 63 of the Act No. 2/1995 concerning Public Limited Companies.

The Committee received a total of eleven candidacies before the given deadline and all present Board Directors submitted a candidacy. All candidates submitted CVs along with a candidacy form containing personal information for assessing their eligibility as regards being Directors in other companies, ownership in the company, directly or through related parties and possible shared interests.

The Committee reviewed all candidacies specifically with regard to assessing the independence of the parties in accordance with the company's settlement with the Competition Authority and guidelines on good governance. It was the Committee's conclusion that all candidates were independent of the company, its daily management and its large shareholders.

The Committee was given access to the results of a performance assessment of the Board performed by an independent outside party. The performance assessment formed a basis in the Committee's assessment of the Board's work and its composition.

## **2. Framework for eligibility, experience and knowledge**

The Rules of Procedure for Festi's Nomination Committee include that key competences and knowledge shall be defined for the Board and that these shall be reviewed as needed. It shall also assess the Board's size, composition and performance with respect to guidelines on business governance and the conclusion of the Board's performance assessment.

The Committee thoroughly prepared interviews with Board Directors and those who had submitted candidacies for the Board. At the outset the internet was searched for analysis by other Nomination Committees, both in Iceland and abroad, as regards competence, knowledge and experience. Then the Committee formed its own deployment of these factors.

Four main categories of competence, knowledge and experience were defined, all of which must be available to a board of directors of a company faced with challenges similar to those of Festi. The first category includes factors concerning Company strategy and operations. This category also includes general management, change management and planning. In order to meet the demands of this category the respective party must be able to assess the company's situation and what needs to be changed in its operations.

The second category covers Supervision and governance. This category also includes legal and regulatory, auditing, compliance, financial literacy and management, human resources management, risk management and good governance. The respective party must have an independent and critical mind.

The third category includes Knowledge of market development. This includes market issues, customers, investments, international environment and innovation, including digital development. The respective party must have the ability to assess developments in the competition market in the short and long term.

The fourth category is Ethics and social awareness. This category includes company culture, social responsibility, ethics, sense of brand reputation, social skills, empathy and human relations. The respective party must be responsible and aware of the company's environment.

Before the interviews with the candidates their CVs were reviewed. It was considered how their education and experience met the factors above. An attempt was made to fill in this picture for each candidate during the interviews. They were also asked to indicate their main strengths. The Board Directors were also asked to point out the main strengths of other Directors and present their opinion of the Board's performance.

In order to facilitate assessment of the Board's work, questions were asked such as whether the Director was prepared for meetings, whether she/he took an active part in discussions and decisions, whether her/his presentation was clear, logical and effective and whether she/he listens to and understands the point of view of others. It was also asked what the Board's decision process was and what the interviewee considered the main challenges facing Festi. The Board's performance assessment was studied carefully and compared with statements during the interviews.

The Committee reviewed three forms that were created last year and which were used in the interviews. First *A framework for assessment of candidates to the Board*, second a form headed *Factors of competence, knowledge and experience* and thirdly the table *Main strengths of Board Directors in their own opinion as stated in the interviews*.

The Board's representative on the Committee did not attend the meetings with other Board Directors and company CEO.

Before interviewing candidates, other than Board Directors, all Committee members studied the candidates' applications and their CVs.

Key questions to the candidates:

1. What are the reasons for your candidacy for the Board of Directors of Festi?
2. Do you have the time to undertake the work of a Director?
3. What competence, knowledge and experience do you have that should be of use for the Board?
4. Do you have knowledge of the operation of Festi and the market in which it operates?
5. In which of the following main categories lies your strength mainly, i.e. company strategy and operations, control and governance, market development or ethics and social awareness?

6. Are there any aspects concerning your connections, previous work or anything else that might cast a shadow on Festi's reputation?

At the end of each interview the interviewee was given an opportunity to ask questions and then an overview of the time line until the Annual General Meeting was provided. Once an interview was finished, the Committee members conferred and assessed how the respective person met demands of competence, knowledge and experience that could be of use for the Board of Festi, with regard to the challenges that the company is faced with in the next few semesters.

Any identifiable information from the interviews is confidential and remains with the Committee members.

### **3. Committee nomination of Board Directors**

The Committee unanimously proposes to shareholders that the following be elected to the Board of Festi hf.: Guðjón Reynisson, Kristín Guðmundsdóttir, Margrét Guðmundsdóttir, Þórður Már Jóhannesson and Þórey G. Guðmundsdóttir. With those Directors the Board would meet all demands of laws and regulations.

The proposal entails that four of the current Directors would remain on the Board and Þórey G. Guðmundsdóttir would become a new Director.

Following is an introductory text on the education and career of the candidates that the Committee proposes to the company's Annual General Meeting on 23 March 2020 for the Board of Festi hf.

#### **Guðjón Reynisson**

Guðjón has an MBA degree from the University of Iceland in 2002, completed Business Administration studies at the University of Iceland Institute for Continued Education in 1999 and graduated as a sports teacher at the elementary and secondary school level from the Icelandic Academy of Sports Teachers in 1986.

Guðjón is an independent investor and Board Director today. During the period 2008-2017 he worked as CEO of Hamleys of London. In 2003-2007 Guðjón was manager of the 10-11 retail shop chain. Earlier, between 1998-2003 he was manager of Tal sales department.

Guðjón became a Director on Festi's Board in 2014 and was elected to the Board of the merged company Festi in 2018. Guðjón has also been on the Board of Kvika bank and Securitas since 2018 and Dropp since 2019.

Guðjón is a shareholder in the company directly or through associated parties. Shareholding is within the 10% limit of total shares.

Guðjón is independent of the company, daily management and large shareholders in the company.

#### **Kristín Guðmundsdóttir**

Kristín has a Cand. oecon. degree from the University of Iceland.

Kristín works as Executive Manager of KG slf. In 2011 she was CEO of Skipti hf. and before that she was CFO of Síminn hf. and Skipti hf. 2003–2010 and CFO of Grandi hf. 1994-2002. Kristín also worked for many years as manager at Íslandsbanki and Idnaðarbanki Íslands.

Kristín was Chairman of the Board of Directors of Sparisjóður Vestmannaeyja 2011-2013 and on the Board of Míla ehf. 2007-2011 where she was Chairman of the Board of Directors in 2011. Kristín was a Board Director at Síminn hf. 2007-2011 and Chairman of the Board of Directors in 2011. Kristín was Vice-chairman of the Board of Directors of Straumur Investment Bank 2013-2015, on the Board of Directors of Kvika bank from 2015-2016 and in 2018. Kristín has also been on the Board of Directors of the following companies: Skjá midlar ehf., Fasteignafélagid Jörfi ehf., Sjóminjasafnid, Farsímagreidslur ehf., Straumur hf., Iceland Chamber of Commerce, Icelandic Securities Depository hf. and Lífeyrissjóður verkstjóra. Kristín was President of Rótarý Reykjavík Midborg 2013-2014.

Kristín started as a Board Director of N1 in 2011 and became a Director of the Board of Festi in 2018. She is on the Board of Farice since 2013, the Board of RVK studios since 2015 and alternate Board Director for the Board of Kvika bank since 2016. She is on the investment council of Eyrir sproti since 2015, Eyrir Venture Management and Eyrir Ventures ehf. She is on the board of Golfsamband Íslands since 2013.

Kristín is a shareholder in the company directly or through associated parties. Shareholding is within the 10% limit of total shares.

Kristín is independent of the company, daily management and large shareholders in the company.

### **Margrét Gudmundsdóttir**

Margrét has a Cand. oecon. degree from the University of Iceland, Cand. merc. degree from Copenhagen Business School and an Executive education from CEDEP/Insead in France.

Margrét worked as CEO of Austurbakki, later Icepharma hf. 2005-2016. Earlier Margrét worked as Executive Manager at Skeljungur 1995-2005, Executive Manager at Kuwait Petroleum (Danmark) A/S 1986-1995 and Office Manager at Dansk ESSO, later Statoil, 1982-1986. She was Assistant Executive Manager of AIESEC International in Brussels 1978-1979.

Margrét is Executive Manager of Eignahaldsfélagid Lyng ehf. and is also on its Board of Directors. She is also on the Board of Hekla hf., Hekla Fasteignir ehf. and Paradís ehf. Margrét was Chairman of the European Surgical Trade Association 2011-2013 and was on its Board from 2009-2015. She was President of Félag atvinnurekenda 2009-2013, on the Board of Reiknistofa bankanna 2010-2011 and 2016-2018, on the Board of ISAVIA 2017-2018 and the Board of SPRON 2008-2009. Margrét has also been on the Board of Directors of the following companies: Skýrr hf., Frigg hf., Q8 A/S in Denmark and Dansk Institut for Personalerådgivning.

Margrét became Director of the Board of N1 in 2011 and has been Chairman since 2012. Margrét is the Chairman of the Board of Directors of Festi today.

Margrét is a shareholder in the company directly or through associated parties. Shareholding is within the 10% limit of total shares.

Margrét is independent of the company, daily management and large shareholders in the company.

### **Pórður Már Jóhannesson**

Pórður Már has a Cand. oecon. degree from the University of Iceland.

Pórður Már was CEO of Straumur Fjárfestingabanki hf. from 2001-2006 and lead the foundation and building up of that company. In 1996-2001 he worked for Kaupthing hf. Since 2006 Pórður Már has been a private investor. In 2014 his company invested in Festi hf. and was one of its leading shareholders. Pórður Már was Chairman of the Board of Directors of Festi Fasteignir hf. and Höfdaeygnir hf. from 2014-2018. Pórður Már has also been on the boards of many companies in recent years, e.g. Olúfélagid hf. and Sölumidstöð Hradfrystihúsanna hf.

Pórður Már became Director of the Board of Festi in 2018.

Pórður Már is a shareholder in the company directly or through associated parties. Shareholding is within the 10% limit of total shares.

Pórður Már is independent of the company, daily management and large shareholders in the company.

### **Pórey G. Guðmundsdóttir**

Pórey has a Cand. oecon. degree from the University of Iceland.

Pórey has been Executive Manager of the Financial and IT Department of Bláa Lónid hf. since 2013, has been an active participant in setting the company's strategy and sits on its Executive Board. The Financial and IT Department of the company is one of three basic departments of the company which has gone through an extensive infrastructure expansion in recent years to support the objectives and growth of Bláa Lónid. Setting up an on-line booking system, building up a data warehouse, setting up a new business system and increasing use of digital processes are examples of such projects. In 2015 – 2018 Pórey was on the building committee of Bláa Lónid while The Retreat was being built. In 2012-2013 she was manager of Samskip's economic department and responsible for accounting and financial statements of the mother company and its subsidiaries. In 2004-2011 Pórey was Manager of the Financial Department of Straumur Fjárfestingabanki. For a period of time the bank operated in four countries. In 2000 she began working at the Financial Department of FBA which was later merged with Íslandsbanki. She was assistant and substitute Manager of Operations and Finance at Althingi 1999-2000 and at KPMG Endurskodun hf. in 1995-1999.

Pórey is on the Boards of several of Blá Lónid subsidiaries.

Pórey is independent of the company, daily management and large shareholders in the company.

## **4. Reasoning**

The merger of the companies in Festi hf. took place on 1 September 2018 which may be said to have marked a new beginning. As tasks related to the merger have been completed and the implementation of strategy has progressed, demands on the Board of Directors have been changing.

In the Committee's discussions and assessment, as well as the Board's performance assessment, it was evident that the present Board of Directors is strong and forms an effective team. Once the

Committee had interviewed all candidates and its work had been summarised it was the unanimous opinion of the Committee members to propose that the four present Directors were most suitable to continue work for shareholders. They withstood comparison to other candidates. Once that decision was made the remaining task was to nominate a new Board Director.

The Committee had set certain criteria in advance for what qualities a new Board Director of Festi should have. There were three main aspects, i.e. that the Director would add value to the Board's work, fit in with the team formed by the Board and might well be younger than the Directors in place. The importance of the tourism industry was also considered in terms of Festi's progress. There were suggestions from shareholder representatives who requested a meeting with the Committee. They wanted among other things to see new people, instead of the same people being on many boards and suggested that the Committee recommend a candidate that was younger than those already in place.

Board Directors are enthusiastic about Festi's future and progress and all bring important knowledge and experience to the table. This is clear from the Committee's analysis of the interviews and is confirmed in the Board's performance assessment. The Directors stated in the performance assessment that building up the new company Festi has been successful. Plans have been achieved and difficult issues have been overcome. There appears to be mutual respect and trust within the Board. It is also the Directors' assessment that the interest of all shareholders is equally protected.

The main conclusion of the performance assessment of Festi's Board is that the assessment did not reveal any serious warning lights. The lowest score in answers to questions on Director knowledge was for technology. Þórey should be an asset in that respect as Executive Manager of the department of Finance and IT at Bláa Lónið. Her knowledge, competence and experience in finance is significant and her knowledge and understanding of new developments in tourism would also be useful for Festi.

The proposal for Festi's Board for the next operating year provides a good mixture of people with diverse and extensive experience. It also involves specific knowledge of Festi's operations as well as those companies forming the merged company. They are sincerely enthusiastic in performing their work effectively, yielding a good profit to shareholders. All of them are educated in business but have worked in different sectors. The Board is notably strong when it comes to experience on international competition markets due to their work for foreign and domestic companies.

#### **Festi hf. Nomination Committee**

**Sigrún Ragna Ólafsdóttir**

**Tryggvi Pálsson**

**Þórdur Már Jóhannesson**

## **Appendix**

### **NOMINATION COMMITTEE RULES OF PROCEDURE**

#### **1. Objective**

Festi hf. shall have a Nomination Committee whose purpose shall be to prepare and propose candidates for the election at the company's Annual General Meeting and for shareholder meetings where election of Board Directors is on the agenda. The Committee's proposals shall aim for the Board to have, at any given time, at its disposal diverse knowledge and experience useful to the company in setting strategy and monitoring the environment in which the company operates at any given time.

The Nomination Committee works in accordance with the company's Articles of Association, these Rules of Procedure and the Act concerning Public Limited Companies. The Committee shall also take into account the guidelines of the Iceland Chamber of Commerce, Nasdaq Iceland and the Confederation of Icelandic Enterprise on company governance (hereafter referred to as "Guidelines for company governance").

#### **2. Membership of the Nomination Committee**

The Nomination Committee shall have three members for a term of one year. A majority of the Committee shall be independent of the company and its daily management. In assessing Committee member independence the same criteria shall apply as when Board Director independence is assessed, see Guidelines for company governance. At least one member shall be independent of the company's large shareholders.

The company's Board shall, in its summons to the Annual General Meeting, present a proposal for approving the appointment of two members to the Nomination Committee. Should the Annual General Meeting reject the proposal for confirmation, the Board shall summon a new meeting within four weeks and present a new proposal for approval.

Following the Annual General Meeting the newly elected Board shall appoint one of its Directors to the Committee. The Committee divides its duties among members, but the Board Director may not be Chairman.

The Committee members shall have knowledge and experience in accordance with the Committee's role, including good governance and criteria and customs concerning company Boards of Directors. It is preferable that members have good communication skills and experience in the analysis of factors of competence which an active participation in the company's Board requires. Normally members shall have extensive knowledge of operations and board work. Gender equality shall be observed in the Committee.

The Committee's remuneration shall be decided at the company's Annual General Meeting and be based on Board sub-committee remuneration as per period of service.

#### **3. Role and Responsibilities**

The Nomination Committee has a consulting role when Board Directors are selected at Festi hf. and presents its proposals to the shareholder meeting where election of Board Directors is on the agenda. In its work the Committee shall be guided by the interest of all the company's shareholders.

The Committee's role includes among other things:

- a. Deciding a work plan for the Committee to promote efficiency in its work.
- b. Annual revision of the Committee's Rules of Procedure and submitting of proposals to the Annual General Meeting of amendments to the Rules of Procedure if deemed necessary by the Committee.
- c. Define key competence and knowledge for the company's Board and review their definition as needed.
- d. Assess the Board's size, composition and performance with respect to Guidelines on business governance and the conclusion of the Board's performance assessment. The Committee shall meet with all company Board Directors separately, as well as the CEO, in order to obtain information about the company, Board work during the past year and its composition. The Board's representative on the Committee shall not attend its meetings with other Board Directors and company CEO.
- e. Call for shareholder proposal of candidates to the Board election as well as their candidacies and that of others. No later than 10 weeks before an Annual General Meeting the Committee shall advertise and call for nominations and candidacies to the company's Board of Directors. Preparation of the Board election shall be advertised in a newspaper.
- f. Assess all appointments and candidacies for the company's Board of Directors received within the time limit indicated by the Committee in the advertisement, see item e of this article. Nominations and candidacies for the Board received after the deadline indicated shall be directed to the Board for it to assess their legitimacy and ensure that they be made known no later than two days before the shareholder meeting. The Committee shall observe confidentiality concerning all nominations and candidacies received by it and give candidates who are not included in the Committee's proposal according to item f of this article, an opportunity to withdraw their candidacy once the decision has been reached. If a candidate does not withdraw her/his candidacy, the Committee shall present the candidacy to the company's Board.
- g. A reasoned proposal shall be presented on election of Board Directors for the company, considering competence, experience and knowledge, with reference to Guidelines on company governance and the conclusion of the Board's performance assessment. The proposal must accord with legal provisions on public limited companies and the company's Articles of Association concerning Board Directors.
- h. The Committee shall submit a written account of how its work was performed and arguments for its nominations. If the Committee is divided in its position the minority opinion shall also be presented. The Nomination Committee proposals shall be presented in the summons to the Annual General Meeting and be accessible to shareholders on the company's website as soon as possible, but at least three weeks before the meeting. The Nomination Committee shall present its report at the Annual General Meeting.

Information on the role and members of the Committee shall be published on the company's website along with information on how to submit comments, proposals and candidacies to the Committee. It shall also be indicated there how to present a candidacy to the Board once the Committee's proposals have been published.

In instances where elections to the Board of Directors take place at shareholder meetings other than an Annual General Meeting, the Nomination Committee may deviate from the above mentioned deadlines if need be. The Committee shall, however, always attempt to submit its reasoned proposal for the election of Board Directors as soon as possible and no later than one week before the shareholder meeting.

#### **4. Authorisation and access to data**

The Nomination Committee is authorised to ask the Board and its sub-committees to obtain appropriate information to perform its role.

The Committee is also authorised to contact shareholders directly in relation to performing its work. It shall give shareholders an opportunity to submit suggestions to the Committee with an advertisement on the company's website. Shareholder equality shall always be observed.

If the Nomination Committee requires data or information from the company or access to its employees it shall present such a request to the company's CEO. If the Committee thinks there is a special reason for obtaining consultation on specific disputed issues it may incur cost on that account, subject to the Board's consent.

#### **5. Meetings**

The Committee shall meet as needed to perform its role and the Chairman summons meetings. The Committee's meetings should as much as possible be a part of its work plan. The Committee's Chairman presides its meetings and appoints its secretary. Minutes shall be in writing and confirmed by the Committee's members. Minutes and documents presented at Committee meetings shall be stored securely and be accessible to members.

There is a quorum when a majority of Committee members attends a meeting provided the meeting was lawfully summoned with at least a three days' notice. A simple majority determines all issues on the Committee's table.

#### **6. Obligation of confidentiality and secrecy**

Members of the Nomination Committee have an obligation of confidentiality and secrecy regarding the company's matters, the interest of its customers and any other issues of which they gain knowledge in their work and are to be kept secret. The obligation of confidentiality and secrecy continues even though employment is discontinued.

These Rules of Procedure shall be published on the company's website.

Agreed at the Annual General Meeting of Festi hf. on 21 March 2019