Remuneration Policy of Festi hf.

1. Objectives

Festi’s remuneration policy puts in place a procedural system for the remuneration of managers and Board Directors which ensures that shareholders are familiar with how the policy is implemented within the company. The policy objective is for the company and its subsidiaries to be competitive and able to employ outstanding employees and managers. For that purpose the company’s Board must be able to offer wages and other payments that can compete with that of other similar companies. At the same time it is necessary to provide employees with good terms of employment and ensure that their remuneration is normal and reasonable for their work.

These objectives are meant to support the company's vision of a continuous expansion guided by its values. When deciding on remuneration considerations shall include responsibility and results while observing recognised principles of equality. Furthermore, this remuneration policy shall reflect the company’s objective to create value for customers, the company's code of ethics, its policy on social responsibility and employee policy. The remuneration policy is implemented to ensure, as far as possible, that the interest of the Board, senior management and other employees go hand in hand with the company’s long term performance and shareholders long term interests.

The company’s remuneration policy is set in accordance with conditions stipulated in Article 79 (a) of the Act respecting Public Limited Companies No. 2/1995 and with reference to guidelines on good corporate governance.

2. Remuneration Committee

The company’s Board shall appoint three members to the Remuneration Committee and both shall be independent of the company. Neither the company’s Chief Executive Officer nor any other employee may be on the Committee. The Committee members shall have experience and knowledge of the criteria and customs in determining management terms of employment. The Board shall set Rules of Procedure based on this remuneration policy for the Remuneration Committee.

The Committee’s role is to guide the Board concerning Director and company senior management remuneration and provide advice on the remuneration policy which is to be revised annually and submitted to the company’s Annual General Meeting. The Committee shall also supervise that the remuneration to Directors and senior management are within the limits of this remuneration policy and submit an annual report thereon to the Board according to Article 9.

The company’s Board is responsible for the Remuneration Committee and the Committee has its mandate from the Board.

3. Remuneration for Board members and Committee members

Board Directors shall be paid a salary in accordance to the Annual General Meeting's decision, as stipulated in Article 79 (1) of Act No. 2/1995 respecting Public Limited Companies. Sub-committee members shall also be paid remuneration as decided by the Annual General Meeting.

The company's Board shall propose to the Annual General Meeting a remuneration to the Board and committee members for the upcoming year of operation, based on a Remuneration Committee opinion, and take into account the time that Directors and committee members spend on their work, their expert knowledge and experience, their responsibility, the company's performance and the objectives of this remuneration policy.

Board Directors shall not get shares, options to buy and sell or any other type of payment related to the company's shares or the development of its share price.

It is not permitted to make severance agreements with Board Directors.

4. CEO terms of employment

A written employment contract of indeterminate duration shall be made with the company's Chief Executive Officer (CEO) defining remuneration in detail and stating clearly basic wages, variable payments, pension rights, vacation rights, other benefits and the period of notice.

In making an employment contract with the CEO, it should be kept in mind that no further payments be made at the termination of employment than indicated in the employment contract, which shall provide for a maximum of 12 months period of notice.

The total amount of the CEO's wages, i.e. basic wages, benefits and performance fees, shall be based on competence, education, experience, responsibility and the scope of the work, as well as take into consideration company internal factors, wage distribution within the company and that the total wages be competitive in the market where the company operates.

5. Remuneration for senior management

A written employment contract of indeterminate duration shall be made with the company's senior managers, defining remuneration in detail and stating clearly basic wages, variable payments, pension rights, vacation rights, other benefits and period of notice. In deciding remuneration to management the same considerations apply as in article 4 (3), see article 7.

6. Professional risk insurance and indemnity

The company shall ensure at any time a valid professional indemnity insurance for Board Director's work and those of senior management, both present and past, performed for the company. The company shall guarantee them indemnity for claims they may be subject to or may come due on account of their work for the company, in so far as the subject of such a claim is not due to a criminal offence by the respective party being considered as intent or gross negligence.

The company pays the insurance premium for the professional indemnity insurance and normal cost of legal defence with respect to claims or investigations of the above, subject to the right to recovery claim, should it later turn out that the respective party did on purpose or by gross neglect violate confidential obligations towards the company or legal provisions in his/her work for the company.

7. Variable terms – bonuses

The company's Board may pay its CEO, senior management and other employees a bonus based on this remuneration policy and a separate bonus plan to be made by the Board and reviewed annually, having received the Remuneration Committee opinion. The purpose of a bonus plan is to improve the financial interest of shareholders and reward results that are in excess of forecasts and/or when ambitious objectives are met. This is only an authorisation but not an obligation to pay a bonus and the Remuneration Committee can recommend that bonus payments be not made even though financial and/or other benchmarks have been met.

A bonus means payments and benefits to employees, including cash, special pension payments and rights to shares, including options to buy, normally defined in terms of performance, which are not a part of fixed employee remuneration, and where the actual final amount is unknown in advance.

A bonus plan shall contain predefined and quantifiable, financial and non-financial, performance benchmarks where the company's interest is kept in mind and it shall reflect the long-term benefit for the company and its shareholders. Care shall be taken for these benchmark criteria not to encourage excessive risk taking by company employees and that they do not lead to conflict of interest. Performance benchmarks shall be a mixture of financial, operational, strategic and personal performance.

There shall be two categories of performance benchmarks, operation year EBITDA compared to budget EBITDA of the year of operation confirmed by Board, and financial and non-financial objectives set by management. This may be based, as the case may be, on return on invested capital, capital invested in inventory, employee work satisfaction and customer attitude to the company.

As part of approving the company's operating budget and its objectives, the Board can set further objectives for the CEO, and the CEO sets objectives for individual executive managers intended to support operating budget emphasis further. Objectives may change within the year of operations should new challenges call for it. The EBITDA operating results weigh 50-80% in the assessment of bonus payments and the financial and non-financial objectives indicated above weigh 20-50%.

The Remuneration Committee shall propose to the Board predefined and precise performance benchmarks for the coming operating year, within the framework laid out above and these shall be in three steps. Upon reaching the first step a payment of up to 33% of the total bonus may be paid, upon reaching the second step a payment of up to 67% of the total bonus may be paid and upon reaching the third step a payment of up to 100% of the bonus may be paid.

The bonus amount on an annual basis may not exceed 3 months basic wages for CEO and Executive Managers, subject to article 4 (3) benchmarks, concerning wage distribution within the company and competitive total wages. Bonuses are not paid unless benchmarks are reached and bonuses shall then be paid out after the respective calendar year is over if the benchmarks for the year of operation previous to that calendar year have been met. Bonus payments as authorised by this remuneration policy are conditional, in that any paid bonus may be reclaimed during the 12 months following payment to the extent it was based on subjectively wrong information.

8. Loan agreements

The company does not provide managers or employees with loans for buying shares.

9. Report with respect to the remuneration policy

The Remuneration Committee shall write a report on the implementation of the current remuneration policy for the preceding financial year and submit to the Board for discussion and confirmation along with the annual financial statements.

The report on the implementation of the remuneration policy shall include a list of all wage payments, any kind of bonus or benefit to Board Directors, committee members and the company senior management. The following information shall be included in the report on the implementation of the remuneration policy:

a) Total payments and itemisation by the nature of such payments and explanations of their basis having regard to this remuneration policy and the above mentioned performance benchmarks.
b) Changes in payments from the previous year and explanatory notes on the basis of those changes, if any, having regard to the company’s performance and wage development for other employees.
c) Payments from other companies within the company group, if any.
d) If applicable, information on payments linked to the development of the company’s share price, such as options to buy, their terms and changes from previous year.
e) Information on deviations from this remuneration policy, if any, and explanatory notes on the reasons thereof and how they accord with the objectives of the remuneration policy.
f) Information on shareholder recommendations concerning the remuneration policy and the remuneration report and how these were taken into consideration.

The Board shall publish this report no later than two weeks before the Annual General Meeting, present its content at the meeting and submit it to the meeting for approval. The Rules of Procedure shall be published on the company’s website. In writing the report on the implementation of the remuneration policy, the Remuneration Committee shall note the provisions of Act No. 90/2018 on Privacy and Processing of Personal Data.

10. Approval of the remuneration policy and other matters

The remuneration policy shall be approved at the Annual General Meeting. The company’s remuneration policy shall be reviewed annually by the Remuneration Committee and the Board before the Annual General Meeting. At the Annual General Meeting, the Board shall give an account of substantial changes to the policy from last

year, if applicable, and then how these changes accord with the policy’s objectives and shareholder recommendations for the policy at the previous Annual General Meeting.

The company is bound by the remuneration policy as regards provisions on options to buy and any agreements or payments linked to changes in the company’s share price, see article 79 (3) of the Act No. 2/1995 on Public Liability Companies. In other respects the remuneration policy is a guideline for the company´s Board, unless it is determined in the company´s Articles of Association that the policy shall be binding. However, there must be valid arguments for deviations from the policy and in such case the Remuneration Committee and the Board shall review these arguments and the effect of such deviations in light of the policy objectives.

Should the company’s remuneration policy not be approved at the company's Annual General Meeting, its previous policy shall remain in force and payments made according to it until a new policy is approved by an Annual General Meeting.

This remuneration policy shall be published on the company's website and the results of the Annual General Meeting vote approving the policy, as applicable. The remuneration policy shall be accessible on the company's website while in force. The policy becomes effective as of 1 January 2019.

Agreed at Festi's shareholder meeting on 25 September 2018, last approved on March 22, 2022 at Festi's General Annual Meeting.