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The Board of Directors of Eimskipafélag Íslands hf.
Korngörðum 2, 104 Reykjavík

Reykjavík, 7 March 2016

Subject: Proposals for the Annual General Meeting on 17 March 2016

With reference to the notice from the Board of Directors calling for the Annual General Meeting of Eimskipafélag Íslands hf., Gildi – Pension Fund, as shareholder, requests that the Board of Directors put the following proposals of the fund on the agenda of the Annual General Meeting to be held on 17 March 2016.

The first proposal by Gildi-Pension Fund is a new item on the agenda amending Article 11.2. in the company's Articles of Association relating to the authorization to purchase own shares. The proposal is as follows and shall replace the current Article 11.2. in its entirety:

“The Annual General Meeting of Eimskipafélag Íslands hf. held on 17 March 2016 grants the Board of Directors the authorization to acquire up to 20.000.000 own shares each in the nominal amount of one Icelandic krona. This authorization shall only be used for the purpose of setting up formal share repurchase programs or for the purpose of offering shareholders generally to sell their shares to the company, for example through auction, provided equal treatment of shareholders is safeguarded when such offer is made. This authorization has a fixed term of 18 months and is limited so that the ownership of the company, and subsidiaries, do not exceed 10% of the company's share capital. The purchase price shall be in accordance with Article 55, paragraph 3 of Act No. 2/1995. Other older authorizations to purchase own shares are cancelled by accepting this authorization.”

Notes relating to the proposal:

This proposal is based on the point of view that authorizations to purchase own shares that apply for the term of multiple years are not required for publicly traded companies where shareholders convene annually. The current authorization by a shareholders meeting is two years old and is based on the maximum allowed timeframe under applicable law, which is five years. It must be kept in mind that many things can change in five years, for example the company's position and the shareholder group.

Similar arguments can apply to the purchase of own shares as apply to declaring annual dividends and such decisions are taken annually on the basis of the company's operating results. It is therefore natural that the authorization to purchase own shares is reviewed annually by a shareholders meeting on the basis of current events, as applies to proposals relating to dividend payments at annual general meetings.

The proposal is set forth on the basis that the authorization to the Board of Directors is not general, but limited to formal share repurchase programs or to offering shareholders generally to sell their shares to the company. If the proposal is accepted this would apply to any future purchase by the company of own shares. The proposal is set forth on the basis of the principal argument that distributions of company funds to shareholders are carried out generally towards the shareholder group safeguarding equal treatment of them.

This is an English translation of the proposals set forth by Gildi Pension Fund for the Annual General Meeting of Eimskipafélag Íslands hf. on 17 March 2016. The translation is not certified. The original text prevails in case of inconsistency.

Formal share repurchase programs refer to transactions that fall under point 1 of paragraph 3 in Article 115 and paragraph 2 in Article 119 of the Act on Securities Transactions and regulations set on the basis of those provisions. Detailed provisions on the submission of information and course of action apply in such circumstances, safeguarding equal treatment and transparency of such transactions relating to own shares.

It is proposed in addition that the company will be authorized to offer shareholders generally to sell their shares to the company, for example through auction, provided equal treatment of shareholders is safeguarded. This would of course only be carried out to the extent permitted by law, including the Act on Securities Transactions, and only to the extent a formal share repurchase program is deemed insufficient to obtain stated objectives, such as under the dividend policy.

If the company has funds available for distribution to the shareholders it is natural that they are distributed generally and that it is made clear to the shareholders and the market in advance how it will be carried out. Such distributions could for example take place by declaring a dividend payment, with a share repurchase program where the course of action and size is set out in advance, or by making a general offer to shareholders where the same is clear.

It is important that the authorizations of Boards of Directors to purchase own shares are clear and defined with respect to size, purpose and pricing. The proposal of Gildi – Pension Fund is submitted with the aim of defining further the authorization of the Board of Directors to purchase own shares with equal treatment of shareholders in mind. It is expected that other authorizations by the shareholder meeting to purchase own shares are cancelled if this proposal is accepted.

The second proposal by Gildi – Pension Fund is an amendment proposal relating to the Remuneration Policy and is as follows:

The following text shall be removed from Article 7 in the proposed Remuneration Policy:

“in addition to the set terms in the individual employment contracts”

and

“The shareholders of the Company resolved at the annual general meeting of the Company held on 27 May 2010 to implement a stock option plan which allows for issuance of stock options to key employees on the basis of this remuneration policy. The stock option plan allows for issuance of stock options relating to up to 10,000,000 shares in the Company currently constituting 5% the Company’s share capital. At the Annual General Meeting of the Company held on 3 April 2013 the shareholders voted unanimously to approve an amendment to the Remuneration Policy allowing for stock incentives in addition to stock options.”

In addition, it is proposed that the word “further” shall be removed from Article 7 in the Remuneration Policy and the underlined text added in the following manner:

If the Board of Directors decides to offer ~~further~~ stock incentives to key employees of the Company, a stock incentive plan shall be presented to shareholders meeting, for approval or rejection, with information on the exercise price of options, time period, number of shares and number of employees under the program. The Board shall present to the Annual General Meeting a cost estimate of stock incentive plans.

Article 7 of the Remuneration Policy of Eimskipafélag Íslands hf. shall accordingly read as follows following the amendment:

“The Remuneration Committee is authorized to make proposal to the Board of Directors, offering individual key employees of the Company stock incentives in the Company. Directors shall not enjoy shares, options to buy or sell stocks, pre-emptive rights or other types of payments linked to shares in the Company or price trends of shares in the Company.

When evaluating whether key employees shall be offered stock incentives, the status and responsibilities, working performance and future prospects of each individual shall be taken into consideration. Such stock incentives can only be exercised if the individuals are still working for the Company at the time when the incentives are exercised.

If the Board of Directors decides to offer stock incentives to key employees of the Company, a stock incentive plan shall be presented to shareholders meeting, for approval or rejection, with information on the exercise price of options, time period, number of shares and number of employees under the program. The Board shall present to the Annual General Meeting a cost estimate of stock incentive plans.

The Company shall enter into written stock incentive agreements with employees. The agreements shall always be subject to the conditions of the act no. 2/1995 on Public Limited Companies.”

Notes relating to the proposal:

It is proposed with this amendment proposal that a shareholders meeting directly participates in the discussion and acceptance of material terms relating to stock incentives, including “under what circumstances and within which limits” stock incentives are proposed, according to point 3 paragraph 1 of Article 79 a. in the Act respecting Public Limited Companies. The proposal made by the Board of Directors expects this to occur with respect to “further” agreements, without it being clear whether such agreements have already been made. The reference to individual employment contracts is removed as the Remuneration Policy relates to new rights that may be proposed by the Board of Directors and entering into employment contracts does not in itself authorize granting such new rights.

It is not considered appropriate that the Board of Directors grant new stock incentives now on the basis of a resolution made by a shareholders meeting in 2010, as such a resolution was made under different circumstances, by another shareholder group and prior to the shares being publicly listed. Current shareholders should have the right to authorize new rights granted that relate to stock incentives, as it is them that finance the granting of such rights directly or indirectly.

Remuneration Policies are binding for the Board of Directors with respect to stock incentives according to Article 79 a. in the Act respecting Public Limited Companies. The amendment proposal has the effect that shareholders provide an authorization if such rights are intended to be granted, as per above. There are certain considerations that are specific to stock incentives that call for the input from shareholders. It should for example be clear prior to such plans being implemented what the expected costs are and how they are financed with respect to the share capital that unavoidably needs to be acquired to meet them.

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To be able to properly evaluate the size and cost of any plan it is expected, if such plans are to be proposed, that they are presented with information on the exercise price of options, vesting period, number of shares and number of employees under the program.

The Act respecting Public Limited Companies requires Remuneration Policies to be submitted annually for approval by the shareholders meeting and they are binding with respect to stock incentives. It is therefore expected that shareholders annually consider such rights and their principal terms. This should be carried out on the basis of events and the position of the company by the shareholders at each relevant point in time.

The third proposal by Gildi – Pension Fund is an amendment proposal relating to the Remuneration Policy and is as follows:

The following text shall be amended in Article 8 of the proposed Remuneration Policy relating to loans to employees:

The word “not” shall be added prior to the word permitted.

The words “short term” shall be removed from the text.

The provision shall accordingly read as follows following the amendment:

The Board of Directors is not permitted to grant loans to employees regarding financing of shares in the Company in accordance with 2 paragraph of Art. 104 of act no. 2/1995 on Public Limited Companies.

Notes relating to the proposal:

It is not considered appropriate that the company finances loans to employees relating to shares in the company. If such financing is required a financial institution should assume this role. This authorization would otherwise result in the Company indirectly adding exposure to own shares, without discussion in that regard taking place amongst shareholders. The terms of such transactions are also not available, including relating to the interest rate and security coverage ratio. It is logical that financial institutions provide services of this nature on an arms' length basis, as these types of loan operations are not a part of the Company's operations.

On behalf of Gildi – Pension Fund

Árni Guðmundsson Managing Director