

ICELANDAIR GROUP HF. NOMINATION COMMITTEE REPORT 2021

1. Summary

The main focus of the Nomination Committee of Icelandair Group (the “Company”) following the Annual General Meeting in 2020 was to re-evaluate the criteria for nominating board members. Following meetings with the Company’s management, the conclusion was that the criteria would remain unchanged. The Company’s long-term focus points and strategy are generally the same as before despite temporary difficulties and changes in the aviation market resulting from the COVID-19 pandemic.

Following review of the criteria for nominating board members, the Nomination Committee interviewed board members and the management team of the Company. The objective was to assess the current board composition in terms of cooperation, trust, efficiency and whether the changes to the Board of Directors, made at the Annual General Meeting in 2020, had been successful. The interviews, along with the self-assessment of the Board of Directors, unanimously indicate that the cooperation within the board has been very good, the trust level is high and that the board has managed to work together in an efficient manner. There is also strong indication that the new board members have strengthened the Board of Directors with their knowledge and experience from the aviation industry. Furthermore, the views of the largest shareholders were sought regarding the board membership. The Nomination Committee received widespread support regarding the criteria for nominating board members and the changes which were made to the board in the Annual General Meeting in 2020.

It is the unanimous opinion of the Nomination Committee that it will be in the best interests of the Company to renew the mandate of the current Board of Directors for the upcoming year. This recommendation is made without questioning the value of other highly competent candidates which have made themselves available to join the Company’s Board of Directors. The individuals within the board thoroughly cover the necessary knowledge and experience required for the Board of Directors of Icelandair Group. Despite a challenging year, the group has managed to work successfully together and lead the Company through a pivotal financial restructuring. Due to unusually high workload during the preceding year, this has not been a period where the specialization regarding the Company’s core business has been leveraged fully but such knowledge and experience will be highly useful going forward when the Company will ramp-up from the current hiatus situation. As a result, the Nomination Committee suggests that the following candidates will be elected to Icelandair Group’s Board of Directors:

1. Guðmundur Hafsteinsson
2. John F. Thomas
3. Nina Jonsson
4. Svafa Grönfeldt
5. Úlfar Steindórsson

2. Criteria for Nominating Board Members

In 2019, it was discussed within the Nomination Committee which criteria's should be applied to evaluate the composition of the Company's Board of Directors. The discussion was based on systematic work which followed discussions with the Company's management team which introduced the Company's strategy to the Committee.

Following the re-election of the Nomination Committee on 6 March 2020 it was decided to assess further whether any amendments would be needed regarding the criteria due to different circumstances and thus possibly different needs for the Company going forward. The Committee met the Company's management team and board members to assess possible changes to the criteria. These meetings were all conducted without the board's representative in the Committee. However, the President & CEO of the Company met with the whole Committee to discuss changes to the Company's strategy, operations during the year and how the COVID-19 pandemic might affect the execution of the strategy going forward.

The COVID-19 pandemic has had significant effects on the operations of the Company and the focus points of the preceding operating year were significantly different from what was assumed at the Annual General Meeting in March 2020. The flight operations of the Company have been at a minimal level due to the COVID-19 pandemic and related travel restrictions. Thus, the main focus of 2020 was to complete a financial restructuring of Icelandair Group which was finalized with a successful share offering in September. However, based on discussions with the current board members and the Company's senior management, the strategy going forward remains the same in all main respects and might even be more important during the upcoming ramp-up of the Company.

The main conclusion was that Board candidates should be evaluated on the following factors:

1. General personal characteristics which are necessary for all board members.
2. Knowledge and experience regarding the Company's core business.
3. Knowledge, experience and capabilities to support and implement the Company's strategic decisions for the upcoming years.

Furthermore, the Nomination Committee agreed on the following criteria for each of the factors above:

1. General Personal Characteristics
 - Experience from board member positions
 - Experience from management positions
 - International business experience
 - Broad network

- Solid reputation
 - Independence and critical thinking
 - Strong social skills and self-confidence
2. Knowledge and Experience from the Company's Core Business
- Experience from international airline operations
 - Knowledge and experience from strategic implementation
 - PR/Branding experience
 - Knowledge of digital solutions and data utilization
 - General knowledge of the tourism industry
 - Experience of human resources management and communications with unions
3. Knowledge and Experience regarding the Company's Strategy
- Distribution strategy
 - Customer focus
 - Network and fleet strategy
 - Strategic alliances
 - Environmental issues

It is the conclusion of the Nomination Committee that these criteria still reflect the qualifications needed for a strong Board member for Icelandair Group. During meetings with shareholders the Committee received widespread support regarding the criteria. As a set, the criteria should be important and relevant for the Company's board members in both the short-term and the long run. Over time some criteria may become more important and others less so based on industry trends and major topics facing the Company at the given time.

Before the Annual General Meeting in 2020 it was the view of the Nomination Committee that it was more important than before to emphasize the importance of international airline experience and a broad network within the industry. The two new board members, which were elected at the Annual General Meeting in 2020, have strongly strengthened the board's expertise within this area.

3. Evaluation of Icelandair Group's Current Board Composition

At Icelandair Group's Annual General Meeting on 6 March 2020 the following five individuals were elected to the Board of Directors:

- Guðmundur Hafsteinsson
- John F. Thomas
- Nina Jonsson
- Svafa Grönfeldt
- Úlfar Steindórsson

Prior to the Annual General Meeting in 2020 the Nomination Committee assessed the current Board composition based on the criteria outlined in Section 2. The conclusion was that the proposed Board candidates (which were elected at the AGM) had broad knowledge and experience which cover all aspects of the Nomination Committee's criteria. However, it was necessary to assess the new Board composition in terms of efficiency, cooperation with the management team, whether the Board had managed to work successfully together and whether any weaknesses had emerged which would require changes to the Board composition. Furthermore, it was necessary to assess whether other prospective candidates could strengthen the board composition.

The two Nomination Committee members elected by shareholders interviewed each board member individually along with the Company's President & CEO, CFO and General Counsel. Furthermore, the Nomination Committee received the self-assessment of the Board regarding their work and cooperation during the year.

2020 was a challenging year for Icelandair Group's Board of Directors. The Company experienced an unprecedented situation due to the COVID-19 pandemic which had significant impact on the operations of the Company. Travel restrictions and a drop in international demand for travelling completely changed the short and medium-term prospects of the Company and created urgency for the Company to complete a financial restructuring followed by a share offering in order to strengthen its liquidity position and ensure a sustainable business model going forward. This has required increased workload for the Board of Directors which has held 47 board meetings since the Annual General Meeting in 2020. Despite challenging conditions, it is the unanimous opinion that the cooperation within the board and between the board and the management team has been successful. Going forward, this high workload of the Board of Directors is a possible risk factor in recruiting top talent individuals to the Company's board since the remuneration of board members is not in accordance with the workload of recent years.

In summary, the information received by the Nomination Committee indicates that the additions to the Company's Board of Directors have been successful and that the board, as a whole, covers all of the factors important for a strong board for the Company. Furthermore, there are no indications of weaknesses which need to be cured within the current Board of Directors. In order to maintain continuity, the Nomination Committee also recommends against significant changes to the board composition at this time.

4. Evaluation of Candidates

The Nomination Committee has proactively searched for prospective candidates which would strengthen the Company's Board of Directors. This is done in order to evaluate whether the board may be strengthened further and be prepared in case of any unexpected resignations from board members and to prepare for future recommendations to shareholders. The Nomination Committee has been contacted by highly competent candidates which are ready to serve the

Company within the Board of Directors. The Nomination Committee believes that these individuals have capabilities which the Company could benefit from. However, the Nomination Committee suggests that no changes be made to the Board of Directors at this time after thorough scrutiny of all pertinent possibilities. The Board of Directors is already composed of highly capable board members which have managed to work well together as a group during a challenging period. The cooperation between the Board of Directors and the President & CEO has also been very effective. Furthermore, this will ensure continuity and it is the opinion of the committee that the Company will benefit from the continuing services of all the highly capable board members under more normal circumstances. The current Board of Directors has been within the Company through difficult and challenging times and has already prepared the ramp-up of the Company and will be well suited to execute a fast ramp-up in cooperation with the Company's management team.

The current Board of Directors is composed of individuals with different backgrounds which can contribute to different aspects of the Company's core business. Generally, the board members have served the Company for a short period of time (1-3 years) except for the Chairman of the Board who has been a board member for over 10 years. The board's self-assessment indicates that the Chairman is the undisputable leader of the group and has the trust and respect of other board members. The Chairman was also instrumental in supporting the President & CEO through the financial restructuring phase through communications with the Icelandic Government and other stakeholders, leveraging his broad network within Iceland. The Company and its management team would benefit from the continuing contribution of the Chairman over the next months since highly ambitious plans have been presented to investors preceding the offering of shares in the Company.

As previously mentioned, the current board members have managed to work successfully together during difficult circumstances and have the abilities to make valuable contribution to the Company going forward. Furthermore, the cooperation between the Board of Directors and the President & CEO has been very good. This further indicates that changes should not be made to the board at this time due to the challenging and important project which are ahead for the Company's management. Due to the COVID-19 pandemic the group has only managed to have one in-person board meeting with full attendance and the cooperation might be strengthened further when travel restrictions will be lifted and in-person board meetings will be possible again. It also shows the strength of the group that the Company's share offering was substantially oversubscribed which indicates that the current shareholders group trusts the Board of Directors.

4.1 Guðmundur Hafsteinsson

Guðmundur Hafsteinsson recently stepped down as the Head of Product for Google Assistant at Google, a position he held from 2014 to 2019. He joined Google in 2014 subsequent to the merger of Google and Emu, a chat based virtual assistant start-up he founded in 2012. Prior to the founding of Emu, he was VP Product at Siri, and stayed on after the acquisition by Apple through the launch of Siri on iPhone. Prior to Siri/Apple, Guðmundur was a Senior Product

Manager at Google, where he managed the initial launches of Google Maps for mobile and Google Voice Search. Guðmundur holds an MBA degree from MIT and a B.Sc. degree in Electrical and Computer Engineering from the University of Iceland. Guðmundur joined Icelandair Group's Board of Directors in March 2018.

Guðmundur is an experienced executive from the tech industry with broad management and board member experience both in Iceland and in the US. He possesses all the General Personal Characteristics required for a strong Board member according to the Nomination Committee's best knowledge.

Guðmundur brings a wealth of knowledge and experience regarding digital solutions and data utilization to the Board. Moreover, he is experienced with strategic implementation, PR/Branding and Human Resources management. During his three years as a member of Icelandair Group's Board of Directors he has amassed knowledge and experience of international flight operations and the Icelandic tourism industry.

Through his experience from the tech industry, Guðmundur is able to bring a valuable perspective to the Company's Distribution Strategy and Customer Focus initiative. Moreover, as part of the Company's Board over the last two years, Guðmundur has become well versed in Network & Fleet Strategy, Strategic Alliance matters and Environmental Issues.

Selected criteria covered:

- Knowledge of digital solutions and data utilization
- Customer focus

It is the conclusion of the Nomination Committee that according to the Guidelines Guðmundur is independent of the Company, its management and significant shareholders.

4.2 John F. Thomas

John F. Thomas is owner and CEO of Waltzing Matilda Aviation LLC, a jet charter and aircraft management company based in Boston that he founded in 2008. In 2016-2017, Mr. Thomas was Group Executive at Virgin Australia Airlines where he led a financial turnaround as CEO of a AU\$ 4.0bn (appr. USD 3bn) full-service carrier with over 6,000 employees and 125 aircraft, and from 1990-2016 he was with the global strategy consulting firm L.E.K. Consulting, as a Managing Director/Senior Partner from 1993 and created and led the Global Aviation Practice for over 16 years. Additionally, he is a Senior Advisor to the management consultancy McKinsey & Co., the aviation infrastructure firm Nieuport Aviation Infrastructure Partners GP and the tourism technology firm Plusgrade. He also sits on the Board of SkyService Inc. the largest corporate aviation provider in Canada where he also Chairs its Health and Safety committee. He continues to provide advisory work to the global airline industry. Mr. Thomas holds an MBA degree from Macquarie University Graduate School of Business (which included 9 months at the MBA program at INSEAD) and a Bachelor of Commerce degree from the University of New South Wales. He joined the Board of Icelandair Group on 6 March 2020.

Mr. Thomas is a renowned international strategy consultant turned senior executive with wide-ranging experience from the global aviation industry. He has broad management and board member experience from North America, Latin America and Asia Pacific. He possesses all the General Personal Characteristics required for a strong Board member according to the Nomination Committee's best knowledge.

Mr. Thomas is highly knowledgeable and experienced with international airline operations, Icelandair Group's core business. He has deep knowledge and experience with strategy implementation, international tourism, strategic alliances and human resources management and communications with unions.

Mr. Thomas's wide-ranging experience from the international airline industry provides a valuable perspective on all aspects of Icelandair Group's strategy.

Selected criteria covered:

- Experience from international airline operations
- Distribution strategy
- Strategic alliances

It is the conclusion of the Nomination Committee that according to the Guidelines John is independent of the Company, its management and significant shareholders.

4.3 Nina Jonsson

Nina Jonsson is currently a Senior Advisor at aviation consultancy Plane View Partners and a board member at aviation technology firm FLYHT. Between 2015 and 2017, she held the role of Senior Vice President Group Fleet at Air France-KLM Group where she was responsible for group-wide fleet strategy, aircraft sourcing, leasing and sales. Previously, Ms. Jonsson held a number of other executive positions within the aviation industry including Fleet Management Officer at the Bristow Group (2012-15), Director Fleet Planning at United Airlines (2006-2011) and Director Fleet Management at US Airways (2002-2005). Ms. Jonsson holds an MBA degree from Rensselaer Polytechnic Institute and a B.Sc. degree in Air Transport Management from the University of New Haven. Nina joined Icelandair Group's Board of Directors in March 2020.

Nina Jonsson is a seasoned airline and aviation executive with over 25 years of industry experience at three major international airlines. She has broad management and board member experience from both Europe and North America. She possesses all the General Personal Characteristics required for a strong Board member according to the Nomination Committee's best knowledge.

Ms. Jonsson is highly knowledgeable and experienced with international airline operations, Icelandair Group's core business. She has knowledge and experience from strategy

implementation in the context of aviation, PR/Branding, and human resources management. Furthermore, fleet optimization, network and fleet economics and the operational integration of new fleet types are among her areas of expertise. She has worked as a Fleet Management Officer and Senior Vice President Group Fleet at major airlines and has advised airlines on matters related to fleet acquisition, negotiation and operational implementation of fixed wing and rotary aircraft.

Ms. Jonsson's wide-ranging experience from the international airline industry provides a valuable perspective on all aspects of Icelandair Group's strategy.

Selected criteria covered:

- Experience from international airline operations
- Network and fleet strategy

It is the conclusion of the Nomination Committee that according to the Guidelines Nina is independent of the Company, its management and significant shareholders.

4.4 Svafa Grönfeldt

Svafa Grönfeldt is a Professor of Practice at the Massachusetts Institute of Technology. She is a founding member of MIT's newest innovation accelerator DesignX focused on the design and development of technology- and service-based ventures created at MIT. Svafa is the co-founder of The MET fund, a Cambridge based seed investment fund. She is a member of the Board of Directors of Icelandair Group since 2019, Board of Directors of Össur since 2008 and Origo since 2019. Previous positions include executive leadership positions at two global life science companies where she served as Chief Organizational Development Officer of Alvogen and Deputy to the CEO of Actavis Group. Her executive career has been focused on organizational design for high growth companies, strategy implementation, service process design for operational improvement and performance tracking. She is a former President of Reykjavik University.

Svafa is an experienced senior executive with broad management and board member experience from education, pharmaceuticals, orthopaedics, IT and finance. She possesses all the General Personal Characteristics required for a strong Board member according to the Nomination Committee's best knowledge.

Svafa is a renowned expert in strategic implementation and has valuable experience with PR/Branding, digital solutions and data utilization, and human resources management. During her two years as member of Icelandair Group's Board of Directors she has amassed knowledge of and experience with international airline operations and the Icelandic tourism industry.

During her time as Board member, Svafa has worked closely with Company management on the Company's strategy and strategy implementation. As a result, she has detailed insight into most aspects of the Company's strategy.

Selected criteria covered:

- Knowledge and experience from strategic implementation
- PR/Branding experience

It is the conclusion of the Nomination Committee that according to the Guidelines Svafa is independent of the Company, its management and significant shareholders.

4.5 Úlfar Steindórsson

Úlfar Steindórsson is the CEO of Toyota in Iceland. Previously, he was the CEO of marine biotech firm Primex ehf. from 2002 to 2004, and the CEO of the New Business Ventures Fund in Iceland from 1999 to 2002. Úlfar has held various board positions in the Icelandic business environment in the past years. Úlfar holds a Cand. Oecon degree from the University of Iceland and an MBA from Virginia Commonwealth University. He joined Icelandair Group's Board of Directors on September 15th 2010.

Úlfar is an experienced senior executive with broad management and board member experience from, for example, tourism, automotive, venture capital and marine biotech. He possesses all the General Personal Characteristics required for a strong Board member according to the Nomination Committee's best knowledge.

Úlfar has served on Icelandair Group's Board for over 10 years and is the longest tenured member of the current Board. He has been the Chairman of the Board since 2017 and according to interviews with other Board members and the management team, he has performed in this role with distinction while being the undisputed leader of the Board. During his time in this role, Úlfar has amassed considerable experience with international airline operations. Úlfar also possesses knowledge and experience with strategy implementation, PR/Branding and human resources management and communications with unions. Moreover, Úlfar has been actively involved in the tourism sector over a long period of time. He is well connected to the local environment and skilled and experienced in navigating the often complex business-, political- and economical environment in Iceland.

During his time as a Board member, Úlfar has gained deep insight into the Company's strategy.

Selected criteria covered:

- Experience of human resources management and communications with unions
- Customer focus
- Environmental issues

It is the conclusion of the Nomination Committee that according to the Guidelines Úlfar is independent of the Company, its management and significant shareholders.

The gender quota set forth in the Icelandic Companies Act no. 2/1995 and the Company's Articles of Association would be met since the Board would be composed of three males and two females.

5. Role of the Committee

Icelandair Group's Nomination Committee was established at the company's Annual General Meeting on 8 March 2019. It was resolved that the company should operate a nomination committee which has the role to be advisory in the selection of members of the Board of Directors. The committee would bring its proposal for the Annual General Meeting or other Shareholders' meetings where election to the Board of Directors is on the agenda.

The main role of the committee is to put forward a complete proposal of the composition of the board of the Company and ensure that the board jointly covers all necessary criteria as defined by the Nomination Committee. As such, the Nomination Committee can create value for the company since it can suggest a group of individuals which complement each other through different qualities and capabilities.

The Nomination Committee shall put forward its reasoned opinion concurrently to the notification of the Annual General Meeting or as soon as possible in conjunction with other shareholder meetings. The committee's opinion shall be made available to shareholders in the same way as other proposals to be submitted to the meeting. The committee operates according to rules of procedures which are set by the committee itself and approved by the Board of Directors.

6. Composition

The Nomination Committee shall consist of three members. The Shareholder's meeting shall elect two members, one male and one female, which are nominated to be elected by shareholders. When the Shareholder's Meeting has elected members, the Board of Directors will nominate one member to the committee. All members shall be independent of the Company and its executives. The member nominated by the Board of Directors shall be independent of the Company's largest shareholders. The same criteria shall apply to the assessment of independence of Committee members as to the assessment of the independence of Board Members according to The Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce, SA Business Iceland and Nasdaq Iceland (the "Guidelines").

At Icelandair Group's Annual General Meeting on 6 March 2020 Mr. Hjörleifur Pálsson and Ms. Helga Árnadóttir were re-elected to the Nomination Committee by the Company's shareholders. Subsequently, Mr. Úlfar Steindórsson, chairman of the board, was re-elected to the Nomination Committee as the representative of the company's Board of Directors. Ari Guðjónsson, the General Counsel of the Company, was appointed the Secretary of the Committee. The Nomination Committee had an open line of communications for questions or

suggestions and all of the Company's largest shareholders were informed of that line of communications.

7. Activities during the year

The Nomination Committee has conducted the following activities during the year:

	Business of Committee meetings
May 2020	<ul style="list-style-type: none"> • Assignment of tasks • Proposal submitted on amendment on Rules of Procedures for the Nomination Committee • Appointment of Committee Secretary • Discussions on board membership
September 2020	<ul style="list-style-type: none"> • Discussions on the Company's strategy and key operating factors. • Preparation of meetings with board members, senior management and shareholders
November 2020	<ul style="list-style-type: none"> • Individual meetings with board members, CEO, CFO and General Counsel.
December 2020	<ul style="list-style-type: none"> • Discussions on the meetings with board members, CEO, CFO and General Counsel. • Further preparations for meetings with the largest shareholders. • Preparations for the Annual General Meeting.
December 2020 and January 2021	<ul style="list-style-type: none"> • Meetings with the Company's shareholders and potential candidates.
January 2021	<ul style="list-style-type: none"> • Discussions on the views of shareholders, board members and the management. • Review of the self-assessment of the Board of Directors.
February 2021	<ul style="list-style-type: none"> • Final assessment of the qualifications of individual candidates submitted to the Board of Directors. • Proposal on the composition of the Board of Directors. • Other preparations for the Annual General Meeting and preparation of a report on the work of the Committee.

8. Proposal

The Nomination Committee proposes that the following candidates, listed in alphabetical order, be elected to the Board of Directors of Icelandair Group hf. at the Company's Annual General Meeting on 12 March 2021:

- Guðmundur Hafsteinsson
- John F. Thomas
- Nina Jonsson
- Svafa Grönfeldt
- Úlfar Steindórsson

In accordance with clause 1.3.1 of the Guidelines on Corporate Governance, the Nomination Committee will propose a Chairman for the Company's Annual General Meeting. The Committee proposes that Mr. Ólafur Arinbjörn Sigurðsson, attorney at law, will be elected as the Chair of Icelandair Group's Annual General Meeting in 2021.

Reykjavík,
12 February 2021



Hjörleifur Pálsson



Helga Árnadóttir



Úlfar Steindórsson