

## ICELANDAIR GROUP HF. – ANNUAL GENERAL MEETING 03 MARCH 2017

Hilton Reykjavik Nordica at 4.00 pm

### Agenda

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1. The Board of Director's report on the Company's operations in the past year shall be presented
2. Confirmation of annual accounts and decision on the handling of profit or loss of the financial year
3. Decision on payments to board members
4. Proposals of the Board of Directors regarding the remuneration policy
5. Election of the Board of Directors
6. Election of auditor
7. Authorization to purchase treasury shares
8. Any other lawfully submitted business

### Proposals

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*The following individuals were elected to the Board of Directors:*

Name	Id.no
Ásthildur Margrét Otharsdóttir	300368-3799
Georg Lúðvíksson	070376-4909
Katrín Olga Jóhannesdóttir	010862-7369
Ómar Benediktsson	221059-4689
Úlfar Steindórsson	030756-2829

Georg Lúðvíksson is co-founder and CEO of Meniga and was co-founder and VP of Product Management at Updown.com. Georg was the VP for Sales at Men and Mice from 2004-2006 and Co-founder and VP of Engineering and Services at Dimon Software Inc. Georg has a C.Sc. degree in Electrical and Computer Engineering from University of Iceland and a MBA degree from Harvard Business School.

Ómar Benediktsson is the CEO of Farice ehf. He is a Board Member of Landsnet hf. and Húsafell Resort ehf. Ómar has held various positions in the tourist and aviation industry in the past 30 years, among others at Island Tours, Islandsflug, Air Atlanta and SmartLynx airlines as well as being a Board Member on various boards in the industry. Ómar has a Cand.Oecon degree from the University of Iceland

The Board of Directors has met and elected Úlfar Steindórsson as chairman of the Board and Ómar Benediktsson as deputy-chairman.

#### *a) Annual Accounts (Item 2)*

The Board of Directors proposes to the Annual General Meeting that the Annual Accounts of the Company for 2016 will be approved.

*b) Dividends payments (Item 2)*

The Board of Directors proposes to the Annual General Meeting that dividend payments in the amount of ISK 565 million will be made in ISK to the shareholders, which is ISK 0.11 per share. The record date will be 7 March 2017. Only shareholders registered in the shareholders' registry at closing on the record date are entitled to receive dividend payments. The ex-date, i.e. when trading exclusive of dividends begins, will be 6 March 2017, which is the trading day following the AGM. Payment date of the dividend will be 30 March 2017.

*c) Remuneration to Board Members (Item 3)*

The Board of Directors proposes to the Annual General Meeting that remuneration to Board Members and Sub-Committee Members shall be the same as they were last year: Each Board Member will receive ISK 300,000 per month, the Chairman will receive ISK 600,000 per month, the Deputy Chairman will receive ISK 450,000 per month, Sub-Committee Members will receive ISK 110,000, the Chairman of the Audit Committee will receive ISK 250,000 per month and the Chairman of the Compensation Committee will receive ISK 140,000 per month.

*d) Remuneration Policy (Item 4)*

The Board of Directors proposes to the Annual General Meeting that the following Remuneration Policy will be approved. Except for Paragraph 4 of Article 3 and Paragraph 5 of Article 7 the Policy has not been changed from last year.

*e) Auditors (Item 6)*

The Board of Directors proposes to the Annual General Meeting that KPMG hf. will be the Company's auditors and that Alexander Edvardsson and Audur Osk Thorisdottir will audit the Company on behalf of KPMG.

*f) Purchase of treasury shares (Item 7)*

The Board of Directors of Icelandair Group proposes to the Annual General Meeting that the Company will be authorized to purchase in the next 18 months up to 10% of its own shares in accordance with Article 55 of the Icelandic Companies Act No 2/1995 in order to establish a market making agreement for issued shares in the Company or to set up a formal buy-back programme. It is not allowed to purchase such shares at a higher rate than the last spot market rate or the highest bid in the trading system of a regulated market where the shares are traded. Such purchases are however authorized if they are executed by a market maker in accordance with Article 116 of the Act on Securities Trading or in accordance with Item 1, Paragraph 3, Article 115, and Paragraph 2, Article 119 of the Act on Securities Transactions and regulations implemented on the basis of Articles 118 and 131 of the same Act.

## **Icelandair Group hf. Remuneration Policy**

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### **Article 1 - Objective**

The objective of this Remuneration Policy is to make employment at Icelandair Group hf. an attractive option for first-class employees and thereby to secure for the Company a position in the front ranks. For this to be possible the Board of Directors of the Company must be able to offer competitive salaries and other payments, such as bonuses and options.

### **Article 2 - Remuneration Committee**

The Remuneration Committee shall be composed of two members elected by the Board of Directors of the Company from their own number. The Committee will operate pursuant to specific terms of reference.

The role of the Remuneration Committee is to provide guidance to the Board of Directors of the Company and executive management concerning the employment terms of the Company's key management staff and to provide advice on the Remuneration Policy. The Committee will also monitor that the remuneration of key management staff is within the framework of the Remuneration Policy and report to the Board of Directors annually on this subject in connection with the Company's Annual General Meeting. The rules of procedure of the Board shall provide further for the work of the Committee.

### **Article 3 - Remuneration of Board Members**

Members of the Board of Directors shall be paid a monthly remuneration in accordance with the decision of the Annual General Meeting each year, as provided in Article 79 of the Companies Act No. 2/1995. The Board of Directors will submit a motion concerning the remuneration for the ensuing year of operation, taking account of the time spent by members on the work, the responsibility attached and the results of the Company. Board Members shall not enjoy shares, options to buy or sell, stock options or other types of payments linked to shares in the Company or price trends of shares in the Company.

The remuneration of the Chairman of the Board shall be double the remuneration of other members of the Board.

If there are Alternate Members they shall receive a half the amount of Board Members each month, with the remuneration decided at the Company's Annual General Meeting.

The Company shall purchase a Directors and Officers Liability Insurance for Board Members. No severance agreements are permitted with members of the Board.

### **Article 4 - Remuneration of Chief Executive Officer**

A written employment contract shall be concluded with the Chief Executive Officer. The employment contract with the CEO may be renewed while it is still in effect.

The amount of the basic salary and other payments to the CEO shall take account of the CEO's education, experience and former employment and shall always be competitive in the market that the Company acts in. Other terms of employment shall be as customary at comparable companies, e.g. as regards contributions to a pension fund, vacation, use of vehicle and notice period.

The determination of the notice period in the employment contract may include special provisions concerning length of the notice period, taking into account the employment term of the CEO. Payments at termination of employment shall not exceed a previously decided amount and shall not be based on more than two years' salary. The payments at termination of employment shall not be rendered if termination of employment occurs on account of unsatisfactory performance. Furthermore, the employment contract shall provide for the conditions for termination of the CEO's employment.

The basic salary of the CEO shall be reviewed annually, taking into account the assessment by the Remuneration Committee of the CEO's performance, general remuneration terms in comparable companies and the Company's results.

In the conclusion of an employment contract with the CEO it should be taken into account that there will be no payments at the end of employment other than those provided for in the employment contract. However, it is permitted under special conditions, at the discretion of the Remuneration Committee, to conclude a separate severance agreement at the end of the CEO's employment.

### **Article 5 - Remuneration of vice-presidents**

The CEO will appoint vice-presidents within the Group in consultation with the Board Directors of the Company. The determination of the remuneration of the vice-presidents shall be subject to the same guidelines as those outlined in Article 4.

### **Article 6 - Bonuses**

Key management staff of the Company may be paid bonuses in the form of cash or shares in the Company on the basis of plans decided by the Board of Directors of the Company. Bonuses shall be based on the performance of the employee in question, the results of the Company, important milestones in the Company's operation and business activities, including the attainment of established objectives. There shall be limitations on bonuses which shall be connected to previously decided upon and measurable performance criteria where long-term interests of the Company are kept in mind. Payment on account of bonuses shall be postponed for a suitable period of time and repayment shall be assumed if payments have been rendered on the basis of obviously inaccurate data. Bonuses may only be paid to persons who are actually working for the Company at the time of payment of the bonus.

#### **Article 7 - Options**

The Remuneration Committee may submit a proposal to the Board of Directors of the Company concerning stock options for key management staff in excess of options negotiated in the respective managers' employment contracts.

In deciding whether to grant stock options to key managers account shall be taken of the position, responsibility, performance and future prospects of the manager in question within the Company. Furthermore, account shall be taken of similar agreements granted to the manager in question, whether or not the options have been exercised. A stock option is exercisable only when the party that has entered into such an agreement is working for the Company at the time that the stock option becomes effective.

If the Board of Directors decides to grant stock options to Company managers a plan for such stock options shall be submitted to the Annual General Meeting of the Company for approval or rejection. The Board of Directors shall provide at the meeting an account of the cost that may accrue to the Company from the stock option plan, if approved.

Shares shall not be delivered until at least three years after the party concerned acquires right thereto. Purchase right may not be used for shares until after a three year waiting period. A specific proportion of shares shall be kept until at termination of employment.

Furthermore, the Company shall be permitted, directly or indirectly, to grant loans or provide guarantees in connection with the stock options of key managers of the Company or related companies of shares in the Company, in accordance with Article 104, Sub-Article 2 of the Companies Act No. 2/1995.

#### **Article 8 - Other employees**

In the determination of the wage terms of other employees, the vice-presidents of individual divisions shall take account of the above rules, as applicable.

#### **Article 9 - Disclosure requirements**

At Annual General Meetings the Board of Directors shall provide an account of the employment terms of the CEO, vice-presidents and members of the Board of Directors. Information shall be provided on the total amount of paid remuneration over the year, payments from other companies within the same Group, the amount of bonuses and stock options, other payments connected with shares in the Company, severance payments, if any, and the total amount of other payments.

This Remuneration Policy shall be published on the Company's website.

#### **Article 10 - Approval of Remuneration Policy etc.**

The Company's Remuneration Policy shall be submitted for deliberation at the Annual General Meeting and submitted to review each year and placed before the Annual General Meeting for approval or rejection.

The Remuneration Policy is binding for the Board of Directors of the Company as regards its provisions on stock option contracts and any contracts or payments that follow the trends of the price of stocks in the Company, as provided in Article 79 (a) of the Companies Act No. 2/1995. In other respects, the Remuneration Policy serves as a guideline for the Company and its Board of Directors. The Board of Directors shall enter into their records any significant deviations from the Remuneration Policy and the deviations shall be supported by clear reasoning. An account must be given of such deviations at the following Annual General Meeting of the Company.

#### **Explanatory notes with the Icelandair Group hf. Remuneration Policy**

Act No. 89/2006 amended the Companies Act No. 2/1995 with the addition of Article 79(a). The Article was changed with Act No. 68/2010. The Article imposes the obligation on the Board of Directors of Icelandair Group to submit the Company's Remuneration Policy to the Annual General Meeting of the Company for approval or rejection. The Remuneration Policy must provide for the salaries and other payments to the Chief Executive Officer and other key managers of the Company, as well as its directors. The Act stipulates that the Remuneration Policy should disclose all principal aspects relating to managers and directors, as well as the policy of the Company with regard to contracts with managers and directors. Furthermore, the policy must reveal whether, and under what circumstances and within what framework, it is permitted to pay or remunerate

managers and board members in addition to their basic salaries, e.g. in the form of transfers of shares, performance-linked payments, share certificates, call and put options, pre-emptive rights and other types of payments which are linked to shares in the Company, movements in the price of shares, loan agreements, pension agreements and severance agreements.

The amendment was made in line with Commission Recommendation No 2004/913/EC of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies.

The Board of Directors of Icelandair Group hf. has the objective, in submitting this Remuneration Policy now before the Annual General Meeting of the Company, of establishing for the Company a reasonable Remuneration Policy that will make it possible for the Company to attract directors of the highest quality and thereby secure the Company's international competitive position.