



## **Remuneration Policy of Arion Bank hf.**

### **I. Objective**

The main objective concerning employee remuneration is that Arion Bank offers competitive salaries so that the Bank can attract and retain outstanding employees. The Bank's objective is also to ensure that jobs at the Bank are sought after by qualified individuals. When devising a remuneration policy, it must be ensured that the policy does not encourage excessive risk taking but rather supports the Bank's long-term goals and its healthy operation. The policy is an integral part of the Bank's strategy to protect the long-term interests of the Bank's owners, its employees, customers and other stakeholders in an organized and transparent manner.

In accordance with Article 79a of Act no. 2/1995 on Public Limited Companies and rules on good corporate governance, the Board of Directors of Arion Bank shall approve the Bank's remuneration policy on salaries and other payments to the Board Directors, Chief Executive Officer, Deputy Chief Executive Officer, Managing Directors, Compliance Officer and Internal Auditor.

### **II. Board Remuneration Committee**

The Board Remuneration Committee is one of the sub-committees of the Board of Directors of Arion Bank. Its role is to advise the Board on remuneration to the Chief Executive Officer, Deputy Chief Executive Officer, Managing Directors, Compliance Officer and Internal Auditor, and on the Bank's bonus scheme and other work-related payments. The Chief Executive Officer proposes a salary framework for the Deputy Chief Executive Officer, Managing Directors, Compliance Officer and Internal Auditor in consultation with the Board Remuneration Committee. The Board Remuneration Committee also makes other proposals it considers necessary or appropriate. The Committee shall report on its activities to the Board of Directors at regular intervals.

### **III. Remuneration to Board Directors**

Board Directors shall receive a fixed monthly payment as determined at an Annual General Meeting, cf. Article 79 of Act. no. 2/1995 on Public Limited Companies.

### **IV. Remuneration to the Chief Executive Officer, Deputy Chief Executive Officer, Managing Directors and Compliance Officer**

Remuneration to the Chief Executive Officer shall be stated in a written employment contract, including fixed salary, pension rights, annual leave, other work-related payments, period of notice and severance payments. The principle is that the terms of the relevant employment contract governs pension and severance payments. In exceptional circumstances it is authorized to enter into a severance agreement with the Chief Executive Officer in accordance with the provisions of Act no. 161/2002 on Financial Undertakings.



The salaries of the Deputy Chief Executive Officer, Managing Directors and the Compliance Officer are decided by the Chief Executive Officer in consultation with the Head of Human Resources and shall take into account the scope of the relevant division and level of responsibility. The remuneration of the Deputy Chief Executive Officer, Managing Directors and the Compliance Officer shall be specified in a written employment contract. The principle is that the terms of the relevant employment contract governs pension and severance payments. In exceptional circumstances it is authorized to enter into a severance agreement with Managing Directors in accordance with the provisions of Act no. 161/2002 on Financial Undertakings.

#### **V. Bonus schemes**

It is permitted to pay employees and managers bonuses based on a special bonus scheme which the Board of Directors shall approve following consultation with the Board Remuneration Committee and Board Risk Committee. A bonus refers to remuneration to employees of the Bank which is generally defined with respect to performance and does not form part of an employee's fixed remuneration, since the final amount or proportion is not precisely determined in advance. The Bank is permitted, but not obliged, to pay a bonus. A bonus scheme shall comply with provisions of law and regulations on such schemes. The total bonus granted to an employee may not, on an annual basis, exceed 25% of the employee's annual salary excluding the bonus.

#### **VI. Share option plan**

The Bank's Board of Directors is authorized to adopt a share option plan based on the provisions of Article 10 of the Income Tax Act no. 90/2003 and to conclude share option agreements with the Bank's employees.

#### **VII. Reviewing and disclosing information on the policy**

The remuneration policy shall be reviewed annually and submitted to an Annual General Meeting for approval or rejection. The Board of Directors shall present the remuneration of Board Directors, the Chief Executive Officer, Deputy Chief Executive Officer and Managing Directors at Annual General Meetings as stated in Article 79a Act no. 2/1995 on Public Limited Companies, in accordance with Act no. 161/2002 on Financial Undertakings. The remuneration policy may be reviewed more often, for example on account of changes in legislation, and any such amendments must be submitted to a shareholders' meeting.

**Approved at an Annual General Meeting on 16 March 2021**