

Remuneration Policy for Isavia ohf.

1. Object

The remuneration policy of Isavia ohf. is established in accordance with Article 79 of Act No. 2/1995 on Public Limited Companies, cf. Article 3 of Act No. 89/2006, and is based on the principles that apply to the good governance of companies, the general ownership policies of the state, the long-term interests of the company and the maximisation of returns for the shareholders of the company.

The goal of Isavia ohf. is to make working for the company a sought after option for employees and thereby ensure that the company holds a first-rate position. In order to achieve this, the company's Board of Directors must have authorisation to offer competitive wages and other compensations as is generally the norm in comparable companies in the market. Wages in the company must be competitive but reasonable and not set precedents.

With this remuneration policy, the company wishes to ensure that these goals are achieved as well as to provide shareholders with a greater say and insight into the company's policy as regards the remuneration of management and Board members.

2. Terms of members of the Board of Directors

Board members are to receive a fixed monthly fee for their work. Payments to Board members and their alternates are to be determined at the Annual General Meeting each year, as provided for in Article 79 of the Act on Public Limited Companies. The Board of Directors submits a proposal for Board remuneration for the coming operating year and shall, in this respect, take account of the responsibilities of the Board, the time spent on Board activities, the performance of the company and general wage developments.

3. Employment terms of the Managing Director

A written contract of employment must be drawn up between the company and the Managing Director. Base salary and other compensations to the Managing Director must always be competitive and take into account the competency, responsibilities and scope of the position. Other terms are to be as is generally the norm in comparable companies, such as payments to pension funds, vacation time, use of vehicles and notice term for termination of employment. In determining the notice period in the employment contract, special provision may be made as regards the length of the notice period which takes length of service into account.

The base wage of the Managing Director is to be reviewed on an annual basis, and during such review, account is to be taken of the assessment of the Board of the performance of the Managing Director and the development of wages in general in comparable companies and the results of the company.

As a general rule in preparing the contract of employment with the Managing Director, there are to be no further payments on termination of employment other than those stated in the contract.

4. Employment terms of Directors

The Managing Director recruits the Directors of individual divisions within the company in consultation with the Board of Directors. The same views as described in Article 3 are taken into account on determining the employment terms of Directors, as determined by the Managing Director, who shall also ensure that the terms of management level employees conform to the employment terms within the company.

5. Bonuses

The Board is authorised to pay management and employees performance-linked bonuses. These are to be linked to the performance of the employee in question, the results of the company, important milestones in the operation of the company and its activities, including as regards whether established goals have been achieved. Such variable wages, other than fixed wages, must be in proportion to the wages of the employee in question and may not be higher than corresponds to a single monthly wage over the course of a year.

6. Information disclosure

The wages and other remuneration of the Board and the executive managers of the company are to be reported in the company's annual financial statements.

The company's remuneration policy is to be published on the website of the company.

7. Approval of the remuneration policy

This remuneration policy of Isavia ohf. serves as a guideline for the company and its Board, to the extent not otherwise provided for by law, and for the most part covers the aspects described in the foregoing text. The remuneration policy is to be approved during the Annual General Meeting of the company, with or without amendments. In the event of a significant deviation from the remuneration policy, the Board of Directors must record such deviation in the minutes together with its reasoning. The next Annual General Meeting, moreover, must be informed of such deviations.

Approved at an Annual General Meeting of Isavia ohf. on 5. april 2018.

Reykjavík, 5. april 2018

On the Board of Directors of Isavia ohf.

Ingimundur Sigurpálsson
Matthías Imsland
Eva Pandora Baldursdóttir
Nanna Margrét Gunnlaugsdóttir
Valdimar Halldórsson