

## **ICELANDAIR GROUP HF. NOMINATION COMMITTEE REPORT 2020**

### **1. Main Conclusions**

#### *1.1 Criteria for Nominating Board Members*

In the meeting of Icelandair Group's Nomination Committee on 19 June 2019, it was discussed 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.

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

The Nomination Committee has chosen the criteria it believes best 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.

Considering Icelandair Group's current position and developments within the industry, it is the view of the Nomination Committee that it has become more important than before for the Board to contain deep expertise relating to network and fleet strategy, distribution strategy and digital solutions and data utilization. The first one is highlighted due to major strategic decisions facing the Company with regards to its future fleet composition. The latter two are highlighted due to rapid changes that are taking place as modern digital solutions are being developed and adopted across the industry. These changes are affecting all airlines and leading to changes to traditional business models. Furthermore, the Nomination Committee would like to emphasize the importance of international business experience and a broad network within the industry. These two criteria are very important for board members in international aviation and may have been undervalued in the past.

### *1.2 Evaluation of Icelandair Group's Current Board Composition*

At Icelandair Group's Annual General Meeting on March 8<sup>th</sup> 2019 the following five individuals were elected to the current Board of Directors:

- Guðmundur Hafsteinsson
- Heiðrún Jónsdóttir
- Ómar Benediktsson
- Svafa Grönfeldt
- Úlfar Steindórsson

The Nomination Committee has assessed the current Board composition based on the criteria outlined in Section 1.1. When assessing the current Board, the Nomination Committee has evaluated each Board member individually with regards to General Personal Characteristics, and the Board as a group with regards to Knowledge and Experience from the Company's Core Business and Knowledge and Experience regarding the Company's Strategy.

In summary, the current Board of Directors is composed of individuals with strong General Personal Characteristics that have demonstrated effective collaboration in between themselves and with the Icelandair Group's management. Moreover, as a whole, the current Board of Directors adequately covers all of the factors important for a strong Board for the Company.

However, it was brought up and pointed out individually by shareholders, members of management and members of the current Board of Directors, that it would strengthen the Board even further to have more international airline experience, a wider international network within the airline industry, and more knowledge of airline distribution strategy represented within the Board. It was also mentioned by some shareholders that they would like a representative from the largest shareholder (PAR Capital) on the Board.

### *1.3 Evaluation of Candidates*

Following discussions with the Company's largest shareholders and proposed Board candidates, the Nomination Committee has evaluated the qualifications of the prospective candidates. As a group, they would compose a strong Board of Directors with both deep knowledge of and experience with the Company's core business and of the Company's strategy. The Nomination Committee suggests that two new Board members will be added to the Company's Board of Directors. It is the conclusion of the Committee that these two individuals would add valuable international airline experience and other qualifications that Icelandair Group's Board of Directors would benefit from. Although the current Board is composed of a strong team, it is the opinion of the Committee that the proposal would strengthen the Board. The proposed Board of Directors retains an experienced core with widespread knowledge of the company as three Board members would continue with one of them having been a member of the Board of Directors since 2010.

#### *1.3.1 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 4S. 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 two 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. 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.

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

### *1.3.2 John F. Thomas*

John F. Thomas 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 in addition to sitting on boards in the aviation and aerospace industries. Moreover, he is currently owner and CEO of Waltzing Matilda Aviation LLC, a jet charter operation based in Boston. 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 2.8bn) full service carrier with over 6,000 employees, and Managing Director/Senior Partner at L.E.K. Consulting where he created and led the Global Aviation Practice for 16 years. Mr. Thomas holds an MBA degree from Macquarie University Graduate School of Business and a Bachelor of Commerce degree from the University of New South Wales.

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, 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.

Mr. Thomas has received insignificant consultancy payments from the Company based on a Contractor Agreement in 2019. It is the conclusion of the Nomination Committee that according to the Guidelines John is independent of the Company, its management and significant shareholders.

### *1.3.3 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 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.

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

#### *1.3.4 Svafa Grönfeldt*

Svafa Grönfeldt is a founding member of MIT's innovation accelerator DesignX, and a co-founder of the MET fund, a Cambridge based seed investment fund. Svafa is a member of the Board of Directors at Össur since 2008. Previous positions include Chief Organizational Development Officer at Alvogen, President of Reykjavik University and Deputy to the CEO of Actavis Group. Svafa holds a PhD in Industrial Relations from the London School of Economics and Political Science. Svafa joined Icelandair Group's Board of Directors in March 2019.

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 one year 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.

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

#### *1.3.5 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 15<sup>th</sup> 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 9 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 is highly knowledgeable about the tourism industry in Iceland.

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

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 men and two women.

## **2. 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 and it would bring its proposals 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 may have 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.

According to Section 3.3 of the Committee's Rules of Procedure the role of the Committee is the following:

- To request in a timely manner proposals for candidates for seats on the Board of Directors from the Company's largest shareholders before the Annual General Meeting or a shareholders' meeting where elections to the Board of Directors are scheduled.
- To take delivery of announcements of candidacy and proposals of prospective Board members from shareholders and other parties.
- To assess the qualifications of prospective Board members, e.g. based on the size and composition of the Board in order to ensure that the Board commands adequate knowledge in the areas required. In this regard, account shall be taken of the future strategy and operations of the company, which need to be reflected in the Board of Directors.
- To assess the independence of prospective members of the Board.
- To ensure compliance with the provisions of law on gender ratios in the Company's Board of Directors.



- To prepare a reasoned opinion regarding the selection of candidates for seats on the Board of Directors, which will be made public concurrently with the notice of the Annual General Meeting.
- To prepare a report for the Annual General Meeting on the work of the Committee and what comprises the work of Icelandair Group's Board of Directors and, as applicable, to present the report at the Annual General Meeting.

### 3. Composition

The Nomination Committee shall consist of three members. The Shareholder's meeting shall elect two members, one man and one woman, 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 8 March 2019 Mr. Hjörleifur Pálsson and Ms. Helga Árnadóttir were elected to the Nomination Committee by the company's shareholders. Subsequently, Mr. Úlfar Steindórsson, chairman of the board, was 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 communications line.

### 4. Activities during the year

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

	<b>Business of Committee meetings</b>
26 March 2019	<ul style="list-style-type: none"> <li>• Assignment of tasks</li> <li>• Appointment of Committee Secretary</li> </ul>
24 April 2019	<ul style="list-style-type: none"> <li>• Committee's work schedule</li> <li>• Proposal submitted on Rules of Procedure for the Nomination Committee</li> <li>• Presentation held by Ólafur Arinbjörn Sigurðsson, attorney at law</li> </ul>



29 May 2019	<ul style="list-style-type: none"> <li>• Management presentation and discussion on Company strategy and key operating factors</li> <li>• Discussions on personal qualifications, business skills and experience required on the Board of Directors going forward</li> </ul>
19 June 2019	<ul style="list-style-type: none"> <li>• Definition of key knowledge, experience and qualifications that the Board of Directors is required to possess going forward</li> <li>• Preparation of meetings with shareholders</li> </ul>
1 September – 30 October 2019	<ul style="list-style-type: none"> <li>• Individual meetings with major shareholders</li> <li>• Individual meetings with current Board members and potential Board members</li> <li>• Individual meetings with President &amp; CEO, CFO and Secretary of the Board of Directors without the Board's representative in the Committee.</li> </ul>
11 December 2019	<ul style="list-style-type: none"> <li>• Review of the Board's performance assessment</li> <li>• Discussions of proposals from shareholders</li> <li>• Discussions of the viewpoints expressed by the President &amp; CEO, CFO and the Secretary of the Board of Directors</li> <li>• Assessment of the qualifications of individual candidates submitted to the Board of Directors</li> </ul>
13 January 2020	<ul style="list-style-type: none"> <li>• Final assessment of the qualifications of individual candidates submitted to the Board of Directors</li> <li>• Proposal on the composition of the Board of Directors</li> <li>• Other preparations for the Annual General Meeting and preparation of a report on the work of the Committee.</li> </ul>
29 January 2020	<ul style="list-style-type: none"> <li>• Finalization of proposal to the Annual General Meeting and a report of the work of the Committee.</li> <li>•</li> </ul>

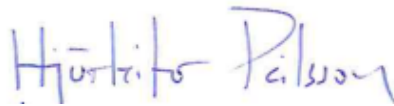
## 5. Proposal

The Nomination Committee proposes that the following candidates, listed in alphabetical order, will be elected to the Board of Directors of Icelandair Group hf. on the company's Annual General Meeting on 6 March 2020:

- 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 the Chairman of Icelandair Group's Annual General Meeting in 2020.

Reykjavík,  
7 February 2020



Hjörleifur Pálsson



Helga Árnadóttir



Úlfar Steindórsson