



**Isavia ohf.**

**Corporate Governance Statement**

**2018**



The Corporate Governance Statement is the Board's statement for the previous operating year and is published on the company's website. The following Corporate Governance Statement applies to operations in 2017 and is published with the year's annual report.

## 2018 Corporate Governance Statement

With this Corporate Governance Statement, the company undertakes to comply with the *Corporate Governance Guidelines* issued by the Icelandic Chamber of Commerce, SA confederation of Icelandic Enterprises and Nasdaq OMX Iceland. The goals include strengthening Isavia's infrastructure and increasing transparency. Isavia's Corporate Governance Statement can be found on the company website, [www.isavia.is](http://www.isavia.is).

### Laws and regulations

Isavia is a public limited company owned by the Icelandic state. The operations of the company are in accordance with Act No. 153/2009 on the merger of the government-owned limited companies Flugstöðir and Keflavik Airport, Act No. 76/2008 on establishing a public limited company for the running of Keflavik Airport, Act No. 102/2006 on the establishment of a public limited company for air navigation services and airport operations by the Icelandic Civil Aviation Authority and the Aviation Act No. 60/1998.

The company's corporate governance is prescribed by Act No. 2/1995 on Public Limited Companies, the company's Articles of Association and Rules of Procedure.

The company's Board refers to the *Corporate Governance Guidelines* and complies with them in all major respects, although not legally bound to do so.

In 2016, the Board decided to commission an audit of the company's corporate governance. The report of the auditing entity confirmed that the *Corporate Governance Guidelines* are followed in all principal respects within the company. Following an assessment by the Center of Corporate Governance at the University of Iceland, the company was awarded the title "Exemplary company in good corporate governance" in March 2017.

One sub-committee, the Remuneration Committee, is operated under the company's Board. A policy on social responsibility has been set. No court rulings have been issued in which the company is believed to have broken any laws or regulations.

Laws concerning the company can be found on the Althingi website, [www.althingi.is](http://www.althingi.is), and Articles of Association and Rules of Procedure can be found at the company website, [www.isavia.is](http://www.isavia.is). The Corporate Governance Guidelines can be found on the website of the Iceland Chamber of Commerce, [www.vi.is](http://www.vi.is).

### Isavia's Board of Directors

The Board of Directors of Isavia consists of five members and five alternates, all of whom are elected at the Annual General Meeting for a term of one year. Board members are nominated by the Minister of Finance and Economic Affairs. The gender ratio in Isavia's Board is 40% women and 60% men. All Board members are independent in the sense of the *Corporate Governance Guidelines*.

### Board's activities and Rules of Procedure

The Board has established detailed Rules of Procedure defining its scope of authority and the divisions of tasks between it and the Managing Director. The current Rules of Procedure were approved at a Board meeting on 6 April 2017. They include the division of tasks between Board members, rules on the eligibility of Board members to take part in processing matters, procedure and minutes for meetings, rules on confidentiality, the obligation to provide information to the Board and the decision-making powers of the Board.

The Board of Directors shall constitute the supreme authority in the affairs of the company from one shareholders' meeting to the next, in accordance with laws and the company's Articles of Association. The Board's main role is to manage the company between shareholders' meetings and ensure adequate supervision



of the accounts and handling of the company's assets, as well as confirm the operating budget and investment plans and ensure compliance with them. The Board takes all major decisions in the company's operations and makes sure that the company is operated in accordance with the relevant laws and regulations.

Furthermore, the Board has the goal of promoting the company's growth and results in the long term by formulating company policy in consultation with company management.

There were 16 Board meetings held in 2017 and 17 meetings during the 2017–18 operating year. All meetings were competent to make decisions, and most meetings were attended by all Board members. The Board's work schedule for the next operating year was available following the Annual General Meeting and shall be viewed as a call for meetings.

A reminder of meetings is sent by e-mail. The Chairman chairs the meetings. Minutes are usually signed by the Board, Managing Director and the Secretary of the meeting. In addition to the Board, the Managing Director, Deputy Managing Director and Director of Finance attend Board meetings, along with a Secretary who is an Isavia employee.

### **The Board's performance assessment**

The Board regularly evaluates its performance, its practices and rules of procedure, company development, the performance of the Managing Director and the efficiency of sub-committees if present. The performance assessment is intended, among other things, to evaluate the strengths and weaknesses of the Board's work and practices and to take into consideration the components which the Board believes may be improved.

Performance assessments are carried out in two ways: an internal assessment that took place in December 2017 and an assessment in which an external party assisted. The second assessment took place in January 2018.

### **Isavia's Board of Directors 2017–18**

Ingimundur Sigurpálsson, born 1951, Chairman of the Board from 2014. Degree in Business Administration from the University of Iceland, graduate studies in Planning and Developmental Economics at George Washington University in Washington D.C. and a DBE from Columbia Business School, New York, USA. Ingimundur has been the CEO of Íslandspóstur since 2004. He has decades of experience in both the public and private sectors. Ingimundur has held, and continues to hold, numerous public, representative and managerial positions.

He was elected to Isavia's Board at the 2014 Annual General Meeting.

Other boards:

The Board of ISNIC hf., as Chairman; the Chairman of the Board of Samskipti ehf.; and is a member of the Board of Arnarnesvogur ehf. He is a shareholder in the investment company Molinn ehf., which is a shareholder in ISNIC and is a shareholder in Borgun hf.

Margrét Guðmundsdóttir, born 1954, Vice-Chairman from 2017. She underwent CEDEP/INSEAD management training in France from 1988–1990; has a master's degree in human resources and marketing from Copenhagen Business School, 1979–1981; and has a cand.oecon from the University of Iceland, 1975–1978. Margrét is the Managing Director of Holding Company Lyng ehf., the parent company of Icepharma hf.; Managing Director of Icepharma hf. from 2005–2016; Managing Director of Austurbakki hf. from May 2005, which merged with Icepharma on 1 January 2006; Director of the Retail Department of Skeljungur from 1995–2005; Director at Kuwait Petroleum (Danmark) A/S (Q8) in Copenhagen from 1986–1995; and Office Manager at Dansk Esso/Statoil from 1982–1986.

Other boards:

Holding Company Lyng ehf., N1 hf. (Chairman of the Board of Directors), Reiknistofa bankanna (RB) (Icelandic Bank's Data Centre), Hekla hf., Hekla Property ehf. and Paradís ehf. She has a shareholding in the

Holding Company Lyng ehf., which has a shareholding in Icepharma hf. and a shareholding in Lyfjaþjónustan, which owns Parlogis ehf.

Margrét was elected to Isavia's Board at the 2017 Annual General Meeting.

Helga Sigrún Harðardóttir, born 1969, is a Member of the Board of Directors as of 2017. She is an Attorney at Law from Reykjavík University, has teaching qualifications from the Iceland University of Education, a diploma in Vocational Counselling from the University of Iceland and a master's degree in Communications Management from the University of Oklahoma. Helga Sigrún has been the Managing Director of Staðlaráð Íslands (Icelandic Standards) since 2017, as well as the attorney and Managing Director for Fjólís, (International Federation of Reproduction Rights Organisation, IFRRO) from 2011. She was the Managing Director of the Björt framtíð parliamentary group in 2017, was a member of parliament from 2008–2009, Office Manager for the Framsókn parliamentary group from 2005–2008, Project Manager at the Technological Institute of Iceland from 2002–2005, vocational counsellor in the Marketing and Economic Development Office in Reykjanesbær from 2000–2002, was employed in media programming in Fínn Miðill from 1997–1999 and was the student counsellor at Árbæjarskóli from 1994–1997.

Other boards:

Was a member of the Board of the Leif Eiríksson Air Terminal from 2000–2004 and on the Board of Fríhöfnin ehf. (Duty Free Store ehf.) from 2005–2007.

Helga Sigrún was elected to Isavia's Board at the 2017 Annual General Meeting.

Matthías Imsland, born 1974, Board member from 2014. Political scientist with an MS degree from Lund University, Sweden. He has studied Business Administration at the University of Iceland and managerial studies at North Park University, Chicago, USA. Matthías is the Management Director of various investment companies. Matthías was assistant to Minister of Social Affairs and Housing from 2013–2015, assistant to the Prime Minister from January to April 2016 and again assistant to the Minister of Social Affairs and Housing from April 2016 to January 2017. He was previously employed as a consultant for South American and Scandinavian companies. He was Director of Operations for WOW air and before the founding of that company, Managing Director of Iceland Express.

Other boards:

Matthías is a member of the Board of Directors of Fríhöfnin ehf. (Duty Free Store ehf.).

Matthías was elected to Isavia's Board at the 2014 Annual General Meeting and was Vice-Chairman from 2014–2017.

Ólafur Þór Ólafsson, born 1972, Board member from 2017. Ólafur holds an MPA degree in public administration from the University of Iceland and a BA degree in political science and teaching certification from the same university. Ólafur is employed as a teacher in Grunnskólinn í Sandgerði (Sandgerði Primary School). He was the Director of Fjölsmiðjan in the Suðurnes region from 2010–2014, program manager for leisure and culture in the Vogar Municipality from 2008–2010, Director of the Ver Community Centre in Hafnarfjörður from 2004–2008 and program manager for sports and leisure in Sandgerðisbær from 1996–2004.

Other boards:

Chairman of the Town Council of Sandgerðisbær, member of the Board of Directors of the Association of Local Authorities in the Suðurnes region, Chairman of the Committee of Regional Planning in Suðurnes and the Chairman of the Board of Directors of Fasteignafélag Sandgerðis.

He was elected to Isavia's Board at the 2017 Annual General Meeting.



## Alternates in Isavia's Board of Directors

Erla Björg Guðmundsdóttir, born 1975, MBA in Business Administration, consultant.

Heiða Kristín Helgadóttir born 1983, political scientist, Managing Director of Efni Media. Member of the Board of Directors 2014–2015.

Ingveldur Sæmundsdóttir, born 1970, MBA Business Administration, assistant to the Minister of Transport, Communications and Local Government.

Magrét Kristín Helgadóttir, born 1982, Attorney at Law, Town Councillor in Akureyri, Attorney at Fiskistofa (Directorate of Fisheries).

Sigrún Traustadóttir, born 1962, MBA in Business Administration, consultant. Member of the Board of Directors 2014–2017.

## Managing Director of Isavia

The Managing Director is responsible for the general management of all day-to-day operations in accordance with the policy and instructions of the Board. Day-to-day operations do not include measures which are unusual or extraordinary. He has decision-making powers regarding all the operational and financial issues of the company and manages its assets.

He submits an account of the company's operations and performance at Board meetings and answers to the Board for all day-to-day operations and compliance with the company's Articles of Association, laws and regulations.

Björn Óli Hauksson, born in 1961, has been Isavia's Managing Director since its founding in 2010. He holds a Master's Degree in Operations Engineering from Aalborg University, Denmark.

Björn Óli was the Managing Director of Keflavíkurflugvöllur ohf. in 2008–2010 and oversaw the extensive merger of the Keflavík Aviation Authority, Leifur Eiríksson Air Terminal and the aviation security division of the Commissioner of Police for Suðurnes. He had previously worked for six years on aviation matters in Kosovo, including as Director of Pristina Airport and as project manager for the Icelandic Civil Aviation Administration and Flugstöðir ehf. There, he founded the CARO – UNMIK Civil Aviation Regulatory Office and took part in the merging and developing airport and air terminal operating companies in Pristina.

## Annual Accounts of the Company

Isavia's accounting year is the calendar year. The company's annual accounts are available at the Register of Annual Accounts and the company website, [www.isavia.is](http://www.isavia.is).

## Internal Controls and Risk Management

The Board has submitted a comprehensive risk policy for the company and defined the major operational risks. The main risks for the Group's financial transactions are exchange rate risk, currency risk and indexation risk. A special risk committee is active and is authorised by the Board to determine the scope and nature of risks and profit analysis for projects and ventures that could have significant effects on operations and financial position. The Risk Committee, consisting of the Managing Director, Assistant Managing Director, Director of Finance and the Treasure Manager in the Finance Division, submits regular reports on risks for the company to the Board. The company does not employ an internal auditor, but the company's auditors carry out limited audits of company processes.

## Remuneration Committee

One committee operates under the Board of Directors: a Remuneration Committee. The Chairman and the Vice-Chairman of the Board of Isavia are members of the Committee. The main tasks of the Remuneration



Committee are to annual prepare a draft remuneration policy which is submitted to the Annual General Meeting, prepare proposals submitted to the AGM as regards the employment terms of Board members and prepare proposals for the Board as regards criteria for the wages and other employment terms of the Managing Director and the Directors of subsidiary companies. The Remuneration Committee monitors that the remuneration policy is followed and that wages and other employment terms are in accordance with laws, regulations and best practices as current from time to time.

#### **Arrangement of communications between shareholders and the Board**

One shareholder, the Icelandic state, holds all shares, and the Minister for Finance and Economic Affairs has all shareholder rights. Notices of shareholder meetings are sent to a contact at the Ministry of Finance and Economic Affairs. Shareholders' meetings are the main venue for providing information to shareholders and hold the supreme authority of the company. Other communications with shareholders regarding company matters are usually initiated by the company, and the Chairman and Managing Director have met with the Minister or a representative from the Ministry. The Board conducts itself in accordance with the *General policy on state ownership of limited liability and partnership companies*. The company releases press releases on the company's performance and other matters pertaining to its operation.

#### **Vision, role and values, code of ethics and corporate social responsibility policies**

##### **Vision**

Centre for aviation in the North Atlantic.

##### **Role**

Isavia is a service company in airport operations and air navigation and forms the foundation for Iceland's civil aviation.

We work together to be a part of a pleasant journey both in Iceland and abroad.

##### **Values**

###### *Safety - Safety first!*

We are aware of risks and follow approved security procedures, and this ensures the safety of the public, customers and employees. This we do through disciplined operating procedures, constant gathering of knowledge and systematic monitoring.

###### *Co-operation – We are a team.*

We achieve success through teamwork. We respect the work of others and work in harmony with our community.

###### *Services – we are hospitable.*

We provide good services, welcome our customers warmly and rise to meet their expectations with a positive outlook and respect.

The company has implemented a code of ethics, last revised in August 2016. It extends to all aspects of the company's operations. The code of ethics includes provisions regarding the business conduct of staff in relation to customers, including as regards invitations to events, gifts and the like.

The company has implemented a corporate social responsibility policy. Isavia ohf. became a member of the United Nations Global Compact in November 2016. By participating, Isavia undertakes to ensure that its policies and work practices are in accordance with the ten basic principles of the United Nations on human



rights, labour, environment and anti- corruption. In addition, the company undertakes to participate in projects that support the development goals of the United Nations as regards sustainable development, i.e. the 17 Sustainable Development Goals.

Isavia submitted, for the first time, an Annual and Sustainability Report as part of its 2016 Annual Report. The report follows the guidelines of the Global Reporting Initiative (GRI G4) together with special provisions on the operation of airports.

The report, moreover, was also sent to the United Nations as a Communication on Progress report with regard to commitments to UN Global.

The Corporate Governance Statement was approved at the Board meeting of Isavia ohf. on 15 March 2018.

Ingimundur Sigurpálsson  
Margrét Guðmundsdóttir  
Helga Sigrún Harðardóttir  
Matthías Imsland  
Ólafur Þór Ólafsson