

Eik hf.
Álfheimar 74
104 Reykjavík
Iceland

23 February 2018

Attention: Eyjolfur Arni Rafnsson, Chairman
Attention: Gardar Fridjonsson, CEO

Dear Members of the Board:

Eaton Vance Management is the investment manager of several portfolios (hereafter to be referred to as “the funds”) owning 185,115,387 shares of Eik hf.¹ The funds have been long-standing investors in Iceland government bonds. Nearly three years ago the funds expanded their investments to publicly-traded Icelandic equities. As shareholders in listed companies around the world, we know the importance of good corporate governance, where the roles and responsibilities of managers are clear, enabling them to perform their tasks while simultaneously securing the interest of all stakeholders. We have found this has led to increased long term value for shareholders.

In our view, one of the more important aspects of corporate governance is the existence of a nomination committee. In its work, the committee promotes the interests of all shareholders and ensures that the proposed Board of Directors candidates collectively possess sufficient knowledge and experience to exercise their duties. We note that, for example, over 95% of listed Swedish companies have appointed a nomination committee.²

Per article 1.5 of the Corporate Governance Guidelines issued by the Icelandic Chamber of Commerce, a nomination committee should have the following characteristics:

- The Nomination Committee should consist of at least three members, the majority of whom shall be independent of the Company and its day-to-day management. At least one Committee member should be independent of major shareholders.
- The shareholders’ meeting should appoint members to the Nomination Committee or decide how they should be appointed.
- The Company should announce the names of members of the Nomination Committee on its website no later than six months before the Annual General Meeting.
- Neither the Company’s managers nor employees should be members of the Nomination Committee.
- Members of the Board of Directors may be members of the Nomination Committee but may not constitute a majority. They should not chair the Nomination Committee.

With a nomination committee in place, clear arrangements can be made for the nomination of the Board of Directors at the company’s Annual General Meeting.

We therefore propose that the necessary decisions are taken to establish a nomination committee.

Respectfully, on behalf of Eaton Vance Management,



Patrick M. Campbell, CFA
Vice President
Portfolio Manager



Marshall L. Stocker, PhD, CFA
Vice President
Portfolio Manager
Global Macro Equity Strategist

¹As of 31 December 2017

²Swedish Corporate Governance Board, *Annual Report 2017*. (Stockholm, Sweden. 2017), 19.