

# **EIMSKIPAFÉLAG ÍSLANDS HF.**

## **ANNUAL GENERAL MEETING 28 MARCH 2019**

To be held at Eimskip's headquarters at Korngardar 2, Reykjavík at 16:00 (GMT)

### **Meeting Agenda**

1. The report of the Board of Directors on the activities of the Company for the financial year 2018
2. Confirmation of the Company's Consolidated Financial Statements for the financial year 2018
3. Decision on the handling of the net earnings for 2018
4. Proposal on the Company's Remuneration Policy
5. Election to the Board of Directors
6. Decision on remuneration to the members of the Board of Directors, the alternate Board members and subcommittees
7. Election of auditors
8. Other issues, lawfully presented

## Resolutions for the Annual General Meeting 2019

### 2. Confirmation of the Company's Consolidated Financial Statements for the financial year 2018

The Board of Directors of Eimskipafélag Íslands hf. proposes that the Consolidated Financial Statements for 2018 are approved.

### 3. Decision on the handling of the net earnings for 2018

The Board of Directors proposes that the Company pays a dividend of ISK 3,50 per share to shareholders for the year 2018. The proposed total amount is ISK 653.2 million, corresponding to approximately 68.4% of the Company's net earnings. Ex-Date is 29 March 2019<sup>1</sup>, the Record Date is 1 April 2019<sup>2</sup> and the Payment Date is 10 April 2019<sup>3</sup>.

### 4. Proposal on the Company's Remuneration Policy

The Board of Directors proposes amendments to the Remuneration Policy, mainly regarding incentives. All amendment proposals will be covered at the AGM.

The Board of Directors proposes that the following Remuneration Policy will be approved:

#### "1. LEGAL BASIS AND OBJECTIVE

Eimskipafélag Íslands hf. ("the Company") is obligated according to Article 79(a) of Act No 2/1995 on Public Limited Companies to set a Remuneration Policy regarding salary and other remuneration to the CEO and other managers of the Company and to Members of the Board of Directors. The Remuneration Policy shall be approved at the Annual General Meeting of the Company allowing the shareholders of the Company have a possibility to influence the Company's policy.

The Board of Directors is responsible for the Remuneration Policy of the Company: The Board of Directors took the guidelines of the Iceland Chamber of Commerce on corporate governance, fifth edition, into account when preparing the policy.

The object of this Remuneration Policy is to make the Company a desirable workplace for competent employees and thereby secure Eimskip's competitiveness, future development and acceptable profitability. In order to achieve this, it is imperative that the Company is in a position to offer competitive remuneration in all operational locations. Remuneration of executives and other key employees shall take into consideration the remuneration of other employees of the Company and thereby aim to secure coordinated and fair Remuneration Policy for the Company. It is necessary that the Company and its managers have the flexibility to offer competitive remuneration, remuneration can as applicable be linked to location, the scope of operations, success and responsibility.

#### 2. REMUNERATION COMMITTEE

The Board of Directors shall appoint a Remuneration Committee consisting of three members of the Board of Directors. The committee shall work in accordance with the Rules of Procedure set by the Board. The remuneration committee shall be advisory to the Board of Directors and the CEO regarding terms of employment for the executives of the Company and setting a Remuneration Policy. The committee shall also supervise that terms of employment of ranking employees are in line with the Remuneration Policy and report annually to the Board of Directors in connection with the Annual General Meeting.

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<sup>1</sup> **Ex-Date** is the day when trading commences without dividends, i.e. the next business day after the AGM.

<sup>2</sup> **Record Date** is the day shareholders have to be registered in the share registry to be entitled to receive dividends, i.e. the second business day after the AGM. Shareholders that purchase shares on the day of the AGM will receive dividends.

<sup>3</sup> **Payment date** is the day when dividends are paid out to shareholders.

### **3. REMUNERATION OF THE BOARD OF DIRECTORS**

Members of the Board of Directors shall be paid a monthly salary, according to decision taken by the Annual General Meeting in that respect, as specified in paragraph 79 of the Act on Public Limited Companies. The Board of Directors shall submit a proposal for the period until the next Annual General Meeting and shall take into account the time spent by the Board Members on their duties, their personal liability, as well as the operational and economic performance of the Company and the Board of Directors shall also take into account remuneration of members of the Boards of Directors of comparable companies. Additional payments may be effected to individual Board Members for specifically defined projects. Payments for such tasks shall be subject to approval by the other Board Members. The Company shall secure immunity for the Board of Directors for all claims that can eventually be made against them, connected to their work on behalf of the Company, within the limits allowed under the act on Public Limited Companies. It is not permitted to make redundancy contracts with individual Board Members.

### **4. CEO – TERMS OF EMPLOYMENT**

A written employment contract shall be prepared between the Company and the CEO, containing details of his main duties and responsibilities. The amount of his basic salaries and other remuneration shall take into account his education, working experience and previous employment. Other details of his remuneration, such as contribution to pension funds, holiday allowance and other benefits, as well as terms of notice, shall be mentioned in the employment contract. Bonuses and stock incentives shall also be included in the employment contract, as specified in paragraph 7 of this Remuneration Policy.

When stipulating the period of notice for termination of the employment contract, the period may be directly related to the duration of the employment of the CEO. The employment contract shall also stipulate the terms of notice.

The basic salary of the CEO shall be revised annually and shall evaluate the performance of the CEO, the development of salaries for similar positions in comparable and the general performance and operations of the Company.

The employment contract should include and stipulate all payments due to the CEO upon termination of the contract. Under special circumstances it is however permitted to prepare a separate redundancy contract if the Board of Directors is of the opinion that it is in line with the Company's interests.

### **5. SENIOR EXECUTIVES and other key employees – TERMS OF EMPLOYMENT**

The CEO employs the Senior Executives and other key employees of the Company, in consultation with the Board of Directors. Terms of their employment contracts shall take into account same aspects and principles as mentioned in paragraph 4.

### **6. OTHER EMPLOYEES**

The Senior Executives shall, when applicable, take the above into consideration when deciding on the terms of employment of other employees. Remuneration of other employees shall be competitive on the labor market of the country in question.

### **7. INCENTIVES**

The Board of Directors is authorized to incentivize the CEO, Senior Executives and key employees may be with cash and/or stock incentives, based on an incentive plan that has been approved by the Board of Directors upon recommendation by the Remuneration Committee.

Incentives are payments and benefits to employees beyond fixed salary which is normally contingent of performance and where the amount of cannot be determined beforehand, the payments can be in the form of cash bonus payments, specific pension rights and stock incentives, including stock options. The maximum amount of incentives is three months base salary for the CEO, but two months base salary for others.

Incentives shall be directly related to the working performance of the individual employees, their status and responsibility, the economic performance of the Company, the achievements of certain operational goals, including reaching certain budget targets. Such bonuses or incentives can only be offered to employees who are still working for the Company at the time when the bonuses are due for payment.

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 reference price of shares, vesting 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.

Members of the Board of Directors shall not be entitled to stock incentives.

Payments of bonuses and offering of stock incentives is always subject to the terms and conditions of Act No. 2/1995 on Public Limited Companies.

## **8. LOANS TO EMPLOYEES**

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.

## **9. DIRECTORS AND OFFICERS LIABILITY INSURANCE**

The Company shall at any given time have in place a directors and officers liability insurance policy relating to managers work, to indemnify and hold them harmless from and against claims that can be made in relation to their work for the company. The Company will not indemnify managers in the event a claim results from a culpable behaviour of a manager, defined as wilful misconduct or gross negligence.

## **10. DISCLOSURE**

At the Annual General Meeting the Board of Directors shall disclose to the shareholders the terms of employment of the CEO, Senior Executives, key employees and Board Members of the Company. The Board of Directors shall disclose the total amount paid in salaries in any form in the previous financial year, payments from other companies within the Group, and stock incentives and all other forms of payment pertaining to stock in the Company and retirement payments, if any. Further to this, the salary and remuneration of the Members of the Board of Directors and managers of the Company shall be outlined in the Annual Report of the Company.

This Remuneration Policy shall be accessible at the Company's website.

## **11. APPROVAL OF THE REMUNERATION POLICY AND OTHER MATTERS**

This Remuneration Policy was approved in a meeting of the Board of Directors of the Company on 13 March 2019 and will come into force with its approval by the Annual General Meeting of the Company.

The Remuneration Policy is subject to annual review and approval of the Annual General Meeting, with or without amendments.

The Remuneration Policy is binding for the Board of Directors regarding stock incentives and any payment under which directors are remunerated in shares, share options or any other right to acquire shares or to be remunerated on the basis of share price movements and any substantial change in such schemes as per paragraph 2 Art. 79 a. of the act on Public Limited Companies. In all other aspects the policy shall be viewed as guidelines. The Board of Directors shall note in the minutes of the meeting any major deviation from the Remuneration Policy and

such deviation shall be well justified. The Board of Directors shall inform the Annual General Meeting of such a deviation.

#### **EXPOSITION WITH THE REMUNERATION POLICY FOR EIMSKIPAFÉLAG ÍSLANDS HF.**

Act no. 89/2006 added Article 79 a. to the act on Public Limited Companies. The article has been amended with laws no. 87/2009 and 68/2010. The article requires the Board of Directors to set forth a Remuneration Policy prior to the general meeting of the shareholders where it is put to a vote. The Remuneration Policy shall stipulate the salary and other payments to the CEO and other key employees, as well as the Board of Directors. The Act also states that the Remuneration Policy shall include all fundamentals on terms of employment of executives and Board Members along with the Company's policy on agreements with ranking employees and Board Members. It shall moreover include details on if, how, under what circumstances and within what limits the management and directors can receive additional awards in the form of delivery of shares, performance based payments, stock options and any and all payment having to do with Company shares or the future value of such shares (stock incentives), loan contracts, pension funds, retirement or redundancy payments.

The before mentioned legislative change was made on the grounds of Commission Recommendation 2004/913/EC of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies.

With this Remuneration Policy, hereby submitted to the Annual General Meeting of the shareholders, the Board of Directors of Eimskipafélag Íslands hf. aims to set forth a Remuneration Policy that will enable the Company to attract leading individuals and thereby guaranteeing the Company's competitiveness on an international basis and compliance with law and regulations.

Approved at the Annual General Meeting on 28 March 2019."

#### **5. Election of the Board of Directors**

Final information on the candidates to the Board of Directors will be published no later than two days prior to the Annual General Meeting, cf. Art. 63 a. of act no. 2/1995 on Public Limited Companies.

#### **6. Decision on remuneration to the members of the Board of Directors, the alternate Board members and subcommittees**

The Board of Directors proposes amendments to its remuneration. Chairman's remuneration will be lowered from two times the remuneration of a Director to 1,5 times and Vice-Chairman's remuneration will be lowered from ISK 470,000 to ISK 450,000. Other remuneration will remain the same as last year.

Therefore the Board of Directors proposes that the remuneration of the Board of Directors for the year 2019 will be as follows:

Chairman	ISK 470,000 per month
Vice-Chairman	ISK 450,000 per month
Directors	ISK 310,000 per month
Alternates	ISK 125,000 per attended meeting, but shall never exceed ISK 310,000 per month
Members of the Audit Committee and the Remuneration Committee	ISK 125,000 per month

The remuneration of the Board of Directors, the Audit Committee and the Remuneration Committee is fixed and shall apply to the next term.

## **7. Election of auditors**

The Board of Directors proposes to the Annual General Meeting that KPMG ehf., Borgartún 27, 105 Reykjavík, will be re-elected as the Company's auditing firm for the year 2019.