

## **Rules of procedure of the Isavia ohf. Remuneration Committee**

### **Article 1. Appointment of Remuneration Committee**

The appointment of the Remuneration Committee of Isavia is a sub-committee answering to the company's Board and is appointed by it in accordance with the rules of procedure of the Board. The Committee is to operate in accordance with Icelandic laws and regulations and good governance practices.

### **Article 2. Committee members**

The Committee is to consist of two Board members, and their appointment must take place no later than one month after the Annual General Meeting. The remuneration of Committee members are to take account of the wages of Board alternates for each attended meeting.

The Remuneration Committee may, if necessary, seek the involvement of consultants in the execution of its duties. Such consultants must be independent of the company, its managers and those members of the Board who are not independent. The Committee is responsible for verifying the independence of its consultants.

### **Article 3. The role and responsibilities of the Remuneration Committee**

The role of the Committee is intended to cover the tasks relating to employment terms and which are provided for in the Corporate Governance Guidelines, published by the Iceland Chamber of Commerce, the Stock Exchange (OMX) and the SA Confederation of Icelandic Enterprise.

The Remuneration Committee is to have the Board's authorisation to undertake the following tasks:

1. Prepare a draft of the remuneration policy of the company on an annual basis,
2. Prepare proposals on the remuneration terms of the Board to submit to shareholders' meetings,
3. Prepare proposals for the Board as regards criteria and framework for the wages and other employment terms of the Managing Director and the Directors of subsidiary companies. The Remuneration Committee is to ensure that the remuneration terms of the Managing Director and the Directors of subsidiaries are competitive but not precedence setting and is to take account of performance and the interests of shareholders. The Managing Director and the Directors of subsidiaries are responsible for the employment terms of other managers, and they are under obligation to ensure that their employment terms are, at all times, such that the companies are able to attract and keep employed competent employees.
4. Monitor that the remuneration policy is followed.
5. Monitor that the wages and employment terms are in accordance with laws, regulations and best practices as current from time to time.
6. Provide the company's Board with an advance opinion on bonus plans in the event that such plans are envisaged.
7. Take an independent stance as regards the effects of wages on the company's risk exposure and risk management.
8. Submit an annual report on the work of the Remuneration Committee to the Board of Directors.

#### **Article 4. Meetings and the decision-making powers of the Remuneration Committee**

The Remuneration Committee shall, on the completion of its annual appointment, meet together to appoint its chairman. New Committee members are to receive instruction and information on the work and procedures of the Committee.

The Chairman of the Remuneration Committee calls meetings at his own initiative or at the request of other Committee members. As a rule, there are to be two meetings held each year, more if the Remuneration Committee believes there is reason to do so.

The Chairman of the Remuneration Committee chairs the meetings, and the Committee constitutes a quorum if all members are present.

The approval of all Committee members is required to process the issues at hand. The minutes of the meeting are to be in writing and approved by Committee members.

The Committee shall maintain a minutes book and submit the minutes to the Board of Directors.

#### **Article 5. Remuneration policy**

The Remuneration Committee prepares a draft remuneration policy for the company as regards the wages and other employment terms of Board members, the Managing Director and other key management members, as well as the Directors of subsidiaries. The Committee submits the remuneration policy to the Board for approval. The policy is then presented to the company's Annual General Meeting for final approval.

In addition, the Board of Directors reports on the overall terms of the Board and management in the annual financial statements. The remuneration policy must reveal the basic items concerning the employment terms of Board members and managers and the company's policy concerning agreements with the said parties. The policy must also state whether, under what circumstances and within which framework it must be permissible to pay or reward managers in excess of basic wages, e.g. in the form of performance-linked payments or employment terms aspects. In the event that the company's Board of Directors deviates from the remuneration policy, such deviation shall be substantiated in each individual instance in the minutes of the meetings of the Board of Directors.

#### **Article 6. Obligation of confidentiality**

Committee members are bound by professional secrecy as regards the affairs of the company and other issues of which they become aware in their work as Committee members and which must remain confidential according to the company's Articles of Association, laws or by their nature, unless the matter in question is something that the Board decides to make public or where such disclosure is provided for in legal provisions or the company's Articles of Association. Committee members must preserve, in a secure manner, all data that it receives due to its work. The obligation of professional secrecy remains in effect after cessation of tenure.

#### **Article 7. Miscellaneous provisions**

These rules take account of Article 79(a) of Act No. 2/1995 on Public Limited Companies and are to be reviewed annually. Account was also taken of the 5<sup>th</sup> version of the Corporate Governance Guidelines issued by the Iceland Chamber of Commerce, OMX Iceland hf. and the SA

Confederation of Icelandic Enterprises in May 2015 in the preparation of the rules. The provisions of the rules expand on the provisions of the Act on Public Limited Companies and the company's Articles of Association.

Changes to these rules of procedure enter into effect when the Board of Directors has approved the changes.

The rules shall apply to the members of the Remuneration Committee, and they undertake to comply with these rules by accepting their appointment to the company's Remuneration Committee. The rules also apply as appropriate to the Board of Directors of the company.

These rules are to be published on the website of the company.

So approved at the meeting of the Board of Directors on 1 March 2018.

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Margrét Guðmundsdóttir  
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