

Icelandair Remuneration Policy

1. Purpose and Objectives

The main objective of the Remuneration Policy of Icelandair Group and its subsidiaries (the “Company”) is to attract and retain employees of the highest quality, encourage exceptional performance, make the Company a desirable workplace and set clear standards for expected performance.

The total compensation for key employees is expected to be comprised of three main components, each of which is based on a different strategic role and risk profile, as proposed by the Remuneration Committee:

- **Base Salary:** Fixed salary based on level of responsibility, tenure and experience.
- **Short-term incentives (Bonus scheme):** Variable based on achievement of annual objectives.
- **Long-term incentives (Stock options):** Encourages long-term focus and aligns the interests of key employees with the interests of the Company and shareholders.

Short-term and long-term incentive schemes require an effective and robust performance assessment within the Company where the expected results of each scheme are linked to the performance of the Company and the individual employee.

The Remuneration Policy applies to the Company’s Executive Committee, including the CEO, the Board of Directors and other employees as applicable.

2. Remuneration Committee

The Remuneration Committee shall be composed of two members elected by the Board of Directors. The purpose of the Remuneration Committee is to maintain oversight of the remuneration of the Executive Committee and senior management as well as to ensure that the structure of the compensation components are aligned with the long-term interests of the shareholders.

The main task of the Remuneration Committee is to prepare the decision-making process of the Board of Directors with regards to the Remuneration Policy, including the determination of any performance related variable compensation. The Remuneration Committee is also assigned to regularly review the remuneration policy and ensuring its adherence.

The Remuneration Committee also oversees the overall long-term development of remuneration and human resource matters to ensure that all remuneration practices are in accordance with laws, regulations and overall best practices. The Remuneration Committee makes inquiries about the results and outcomes of established human resource policies and procedures on a regular basis.

3. Payments to 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 proposal concerning the remuneration for the upcoming year of operation, taking into account the extent of responsibilities, time commitment 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 the share price or performance of the Company.

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

The Board of Directors may request individual Board Members to take on specific tasks, ad hoc, outside of their general duties as provided for in Article 70 of the Companies Act No. 2/1995. In such cases the Board of Directors may determine a fixed fee for the work carried out in relation to such tasks and such payments shall be disclosed in the Company's annual financial statements.

4. Base Salary of CEO and the Executive Committee

A written employment agreement shall be entered into with the CEO and each member of the Executive Team.

The amount of the base salary shall take into account education, level of responsibility experience and former employment and shall always be competitive in the Company's market. Other terms of employment shall be as customary at comparable companies, e.g. concerning contributions to a pension fund, vacation right, use of vehicle and notice period.

Severance payments shall not exceed a previously decided amount and shall not be based on more than two years' salary. Severance payments shall not be rendered if termination of employment occurs on account of unsatisfactory performance. Furthermore, the employment agreement shall provide for the conditions for termination of the employment. Under special circumstances, at the discretion of the Remuneration Committee, a separate severance agreement may be concluded at the end of employment.

The base salary shall be reviewed annually, taking into account the performance assessment and general remuneration terms in comparable companies.

5. Short-term Incentives – Bonus Scheme

Key employees of the Company may be entitled to bonus payments, in the form of cash, based on a proposal from the Remuneration Committee which has been approved by the Board of Directors. The bonus scheme allows key employees the opportunity to increase their annual compensation package based on performance measured by key performance indicators and strategic initiatives where long-term interests of the Company are kept in mind. Bonuses shall be based on performance assessment, the results of the Company and important milestones in the Company's operations and business activities, including the achievement of established objectives.

Bonus payments shall be postponed for a suitable period of time and repayment shall be made 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. Yearly bonus payments shall not exceed 25% of the individual employee's annual salary.

6. Long-term Incentives – Stock Options

The Remuneration Committee may submit a proposal to the Board of Directors of the Company regarding a stock option program for key employees in order to align the interests of the selected employees with the long-term interests of the Company and its shareholders. Such programs shall be subject to approval at a shareholders' meeting of the Company.

In deciding whether to grant stock options to key employees account shall be taken of the position, responsibility, performance and future prospects of the employee in question within the Company. Vesting time shall be three years from the granting date. Furthermore, the following terms shall apply:

- The Remuneration Committee shall make recommendations on granting to participants based on performance assessment which will be submitted to the Board of Directors for approval. The Board of Directors shall have sole discretion on granting to each participant.
- Granted stock options, which will not be exercised within a fixed exercise period, will become invalid.
- Participants are required to hold shares, corresponding to the net profit gained from the options (after tax) measured in total share value as decided by the Remuneration Committee. When deciding on holding requirements, account shall be taken of the amount of base salary, fluctuations in share price and standard practices in comparable companies.
- The options are valid only if the holder is still employed by Icelandair Group or its subsidiaries on the exercise date. The Remuneration Committee can waive this condition under certain circumstances.
- If a change of control occurs, in accordance with Article 100 of the Icelandic Takeovers Act No. 108/2007, any outstanding stock options shall vest.
- Rights and obligations under the stock option program cannot be assigned to a third party.
- The Company has the option to reclaim, in whole or in part, remuneration that has been based on false, misleading, insufficient or incorrect data, or if the recipient acted in bad faith in respect of other matters, which resulted in too high remuneration or remuneration which would otherwise not have been granted.
- The Company will issue new shares or purchase treasury shares in order to deliver shares to the participants of the stock option program.

Board of Directors shall provide an account of the cost that may accrue to the Company from the stock option plan, if approved. A specific proportion of shares shall be kept until at termination of employment as decided by the Remuneration Committee and the Board of Directors. Based on the Black Scholes model (or other acceptable calculation method) the yearly granting of stock options shall not exceed 25% of the

employee's annual base salary. The exercise price will be based on the share price in Icelandair Group at closing of NASDAQ Iceland on granting date with the addition of 3% annual interests per annum. The exercise price shall be adjusted for any dividend payments decided after the granting date.

Furthermore, the Company shall be permitted, directly or indirectly, to grant loans or provide guarantees in connection with the stock options of key employees 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.

7. Other Employees

This Remuneration Policy shall be applied when determining the salaries of other employees of the Company as applicable. The objective of the Company in relation to compensation packages is to align the interests of the employees and the interests of the Company in the long-term. The implementation of such compensation packages can be different in relation to different group of employees and different performance metrics will be applied as well. Furthermore, such compensation packages will need to be within the boundaries of applicable labour agreements.

8. Equal Pay System

The Company shall maintain an Equal Pay Policy to ensure gender pay equality in the Company through the implementation of an Equal Pay System. Icelandair Group commits to ensure that equal wages are paid for jobs of equal value, irrespective of gender. Enforcement of the Policy and ensuring full observance of gender equality in decisions on wages is the responsibility of management. The Executive Committee of Icelandair Group shall annually establish equal pay objectives based on measurements derived from a pay analysis. The Chief Human Resources Officer is responsible for continuous improvements of the Company's Equal Pay System and for monitoring the Equal Pay Policy.

9. Disclosure of Information

At the Annual General Meeting, the Board of Directors shall provide information on the employment terms of the CEO, Executive Committee and members of the Board of Directors. Information shall be provided on the total amount of paid remuneration over the year, payments from affiliate companies, 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.

10. Approval of Remuneration Policy and Other Matters

The Company's Remuneration Policy shall be submitted for 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.

Approved at the Company's Annual General Meeting on 9 March 2023.