

Isavia ohf. Audit Committee

Role and work schedule

A. Objective and policy

The objective of the audit committee of Isavia ohf. is to operate in accordance with Icelandic laws and regulations and good corporate governance. The audit committee is appointed by the Board of Directors of Isavia ohf. to undertake certain tasks that are within the Board's field of responsibility. The audit committee is to monitor working processes in the preparation of financial statements to increase the trust in and safety of financial information.

The main role of the audit committee is:

- the assessment of the monitoring environment of the company.
- the evaluation of internal audits, the monitoring of the execution of auditing and the preparation of proposals for the selection of an external auditor in consultation with the Icelandic National Audit Office (INAO) according to Article 7 of Act No. 46/2016 on the Auditor General and the auditing of government accounts, together with an assessment of the independence of the auditor.
- the assessment of the functionality of the risk policy, risk willingness and risk management.
- to ensure compliance with laws and regulations.

In order to fulfil this role, the audit committee is to establish direct communications between the company's Board, senior management and internal and external auditors.

The tasks of the audit committee apply, as appropriate, to the subsidiaries of Isavia ohf., which are:

- Duty-Free Store ehf.
- Tern System ehf.
- Domavia ehf.
- Suluk APS.

The work of the audit committee of the company does not have an effect of responsibility of the Board and management for the operation of the company according to law.

B. Authorisations of the audit committee

In order to fulfil its role, the audit committee is granted the following authorisations:

B.1. To obtain professional and independent consultancy, which the audit committee considers necessary to carry out its role. The cost of consultancy services must be approved in advance by the Managing Director of the company.

B.2. To require that the employees in question participate in meetings and provide the information requested by the committee. In addition, employees of the company shall have unfettered access to

the audit company for the purpose of providing notification of irregularities and dubious aspects in the operation of the company.

B.3. To receive unlimited access to information that the audit committee considers necessary to fulfil its role.

B.4. Anything else considered necessary to ensure that the committee can fulfil its role.

C. Organisation

C.1. Isavia's Board of Directors is responsible for appointing the committee members and the Chairman of the audit committee. Committee members are to be appointed no later than one month after the new Board of Directors of the company begins working. The appointment period of the committee is the same as that of the Board. The Board may, however, alter the appointment period of the committee.

C.2. The audit committee shall consist of at least three members, and at least one of the members must be independent of the company and its employees.

C.3. Each committee member must have knowledge of finances, and at least one of the members must have expertise and experience in the field of accounting or auditing.

D. Meetings

D.1. Only committee members are entitled to attend the meetings of the committee. External individuals, however, may be invited to attend meetings, e.g. external and internal auditors, the Managing Director of the company and the Managing Directors of subsidiaries.

D.2. The audit committee shall hold meetings as needed. At least two meetings must be held in connection with the preparation of the company's Annual Financial Statements. In addition, the committee must hold one meeting each time in the event that quarterly or bi-annual financial statements are prepared.

D.3. Minutes shall be kept of all meetings. The minutes are to be submitted for approval at the next meeting of the committee. The minutes of the committee are to be sent to the Board once they have been approved.

D.4. The committee shall meet with the Board of Directors once a year and submit to the Board a report on the work carried out by the committee during the past year. They shall also meet if either party requests a meeting on special issues that relate to the scope of the committee's operations.

E. Roles and responsibilities

One of the roles of the audit committee is to be in direct communication with the management of the company and its internal and external auditor. The communications are intended to create a foundation for the audit committee's regular evaluation of the of the internal procedures of the company.

Company management

- E.1. The audit committee is to evaluate the work of management as regards the adoption of an active and acceptable monitoring environment.
- E.2. The audit committee is to familiarise itself with the management's opinion of information systems monitoring, including by evaluating the scope of general monitoring.
- E.3. The audit committee is to obtain information from the internal and external auditor on the adoption of their proposals for improvements and follow-ups together with proposals for improvements from the management.
- E.4. The audit committee shall review the company's policies on risk management and submit their comments to the Board if considered necessary.
- E.5. The audit committee is to review the regular reports prepared by management for the Board, together with evaluating the resolutions of significant questions that relate to the preparation of financial statements.

Internal auditor

- E.6. The audit committee shall present proposals to the Board as regards the selection of the internal auditor and the remuneration for his work.
- E.7. The audit committee is to review the annual audit schedule and assess its scope in light of the company's standing.
- E.8. The audit committee is to review the work of the internal auditor and the arrangements of internal auditing, together with assessing competence and professional resolutions.

External auditor

As regards relations with the external auditor, the audit committee shall:

- E.9. Present proposals to the Board as regards the selection of auditor and his remuneration.
- E.10. Review the annual audit schedule and assess its scope in light of the company's standing.
- E.11. Discuss any significant comments made by the auditor and proposals for improvements, including management selection of accounting policies.
- E.12. Review letters and reports from the auditor to management before submitting them to the Board of Directors of the company.
- E.13. Approve the fee for the audit and other work of the auditor that does not involve auditing work.

E.14. Obtain confirmation of the independence of the auditor and evaluate the general competence of the auditor to fulfil the requirements of the company as regards the auditing of annual and interim financial statements.

F. Risk management

F.1. The audit committee is to annually review the company's risk policies and submit comments to the Board of Directors if necessary.

F.2. The audit committee is to review and evaluate the company's risk willingness.

F.3. The audit committee is to evaluate whether the company's risk management supports the risk management approved by the Board of Directors.

F.4. The audit committee is to evaluate whether the reports prepared by risk management ensure follow-ups and processing of the measures specified to minimise risk.

G. Other

G.1. The audit committee shall inform the Board of Directors of any instances of fraud of which the committee becomes aware, where there is suspicion of violations of laws, rules or regulations or instances where internal controls have failed.

G.2. The Board of Directors of the company may appoint the audit committee to monitor remedial measures in the wake of suggestions made by the external or internal auditor which the Board has approved.

G.3. The Board of Directors of the company may request the assistance of the committee to resolve special issues that relate to the company.

H. Assessment

H.1. The audit committee shall itself, on an annual basis, assess the performance of individual committee members and the committee as a whole.

H.2. Each year, the audit committee shall assess the working procedures of the committee, with the view of evaluating the need to make changes thereto.

H.3. The Board of Directors of the company shall each year review and approve the work schedule of the committee.

I. Eligibility of committee members, confidentiality obligation and other aspects

I.1. Committee members are bound to maintain confidentiality and secrecy as regards all work carried out by the committee. All data obtained for the work of the committee must be treated as confidential by committee members.

I.2. Committee members may not discuss matters in which they are disqualified due to their connections with the issue or party involved. Questions on the eligibility of committee members shall be governed by legislation applicable to the eligibility of district judges.

I.3. In general, committee members are to evaluate their own eligibility and inform other members thereto. In the event of doubt, other committee members are to make the final decision of eligibility.

I.4. Committee members may resign from the committee at any time. In addition, a majority of the Board of Directors may dismiss a committee member without reasoning and without notice if considered necessary.

I.5. The Board of Directors determines the remuneration paid to committee members during their first year of membership. The Annual General Meeting, however, decides the remuneration paid to the committee as of 2019.

Approved by the Board meeting of Isavia ohf. 2 July 2018

Approved by the meeting of the Isavia ohf. audit committee 4 September 2018