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MESSAGE FROM THE CEO

Sveinbjörn Indriðason

It is no exaggeration to say that 2020 has been a demanding year for airport operations and air navigation the world over. The Covid-19 pandemic took control over all our daily activities, and Isavia was no exception. Few words are necessary, as the figures speak for themselves.

Total passenger numbers fell by around 81% in 2020. This fall was around 93% for the period April-December 2020. In April and May, passenger numbers fell by over 99%. Conventional operational austerity measures are obviously not adequate in the face of such a disaster. Air navigation operations and domestic flights tell a similar story. In 2020, there was an over 58% decrease in traffic in Icelandic air traffic control area and a 51% decrease in the number of passengers departing on scheduled flights from domestic airports.

It should not be forgotten either that 2019 brought external challenges related to the collapse of WOW air and the grounding of all Icelandair's Boeing 737 MAX aircraft. This led to a 26% decrease in passenger numbers at Keflavík International Airport in 2019, as compared to the year before. It can therefore be said with confidence that recent years have involved expending a great deal of energy in dealing with external disruptions over which the company has no control.

At the end of March last year, it was clear that Isavia was entering a period of great uncertainty, for which it was almost impossible to make an educated attempt at setting priorities. At the same time, the focus from the outset was to ensure that our response was considered and that every effort would be made to protect jobs and the infrastructure that the company operates. It was essential not to cut back on operations to such an extent that it would affect the company's ability to rise again. Despite this, the company had no option but to make around 300 people redundant last year, mostly from the parent company that operates Keflavík Airport, as there was simply no work for many employees to do as a result of Covid-19.

In the first days of the pandemic, great emphasis was placed on securing the company's financing and access to liquidity, in order to give it room to continue operating while Covid-19 made itself felt. This went well, and today the company's access to liquidity is still good. It can be said that the company has

been successful in navigating the pandemic – despite the uncertainty it has brought with it – and in protecting infrastructure at Keflavík International Airport.

There are many lessons to be learnt from disruptions of this type. One lesson is the importance of having the courage to seek out opportunities in adversity. We have heard a great deal in recent years about how flight connections are one of the main ways in which a country can create and maintain economic growth. This concerns not only tourism, but also exports of goods and services, access to education and culture, to name but a few examples.

Investment in airport infrastructure is one of the key aspects in increasing and maintaining the number of flight connections. Naturally, the company's first reaction when the pandemic struck was to cut back significantly on building works, in order the stem the outflow of capital, given the total uncertainty ahead. Last autumn, however, a major achievement was the securing of capital by Icelandair, Isavia's largest customer. This reduced the uncertainty surrounding, for instance, the status of Keflavík Airport as a transit hub.

In recent years, we have been working on the next steps in the development programme for Keflavík Airport. The company is now forecasting that passenger numbers at Keflavík Airport will have reached pre-Covid-19 levels no later than 2024. It could happen earlier; it could happen later. But in order to continue to ensure the foundation for flight connections looking forward, it is important to set to work now on continued development of Keflavík Airport.

This brings us to another lesson – the importance of being able to see through the current storm and perceive the opportunities of the future. Furthermore, restarting the development programme will create many job opportunities in Suðurnes, the region of Iceland most affected by the pandemic in terms of jobs.

Another lesson is solidarity. In recent months, the company has been working on securing further capital to give it room to launch building projects that will benefit not only the airport in the future,



but also constitute an important contribution to Sugurnes. Thanks to the concerted efforts of all concerned, this work was completed extremely quickly, and early this year the Ministry of Finance and Economic Affairs decided to increase its share capital in the company. This enabled us to launch numerous building projects at Keflavík International Airport requiring large amounts of human resources as early as this year.

At times such as this, it is particularly important to not lose sight of the importance of environmental issues and sustainability. In recent years, Isavia has been making great efforts to ensure future sustainability. We see many opportunities for Iceland's competitive advantage going forward to be directed at environmental issues and sustainability, and we intend to pursue them.

Isavia has been a party to the UN Global Compact since 2016. As such, Isavia undertakes to ensure that its work practices are in accordance with the ten basic UN criteria on human rights, work issues, environmental issues and action against corruption.

We are targeting issues in a number of fields, and the company sets itself high standards in this respect every year. Objectives and related improvement projects have been selected with reference to the company's policies, comments from external stakeholders, the criteria of the UN Global Compact, the United Nations Global Goals and related government priorities. The objectives for 2021 are linked to eight of the seventeen Global Goals.

This is Isavia's fifth annual and social responsibility report, issued according to the criteria of the Global Reporting Initiative. This year's report is drafted in accordance with Core GRI Standards, together with GRI-G4 special provisions for airports. These special provisions deal specifically with the challenges and opportunities faced by airports when it comes to sustainability. Consideration is given to the company's operations and to their impact on the economy, the environment and the community. The report is being issued online for the third time. A large number of employees from all departments within the company were involved in preparing the report, and we recruited an external consultant to review and ensure the reliability of the information. We welcome any and all comments on the content of the

report, as continuous improvements are an integral part of our operations.

This social responsibility report describes the operations of Isavia in 2020. The report is published as a progress report toward our goals as regards the UN Global Compact Convention (UNGC). We thereby confirm our wish to work in accordance with the Ten Principles of the UN and work towards the Global Goals. We declare our continued support of the UN Global Compact.

Last year was extremely difficult for all of us. We have all needed to make sacrifices in one way or another and deal with a radically new set of circumstances, both at work and in our personal lives. Many people have also lost their jobs. Many companies are still struggling, and there remains uncertainty as to when the recovery will begin. Isavia staff have met these challenges exceedingly well, and I should like to thank them very much for their fine work. However, we should not lose sight of the fact that we have already begun to turn defence into attack – and this is where we want to be.

Sveinbjörn Indriðason, CEO Isavia





CHAIRMAN'S STATEMENT

Orri Hauksson

Recent years have seen unusually sharp rises and falls in the growth of international flights in Iceland. Passenger numbers at Keflavík International Airport rose sharply between 2009 and 2018, more than quadrupling over the period. The company was barely able to keep up with upgrading infrastructure and service capability in line with this growth. Then things turned completely on their head. Passenger numbers fell by 26% in 2019, due to the collapse of WOW air and the grounding of Icelandair's Boeing 737 MAX aircraft.

Following a tough year, by early 2020 the tourism sector – including Isavia – imagined that the worst was now over and was gearing up for growth to return. Nothing could have been further from the truth. As we all know, the pandemic hit in early 2020, causing an 81% drop year-on-year in the number of international passengers using Keflavík Airport. We need to go right back to the turn of the century – long before tourism began to boom in Iceland – to find similar passenger numbers at Keflavík Airport.

All of this put Isavia's strength seriously to the test. It is good to see how well the company – despite everything – has handled the misfortunes visited on it by the pandemic. The organisation changes made in the group in 2019 make it easier for various operational units in the Isavia group to pursue their priorities in wholly unforeseen circumstances.

The company has been successful in protecting and maintaining its infrastructure during the pandemic – this infrastructure is an integral part of Iceland's key infrastructure, in both economic and security terms. The company continues to have good access to liquidity, a very important factor in the current period of uncertainty. International opinion polls have placed Iceland in a strong competitive position as a safe, high-quality tourist destination – with much-sought-after natural wilderness – when world travel to some extent starts up again.

Competition between airports has never been fiercer, but Keflavík Airport will be in an optimal position once more when travel restrictions are relaxed, e.g. as regards flights connections between continents. We shall weather the storm and be thoroughly prepared when the time comes. Isavia has earmarked considerable sums of money for market support to airlines, with a view to speeding up development

efficiently as soon as possible.

To that same end, the company resumed building work under Keflavík Airport's development plan at the beginning of this year, following an increase in the company's share capital. This work will make the airport more competitive going forward and create a better experience for both airlines and passengers using the airport for transit or travel to and from Iceland. The work will also create many jobs in Suðurnes – a very welcome development in the difficult employment times currently affecting the region.

I should like to thank the company's management and staff for the fine work they have done in these challenging times. Isavia takes its role of operating and developing one of the key pillars of the Icelandic economy very seriously and intends to discharge this responsibility fully going forward.

Orri Hauksson, Chairman of the Board of Isavia



CORPORATE GOVERNANCE

GOVERNANCE STRUCTURE

Isavia is a publicly owned company owned by the Icelandic state. The operations of the company are in accordance with Act No. 153/2009 on the Merger of the Government-owned Limited Companies Flugstoðir and Keflavík Airport, Act No. 76/2008 on Establishing a Government-owned Limited company for the Running of Keflavík Airport, Act No. 102/2006 on the Establishment of a Public Limited company for Air Navigation Services and Airport Operations by the Icelandic Civil Aviation Authority, and the Aviation Act (Act No. 60/1998).

The company's corporate governance is prescribed by Act No. 2/1995 on Public Limited Companies (August 2012), the company's Articles of Association and Rules of Procedure of the Board.

The company's Board refers to the Guidelines of Corporate Governance and complies with them in all major respects, although it is not legally bound to do so. The main deviations are that the company does not have a nomination committee, as the nomination for the company's board is with the Minister of Finance and Economic Affairs, who manages the state's share in the company. Two formal sub-committees – the Remuneration Committee and the Audit Committee – currently operate under the company's Board.

Isavia's fiscal year is the calendar year. The company's annual accounts can be accessed at the Register of Annual Accounts as well as on the company's website www.isavia.is

No court rulings have been issued during the year in which the company is believed to have broken any laws or regulations.

Laws on the company can be accessed on the Alþingi's website, www.althingi.is, and articles of association and rules of procedure on the company's website www.isavia.is. Guidelines on corporate governance can be found on the Iceland Chamber of Commerce's website, www.vi.is.

ISAVIA BOARD OF DIRECTORS

The Board of Directors of Isavia consists of five members and five alternates, all of whom are elected at the Annual General Meeting for a term of one year. Board members are nominated by the Minister of Finance and Economic Affairs. The gender ratio among Isavia's Board members and alternates is 40% women and 60% men. All Board members are considered independent in the sense of the Guidelines on Corporate Governance. All Board members have given the Board an account of their assets in other companies, and their participation in them does not have an effect on their work as Isavia Board members.

ISAVIA BOARD OF DIRECTORS 2020-2021

Orri Hauksson

born 1971, Mechanical Engineer, MBA, CEO of Síminn. Chairman of the Board from 2019.

Matthías Imsland

born 1974, political scientist. Board member from 2014. Deputy Chairman of the Board 2014-17 and from 2018.

Eva Pandora Baldursdóttir

born 1990, Business Adminstration, Specialist at the Institute of Regional Developmen. Board member from 2018.

Nanna Margrét Gunnlaugsdóttir

born 1978, Business Administration, MBA, Director of investments at Hafblik Investments. Board member from 2018.

Valdimar Halldórssonborn 1973, Business Administration, Director of Norðursigling. Board member from 2018.

ALTERNATES IN BOARD OF DIRECTORS

Björg Eva Erlendsdóttir, born 1960, BA Icelandic, Norwegian and Journalism, Managing Director of the Left-Green Movement.

Hreiðar Eiríksson, born 1963, Attorney at Law, Specialist at Fiskistofa (Directorate of Fisheries).

Ingveldur Sæmundsdóttir, born 1970, Business Administration, MBA, assistant to the Minister of Transport and Rural affairs.

Óskar Þórmundsson, born 1950, former Chief Consta-

Sigrún Traustadóttir, born 1962, Business Administration, MBA, consultant.

For further information on Isavia's Board of Directors visit www.isavia.is/en/corporate/about-isavia/thecompany/isavia-board-of-directors



BOARD'S ACTIVITIES AND RULES OF PROCEDURE

The Board has established detailed Rules of Procedure defining its scope of authority and the divisions of tasks between it and the CEO. The current Rules of Procedure were approved at a meeting of the Board of Directors on 20. May 2020. They include the division of tasks between Board members, rules on the eligibility of politicians to take part in processing matters, procedure and minutes for meetings, rules on confidentiality, the obligation to provide information to the Board and the decision-making powers of the Board. The rules of procedure of the board are published on the company's website.

The Board of Directors shall constitute the supreme authority in the affairs of the company from one shareholders' meeting to the next, in accordance with laws and the company's Articles of Association. The Board's main role is to manage the company between shareholders' meetings and ensure adequate supervision of the accounts and disposal of the company's property, as well as confirm the operating budget and investment plans and ensure compliance with them. The Board makes all major decisions concerning the company's operations and ensures that the company is operated in accordance with the relevant laws and regulations.

Furthermore, the Board has the goal of promoting the company's growth and results in the long term by formulating company policy in consultation with company management.

In the operating year 2020 - 2021, 19 board meetings were held. All board meetings were quorate and everyone attended most meetings. The Board's work plan for the next operating year is available after the Annual General Meeting. The Chairman of the Board chairs the meetings. In addition to the Board, the CEO, Deputy CEO and Chief Financial Officer attend Board meetings. The Deputy CEO writes the minutes. As a rule, the minutes are signed by the board, the CEO, and the meeting secretary.

THE BOARD'S PERFORMANCE ASSESSMENT

The Board regularly evaluates its performance, its practices and rules of procedure, company

development, the performance of the CEO and the efficiency of sub-committees if present. The performance assessment is intended, among other things, to evaluate the strengths and weaknesses of the Board's work and practices and take into consideration the components which the Board believes may be improved. The Board's performance assessment was carried out during a meeting of the Board in March 2021.

INTERNAL MONITORING AND RISK MANAGEMENT

The Board has submitted a comprehensive risk policy for the company and defined the major operational risks. The main risks for the Group's financial transactions are exchange rate risk, currency risk and indexing risk. A special risk committee is active and is authorised by the Board to determine the scope and nature of risks and profit analysis for projects and ventures that could have significant effects on operations and financial position. The Risk Committee, consisting of the CEO, Assistant CEO, Director of Finance together with experts on risk management, submits regular reports on risks for the company to the Board.

PricewaterhouseCoopers ehf. is Isavia's internal audito. Internal auditing assesses and improves the function of risk management, monitoring activities and governance through systematic and disciplined work practices, thereby helping the company to achieve its goals. Internal auditing operates independently, does not make any decisions relating to the day-to-day activities of the company and is recruited by the Board.

Chief Officers are responsible for identifying, defining and assessing risks within their area of responsibility as well as establishing appropriate management to minimize risk.



CODE OF CONDUCT

Isavia's Code of conduct applies to all employees and management of the company and is an integral part of all employment contracts. In addition, there is a separate section on disqualification in the Board's Rules of Procedure. The Code of conduct is available to all employees on the intranet of the company and on the Isavia website.

SUB-COMMITTEES

Two sub-committees operate under the Board of Directors:

REMUNERATION COMMITTEE

The Committee consists of two members of the Board of Directors. The main tasks of the Remuneration Committee are to annually prepare a draft remuneration policy which is submitted to the Annual General Meeting, prepare proposals submitted to the AGM as regards the employment terms of Board members and prepare proposals for the Board as regards criteria for the wages and other employment terms of the CEO and the Chiefs of the subsidiaries. The Remuneration Committee monitors that the remuneration policy is followed, and that wages and other employment terms are in accordance with laws, regulations and best practices as current from time to time. The rules of procedure of the Remuneration Committee together with the company's remuneration policy can be found on the company's website.

AUDIT COMMITTEE

The Audit Committee is made up of three members: one of whom must be independent of the company and its employees, and two Board members. The main tasks of the Audit Committee involve the evaluation of monitoring environment of the company, analysis of the effectiveness of internal

audits, the monitoring of the execution of auditing and the preparation of proposals for the selection of an external auditor in consultation with the Icelandic National Audit Office (INAO) according to Article 7 of Act No. 46/2016 on the Auditor General and the Auditing of Government Accounts. The Committee evaluates the independence of the auditor, the effectiveness of risk policies, risk willingness and risk management and ensures compliance with laws and regulations. The Audit Committee monitors working processes in the preparation of financial statements to increase the trust in and safety of financial information. Roles and rules of procedure can be found on the company's website.

CEO OF ISAVIA

The CEO is responsible for the management of all day-to-day operations in accordance with the policies and instructions of the Board. Day-to-day operations do not include measures which are unusual or extraordinary. He has decision-making powers regarding all the operational and financial issues of the company and manages its assets. He submits an account of the company's operations and performance at Board meetings and answers to the Board for all day-to-day operations and compliance with the company's Articles of Association, laws and regulations.

Born in 1972, Sveinbjörn Indriðason took an economics degree at the University of Iceland in 1998. He worked at the Icelandic Investment Bank in 1998-1999 and in Icelandair's risk management unit in 1999 -2005. He served as FL Group's CFO in 2005-2008 and as COO/CFO of the software developer CLARA from 2011. He was Isavia's Director of Finance from 2013 until he was hired as Isavia's Chief Executive Officer (CEO) in June 2019.



COMMUNICATION ARRANGEMENTS BETWEEN SHAREHOLDERS AND THE BOARD

One shareholder, the Icelandic state, holds all shares, and the Minister for Finance has all shareholder rights. Shareholders' meetings are the main venue for the formal provision of information to shareholders and hold the supreme authority of the company. The Chair of the Board and the CEO variously met the Minister or the employees of the Ministry of Finance last year.

The Board of Directors and CEO conduct themselves in accordance with the general policy on state ownership of limited liability and partnership companies. The company releases press releases on the company's performance and other matters pertaining to its operation.

CORPORATE SOCIAL RESPONSIBILITY AND ETHICS

The Isavia Group has a corporate social responsibility policy and has supported the UN Global Compact Convention since 2016. By doing so, it commits itself to policies and practices that are in line with the ten United Nations Principles on Human Rights, Labor, the Environment and Anti-Corruption. The organization supports and works systematically on the United Nations Global Goals for Sustainable Development. The company's corporate social responsibility policy emphasizes a balance between the economy, the environment and society based on sustainability.

The company has established a code of ethics for the group's suppliers and they are set in accordance with the above ten main criteria of the UN Global Compact. The companies' suppliers are required to comply with the Code of Ethics as a minimum standard and to make the same demands on their suppliers. The company should be notified if there is a suspicion that the criteria are not being followed. Upon request, suppliers must be able to confirm compliance with this Code. The company's agreements contain provisions on the prohibition of pseudo-contracting, and the employment

relationship shall be a principle in communication between employees and contractors. This is done to ensure that all employee taxes, by whatever name they are called, are paid and that the provisions of wage agreements are complied with.

Isavia's guiding principle is to keep the negative environmental impact of its operations to a minimum in harmony and co-operation with stakeholders. The company established an environmental policy in 2015 and has worked diligently towards the goals of the policy with an action plan in environmental and climate matters. The plan sets out a number of measures to reduce the negative environmental impact of the company's operations. The action plan is valid until the end of 2021. Efforts have been made to establish an environmental management system in accordance with the international standard ISO14001 from 2020 and will complete this work before the end of the first quarter of 2021. Keflavík Airport is a participant in the carbon certification system (ACI). Accreditation (ACA).

Isavia has been working systematically for years to promote gender equality and first received equal pay certification in 2018, which has been confirmed by the Gender Equality Agency. The company's position regarding equal pay certification is reviewed annually by external auditors, most recently in September 2020. There is no unexplained gender pay gap in the company. The company also has a gender equality plan that aims to increase general job satisfaction and improve work ethic among employees. The purpose of the equality plan is to ensure equality, equal status and equal rights for the sexes.

Isavia has a code of conduct that applies to all employees and management of the company that are part of their employment contracts.

The company ensures certain protection for employees who report breaches of law or other reprehensible conduct in the operation, according to Act no. 40/2020, on the protection of whistleblowers. An employee who has information or data on breaches of law or other reprehensible conduct in the group's operations must report this. A process has been put in place to make it easier for staff to provide such information.



Isavia has submitted a community report as part of the company's annual report since 2016. The report follows the criteria of the Global Reporting Initiative (GRI) as well as special provisions on airports. The report is submitted to the GRI database and to the United Nations as an annual progress report on commitments to UN Global.

GOVERNANCE DECLARATION 2021

The Board of Directors' statement is the Board's results for the past operating year, published on the website of Isavia ohf. The following corporate governance statement applies to the year 2020, which is published alongside the annual accounts for that year. With this governance statement, Isavia is following the Corporate Governance Guidelines issued by the Iceland Chamber of Commerce, the Confederation of Icelandic Employers and Nasdaq Iceland, e.g. with the aim of strengthening the company's infrastructure and increasing transparency.

 $\label{lem:company} A \ corporate \ governance \ statement \ is \ available \ on \ the \ company's \ website \ www.isavia.is.$



OPERATION

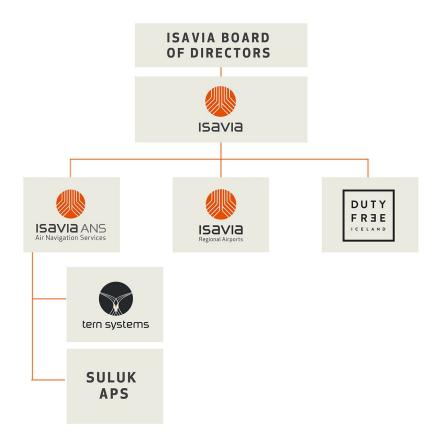
OPPORTUNITIES FOR THE FUTURE ISAVIA'S OPERATIONS

Isavia is responsible for the development and operation of Keflavík International Airport. Its subsidiaries Isavia ANS and Isavia Regional Airports manage air navigation services in one of the world's largest air traffic control areas and the strong network of domestic airports in Iceland, respectively. In addition, its subsidiary the Duty-Free Store operates four retail shops in the Leifur Eiríksson Air Terminal at Keflavík Airport.

The operational form of the company was modified at the end of 2019, with air navigation services and the operation of domestic airports (previously divisions within Isavia) being converted into subsidiaries. The company's Board of Directors made this decision based on the dissimilar nature of the operating units in question. Keflavík International Airport is operated in a competitive environment, while domestic airports rely on contributions from the Icelandic state and air navigation services are operated on the basis of a cost recovery system. These changes afforded each part of the operation its own importance and management structure and gave them the opportunity to adopt different priorities and objectives. This is the first time that the structure and content of the social responsibility report fully reflects this change.

ISAVIA OHF.

Keflavík Airport is operated by the parent company Isavia. The airport is run entirely on business terms. It operates in a demanding competitive environment and is financially sustainable. This is where the greatest opportunities lie, as well as the greatest operational risks.

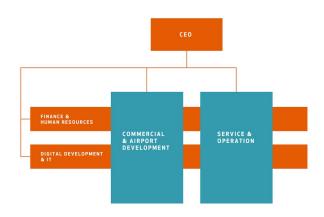




Keflavík Airport has two core divisions. Commercial & Airport Development handles airlines relationships and route development, commercial and marketing, assets and infrastructure and airport development and construction. Service & Operation handles airport security, services and coordination, airside operations, tower control and safety management.

There are also two support divisions – down from three last year following the merger of the Finance division and the Human Resources & Corporate Strategy division. Finance & Human Resources handles accounting and settlement, legal services, procurement and economics services, as well as human resources and training. Digital Development & IT handles digital development, systems operations and user services. Governance, corporate strategy and sustainability, public relations and Keflavík Airport district planning are the responsibility of the CEO's office. The support divisions and the CEO offices are an integral part of Keflavík Airport operations.

There is strong focus on all divisions of the parent company and the CEO's office working for Isavia Group as a whole. The CEO of Isavia is Sveinbjörn Indriðason.



ISAVIA REGIONAL AIRPORTS

Isavia Regional Airports deals with the operations of Iceland's scheduled airports other than Keflavík International Airport, as well as smaller airports and landing sites. Operation of these airports is based on a service agreement between the company and the Ministry of Transport and Local Government, which determines the level of service for each airport and how they are operated and maintained. This is due to the fact that the airports in question are part of the public transport system owned by the state.

The company operates the international airports in Reykjavík, Akureyri and Egilsstaðir. In addition, there are nine landing sites for regular scheduled flights in Iceland. The company is also responsible for 30 other landing sites throughout Iceland. The company handles various tasks, such as general airport services, air traffic services, aviation security, supervision of construction projects and safety and quality issues. Isavia is a cohesive group which aims to promote Iceland and be part of a good customer journey.

Managing director Isavia regional airports is Sigrún Björk Jakobsdóttir, born 1966, Diploma in Hotel and Tourism Managment. Managing director from 2018.

ISAVIA ANS

Isavia ANS provides air navigation services for domestic and international flights in the upper airspace over the North Atlantic. Operations are based on international agreements with 24 countries for services and financing, based on a cost recovery system. Isavia ANS is licensed to handle air navigation and air traffic services in the North Atlantic on behalf of Iceland and over the Icelandic air traffic control area. The International Civil Aviation Organisation (ICAO) has granted seven countries the task of handling air traffic services over this area: in addition to Iceland, these include the United Kingdom, Canada,



Norway, the United States, Denmark and Portugal. Just over a quarter of all air traffic over the North Atlantic crosses the Icelandic air traffic control area. The area is quite unique among oceanic areas, thanks to its flexibility as regards flight routes and altitudes.

Tern Systems, which develops software for air navigation services, and Suluk, which manages the operation of air navigation services in Greenland, are both subsidiaries of Isavia ANS.

Managing director Isavia ANS is Kjartan Briem, born 1970, MSc. Electrical Engineering. Managing director from 2021.

DUTY FREE STORE

The Duty Free Store operates shops selling duty-free goods in the Leifur Eiríksson Air Terminal under an operating licence from its parent company, Isavia. These shops stock a diverse range of high-quality Icelandic and foreign goods, focusing on traditional duty-free goods, alcohol, tobacco, sweets and cosmetics. The Duty Free Store operates four outlets in the Leifur Eiríksson Air Terminal – two for departing passengers, one for passengers travelling to non-Schengen countries and one for arriving passengers.

The Duty Free Store's policy is to offer a selection of goods and services in line with the needs of its various passenger groups, while creating a desirable workplace that returns profitable operations to the owners. The Duty Free Store has been on Creditinfo's list of outstanding companies list 2010–20 and has received equal pay certification from BSI since 2019.

Managing director Duty free store is Porgerður Práinsdóttir, born 1975, Cand. Psych. Managing director from 2014.

As well as these subsidiaries, Isavia ohf. also owned Domavia which was dissolved at the beginning of 2021. Isavia moved its headquarters from Reykjavík Airport to Hafnarfjörður at the end of 2020.



STRATEGY

Isavia is a publicly owned company and operates under legislation on operations and state ownership. The company's strategy is formulated by its Board of Directors and Executive Board within this framework. Managers and employees are expected to follow the company's strategy, and the Executive Board is responsible for implementing it. The main focuses of the company's strategy are presented in the company's strategy pyramid.

Due to changes in Isavia's structure and its division into a parent company and subsidiaries, a change in the organization chart and major changes in the company's operating environment, the company's board has decided to review its strategy.



VISION

Centre for aviation in the North Atlantic.

MISSION

Isavia is a service company in aviation.

OUR VALUES:

Service | Cooperation | Saftey

OUR GOALS

A popular and progressive workplace.

Provide valuable and efficient service.

Systematic implementation of new technology and procedures.

Profitable company based on solid infrastructure.

A socially responsible company.

See more on Isavia's policies on www.isavia.is



ISAVIA'S EXECUTIVE BOARD

The Chief officers of Isavia's core divisions and support divisions, together with the CEO and Deputy-CEO form the Executive Board of the company. The Executive Board debates and discusses strategical matters for the company's operations. The current policy on corporate social responsibility was set by the company's board in 2017 and the company's code of conduct was updated at the same time. The board monitors the implementation of the issue, while the CEO and executive board of the company follow up on a daily basis.



CEO OF ISAVIA

Sveinbjörn Indriðason, born 1972, Economist, He was Isavia's Director of Finance from 2013 until he was hired as Isavia's Chief Executive Officer (CEO) in June 2019.



DEPUTY CEO

The Deputy CEO manages the office of the CEO who handles the joint the Board in ensuring good governance. Elín Árnadóttir born 1971, Business Administrator. Deputy CEO of Isavia since 2013.



SERVICE AND OPERATIONS

Services and Operations are responsible for security manaaffairs of the company and is to assist gement, aviation security, passenger services, airport services and the operation of the flight tower at Keflavík Airport. Anna Björk Bjarnadóttir, born 1967, Sport scientist. Chief Service and Operations Officer from 2020.



COMMERCIAL AND AIRPORT DEVELOPMENT

Commercial and Airport Development handles communi-cations with airlines and route development, business and marketing, operations and development of infrastructure, as well as airport development and construction at Keflavik airport. Guðmundur Daði Rúnarsson, born 1979, Engineering Manager. Chief Commercial and Airport Development Officer from 2016.



FINANCE AND **HUMAN RESOURCES**

Finance & Human Resources handles accounting and settlement, legal services, procurement and economics services, as well as human resources and training. Ingibjörg Arnarsdóttir, born 1971, Business Administrator. Chief Financial and Human Resources Officer from 2020.



DIGITAL DEVELOPMENT AND IT

Digital development and information technology Division operates and leads digital development for the company. Ragnheiður Hauksdóttir, born 1977, Business Administrator. Chief Information Officer from 2020.



MATERIAL ASPECTS

ISAVIA'S MATERIALITY TOPICS

Isavia's CSR Report is drafted in accordance with GRI Global Reporting Initiative Standards: Core together with special provisions GRI-G4 on airports. These special provisions deal specifically with the challenges and opportunities faced by airports when it comes to sustainability. Consideration is given to the company's operations and to their impact on the economy, the environment and the community.

Isavia focuses on extensive collaboration with those stakeholders who rely on the services of the company and who are affected by its operations. Operations have an impact throughout the country and on all its inhabitants. Isavia has analysed over a hundred stakeholders - these can be classified as customers, employees, the community, the authorities and suppliers. Isavia's communication with stakeholders takes place, in a variety of ways, through traditional inquiries and presentations, in meetings, through market research conducted by the company or through numerous collaborative projects between Isavia and its stakeholders.

In the autumn of 2018, Isavia commissioned the Swedish consulting company Enact Sustainable Strategies to conduct interviews with the company's stakeholders. The aim was to examine among the company's main stakeholders which issues and challenges were most important to them in the company's social responsibility. This year's report was based on previous materiality analyzes together with the results of surveys among B2B customers, emphases from the forum of cooperation with the community in Suðurnes as well as summarizing the main issues that other Isavia stakeholders have approached the company with.

When deteremining material aspects, Isavia view's aspects which stakeholders deem to be of particular importance for their co-operation with the company, their expectations of the company and their assessment of co-operation with Isavia. Additionally Isavia experts conduct analysis of the newest points of focus of the aviation sector in the field, developments in the legal framework, the main

criteria in CSR reporting, comparisons with leading companies and issues that groups from the company's stakeholder environment have pointed out,

Emphasis is placed on the aspects that are considered important for Isavia and the company's stakeholders in the preparation of the report in accordance with the principles of reporting, Reporting Principles GRI 101 Foundation standard.

MATERIALITY MATRIX - Human Resources Occupational health and safety - Noise Control Procurement and supply chain Greenhouse gas emissions and local emission: Community engagement and Financially sustainable business Valuable and efficient service - Water Conservation Transportation and - Digitalization and automation Infrastructure - Human and wildlife trafficking Privacy and data collection - Equality - Green buildings and facilities SIGNIFICANCE FOR INTERNAL STAKEHOLDERS



REGARDING THE PREPARATION OF CSR REPORT

The aim of issuing this report is to provide greater transparency and a more in-depth view of the company's activities and their effects on society at large. With the issue of the report, the company seeks to shine a light on both the challenges that face the company and the successes that have been achieved. Isavia takes account of ISO 26000 in the company's social responsibility work.

The information that is put forward in the annual and CSR report of Isavia comes from the company's information systems and reflects the knowledge that the company had when the report was prepared. Numerous employees from various departments within the company are involved in the preparation and information gathering for the company's annual and CSR report. The issue of the report does not imply that the company fully knows of all the effects it has on society, nor that social responsibility has been fully adopted at Isavia. The information in the report applies to Isavia ohf. and its subsidiaries that appear in the consolidated financial statements unless otherwise stated.

All information in the report applies to the 2020 calendar year.

In comparative figures in the Climate section, the figures for 2018 and 2019 have been updated from the previous edition. Figures on electricity consumption, which were partly based on estimation and are now based on actual use, and figures on the use of jet fuel, became more accessable with the use of Klappir software. Carbon emissions from waste also increase from the previous report. The explanation is that the emission factor for landfill was revised and therefore carbon emissions increased accordingly.

An external consultant, Viktoría Valdimarsdóttir, Ábyrgar Lausnir ehf., was recruited to examine the GRI index of the report and to ensure the quality of the information. The annual financial statements of the company were audited by PricewaterhouseCoopers ehf. on behalf of the Icelandic National Audit Office.

The publication has focused on improving the presentation of content and meeting the needs of different readers. We welcome all suggestions on the content of the report and encourage readers to send us suggestions via the site's suggestion button, as continuous improvement are an integral part of our operations.



OBJECTIVES AND IMPROVEMENTS

The objectives for 2020 were set at the end of 2019 / beginning of 2020, before Covid-19 had fully hit Isavia's operations. The new circumstances led to some changes to priorities in improvement works, and not all projects were able to be completed in the course of the year. Work is ongoing on this. It was also decided to modify the process for setting objectives for 2021.

OBJECTIVES AND ACHIEVEMENTS FOR 2020

Isavia set itself nine short- and long-term social responsibility objectives for 2020. Objectives and related improvement projects were selected with reference to the nature and policies of the company, comments from external stakeholders, the UN Global Goals and related government priorities. Account was also taken of GRI-related improvement opportunities, the company's commitments to the criteria of the UN Global Compact and incentive programmes of which Isavia is a member. In addition, the ACI (Airport Council International) has issued guidelines on sustainability paths for airports. The company also looked at priority aspects in this work.

The objectives for 2020 were linked to nine of the seventeen UN Global Goals. The work involved a team of staff representatives from all parts of the company submitting ideas for objectives based on the operations of their divisions. Proposed objectives were submitted to the CEO and Executive Board for their approval and presented to the Board of Directors.

ISAVIA EMPHASIS AND OBJECTIVES

For more detailed information on the goals and their connection to Isavia's policy, the global goals, GRI, the UN Global Compact and the incentive project on responsible tourism find a summary table here: https:// www.isavia.is/media/1/heimsmarkmidtaflaenska.pdf

OBJECTIVES FOR 2021

The operational form of the company was modified at the end of 2019, with air navigation services and the operation of domestic airports (previously departments within Isavia) being converted into subsidiaries. This is the first time that the company's objectives fully reflect this change.

Objectives for 2021 have been set solely for the parent company, rather than for the whole group as previously. This focuses undivided attention on Keflavík International Airport and links the strategical priorities there more closely to the work being carried out. The focus is on objectives and measures to make the company sustainable again after the difficult times brought by Covid-19.

The priority aspects used previously as a reference in setting objectives – and set out above – are used here again. The Executive Board and individual directors set the objectives and measures for this year. These were then presented to the Board of Directors, directors and managers and are now being processed.

There are a total of seven objectives for the five different goals: human resources, services, technology and processes, profitability and social responsibility. Two objectives have been set under human resources and services and one under each of the others. This is a total of 42 measures and improvement projects.

Objectives fall under the following headings on the basis of an analysis of their importance for internal and external stakeholders: human resources, valuable and efficient services, digitalization and automation, financially sustainable operations and carbon footprint and air quality.

The objectives are linked to the following Sustainable Development Goals 5, 7, 8, 9, 11, 12, 13, 17





DESIRABLE AND PROGRESSIVE WORKPLACE:

Objectives and measures have been set regarding job satisfaction and management training. Key performance factors are regular employee satisfaction surveys, with organised, visible follow-up. Employees should connect with Isavia's role and objectives and live out the company's values. The focus is on employee welfare and on the right people with the right skills in the right place going forward. Managers should have the information, tools and technology they need to make decisions and provide regular feedback. The focus is on diversity in the management team and training for managers.

VALUABLE AND EFFICIENT SERVICE:

Under this heading, objectives have been set regarding customer satisfaction and increasing nonaviation revenue. Key performance factors are understanding customers, setting clear service standards, place emphasise on on-time performance, conducting high-quality service analyses, focusing on digital distribution channels, carrying out effective marketing and supporting operators, to name but a few.

DIGITALIZATION AND AUTOMATION:

An objective has been set regarding implementation of data-driven decision-making. Key performance factors are a clear policy on digital paths (in development), strengthening the data warehouse, the management dashboard, open and effective information flows and focusing on good access to data within the company.



FINANCIALLY SUSTAINABLE OPERATIONS:

An objective has been set regarding return on equity over the coming years. Key performance factors are an increase in non-aviation revenue, reducing flight-related operational costs, cutting waste and better handling of resources.

CARBON FOOTPRINT AND AIR QUALITY:

Our objectives on reducing our carbon footprint were originally set in 2015 and are valid until 2030. This objective covers the whole group but looms largest at Keflavík International Airport. In the light of the changes made to the company's structure and other changes to its operating environment, the main task for this year is to develop a holistic sustainability policy for Isavia and its subsidiaries. The company's objectives in this field will be reviewed in light of its commitments, and the action plan which is currently valid to the end of 2021 will be updated and extended. Key performance factors are employee participation and co-operation with stakeholders at Keflavík Airport and with the nearby community.



STAKEHOLDERS

STAKEHOLDER RELATIONSHIPS

Isavia focuses on extensive consultation with those stakeholders who rely on its services and who are affected by its operations. Operations have an impact throughout Iceland and on all its inhabitants. Isavia has analysed over a hundred stakeholders, which can be classified under five categories: customers, employees, the community, the authorities and suppliers.

In order to find out what stakeholders consider to be the most important issues and topics as regards the company's social responsibility, Isavia has conducted various interviews and studies over recent years. We continued to work on this basis last year, while paying particular attention to aspects that our stakeholders indicated as being important.

The operations of Keflavík International Airport are diverse, and Isavia enjoys good co-operation with the many stakeholders working in the various fields of aviation operations. The company's main customers are: aircraft operators using airports and flight navigation areas, operators at airports (such as flight services entities, shops, restaurants, car rentals and coach service companies) and, last but not least, passengers. Communication with users and operators happens first and foremost during regular meetings. Communication with passengers takes the form of direct interactions with the company's employees at airports, traditional communication means and regular customer surveys. There is particular focus on working closely with check-in agents and airlines on environmental issues at the airport and with restaurant and shop operators in the terminal to tackle the matter together.

Isavia's employees and its subsidiaries are a diverse group of people working at different locations around the country. Communication with and between employees happens first and foremost on the company's intranet; at employee meetings with the CEO, chief officers and other members of management; and at events held by the company. Last year, Workplace was introduced as the company's intranet to support operations and to better connect employees in these new circumstances. Employees can make status updates across the whole group, share images and videos, connect with

colleagues via common interests, retrieve various tools and equipment to use in their work or manage registrations of events and training courses within the company.

Additional information about the categories employees and customers are in their respective chapters.





THE COMMUNITY

There is extensive communication with various parties in the community, e.g. local authorities, regional associations in the neighbourhood of the airport, other associations. The focus is on improving the way in which information is transmitted to local authorities, as the activities of the group can have a considerable impact on local communities. The main channels of communication are formal meetings with local authority employees and other stakeholders. Isavia and its subsidiaries also work extensively with stakeholders in the tourism industry, organising regular meetings where information is provided to both the tourism industry and the general public. The company works closely with fire brigades and rescue services throughout Iceland and conduct air accident safety drills involving all response services. Isavia employees regularly speak at meetings held by other parties.

The Isavia ANS work in close co-operation with other service entities within and outside Europe. The company participates in Borealis, a collaborative venue for nine flight navigation service providers in North Europe. Isavia has been one of the sponsors of the consultation venue Arctic Circle from the very beginning, and employees take an active part in discussions on the issues facing the Nordic region, whether in connection with air traffic in the Nordic area or in connection with ideas of developing a rescue services hub in Iceland.

SUÐURNES FORUM

STAKEHOLDERSMAP

Isavia emphasizes good consultation with its stakeholders on issues that are important to them

EXAMPLES OF ISAVIA'S COMMUNICATION AND COOPERATION WITH STAKEHOLDERS IN 2020	EXAMPLES OF ISSUES BROUGHT UP BY STAKEHOLDERS	EXAMPLES OF ISAVIA'S ACTIONS	EXAMPLES OF MAIN COMMUNICATION
CUSTOMERS	Service Cleadiness and hygiene Improved facilities at landing strips and copperation on the maintenance of smaller airports Increased cooperation and collaboration with flight schools and flight clubs Actions that havia and airlines can agree on at Keflavik Airport after the pandemic Regular and open communication during the pandemic Cooperation with operators at Keflavik Airport in unprecedented circumstances Activities in line with environmental responsibility Security and safety issues	Increased comfort for passengers with automation Adaption to increased requirements, e.g. wiping down with disinfectants Grant to the Icelandic Aeronautical Association to improve facilities at smaller landing strips Cooperation with the flight club at Fibilitial landing strip on the use of the terminal New incentive systems it Reflavik Airport introduced to encourage development of new Regular and good communication and information giving on the situation in Iceland and the border at any given time during the pandemic Cooperation with operators and mitigation measures introduced Cooperation with operators and systematic work on environmental issues Improvement projects on security and safety matters in cooperation with skeholders Audits and follow-up	Passenger satisfaction surveys Customer surveys User meetings and user consultations Security meetings Participation in airport and airline conferences Regular Teams discussion meetings with operators at Keflavik Airport Meetings and educational material Vents Visits to different offices Isavia's website and social media
EMPLOYEES	Well-being in the workplace Education and training Equal opportunities Timely and open information Clear procedures for procurement Occupational safety at Isavia	A survey on employee wellbeing at work and follow-up. Work on a new agreement with a welfare service for employees Employees were offered online training from Streituskölinn stress training provider Training e.g. information security, environmental matters. Teams and Workplace use New procurement rules approved, and procedures updated accordingly Isavia's Safety Week	Meetings with employees and management Surveys Workplace intranet Information screens at different workplaces Electronic deducational material Isania's website Lectures
THE COMMUNITY	Cooperation with the tourism industry Cooperation with the municipalities in Suburnes Development and land use plans around Keflavik. Airport Noise notifications Cooperation with air navigation providers and international associations	Close consultation with the tourism industry e.g. The Icelandic Travel Industry Association. Promote Industry Association. Promote Industry Association. In the Industry Association of Industry Association and Industry Association Industry Indust	Seats on boards and committees Meetings and emails Southmes Forum - 140 persons met on-line to talk about common goals connected to the LN Global Goals Acoustic measurement system – points Data, reports
SUPPLIERS	Good communication and cooperation Transparency and good accessibility Common understanding of Isavia's requirements	Approval sought from suppliers on business terms and suppliers code of conduct. Changes in receip of invoices at Isavia. Invoices accepted electronically from the beginning of the year Evaluation of suppliers	Meetings and emails Isavia's website and tender documents
THE AUTHORITIES	Efficiency and effectiveness Transparency and clear communication Environmental commitments The Global Goals and government priorities Compliance	Corporate restructuring and implementation of improvement projects Reports and summaries of various kind distributed to stakeholders e.g. The Central Bank of Iceland, Statistics Iceland, Eurostat, the Icelandic Transport Authority and Icelandic Tourist Board Systematic work on environmental issues, monitoring and compilation of Information Annual and CSR report published according to the criterio of the Global Reporting Initiative Implementation of Fegal and regulatory requirements	Annual General Meeting Consultation and information meetings Publication of a talkics, e.g. flight information, investments and finances Annual and CSR report published on Isavia's website Opinion expressed in the consultation portal Meetings and reports



SUĐURNES FORUM

One of the ways in which Isavia endeavours to further strengthen collaboration with external stakeholders is joint strategic planning - based on the UN Global Goals - with local authorities (Grindavík, Reykjanesbær, Suðurnesjabær and Vogar); the land planning authority, Kadeco; and the Suðurnes Association of Municipalities. The aim of this consultation forum is to increase collaboration between Isavia, the local authorities and other stakeholders in Suðurnes and thereby work on shared interests as a single entity.

A major discussion meeting on adopting the Global Goals was held in November 2020. This was an online meeting, with 140 participants engaging in lively discussions in various subject groups. At the end of the meeting, all those involved in the Suőurnes Forum signed a declaration pledging to speed up adoption of the circular economy in the area. This includes a commitment to pursue measures aimed at cutting greenhouse gas emissions, waging a concerted battle against the threat of plastic in the environment and tackling food waste. Municipalities and companies in Suðurnes will be keeping carbon records, measuring their carbon footprint and setting emission targets.

The meeting was addressed by PM Katrín Jakobsdóttir, Bjarni Benediktsson (Minister for Finance and Economic Affairs), Sigurður Ingi Jóhannsson (Minister for Transport and Local Government), Þórdís Kolbrún Reykfjörð Gylfadóttir (Minister for Tourism, Industries and Innovation) and Guðmundur Ingi Guðbrandsson (Minister for the Environment and Natural Resources). They all welcomed the initiative and the solidarity shown by the residents of Suðurnes in working on the post-Covid-19 recovery.

WORKING WITH THE TOURISM INDUSTRY

Isavia and its subsidiaries collaborate extensively with entities in the tourism sector such as the Travel Industry Association (SAF), the Icelandic Tourist Board, Promote Iceland and the Tourism Task Force. In

addition, the company is a member of Iceland Tourism and Iceland Naturally. The company is represented in the Saman í sókn tourism marketing project, run by Promote Iceland, and in Promote Iceland's advisory board. Isavia is also a member of the Icelandic Ocean Cluster and has sat in the Port and Transport Group, which is a collaborative forum for companies most of which are directly involved in transport and port operations.

Isavia Regional Airports and Promote Iceland worked together during the past year on a project run by the Flight Development Fund to improve the marketing of airports in Northeast Iceland. In the past year, Isavia Regional Airports has been working closely with the marketing agencies of North and East Iceland. Isavia Regional Airports and Promote Iceland will continue with this project and advertise the airports, the infrastructure and services available, while the role of the marketing agencies will continue to be to advertise the destinations and goods availability and to prepare to receive future visitors.

In addition, Isavia regularly holds open meetings to provide information to the public and entities within the tourism sector as regards the company's operations at Keflavík Airport, e.g. on construction and traffic forecasts within the travel industry.

THE AUTHORITIES

Communications with the authorities take many forms. The state is the owner of the company, and it follows the general owner policies of the state in its operations. The Ministry of Finance and Economic Affairs has overall control of the shares, and formal communications are carried out at shareholders' meetings and the Annual General Meeting. Other communications with the owner take place during meetings which are convened as needed.



The Ministry of Transport and Local Government plays a two-fold role in connection with operations of Isavia: 1) as the professional ministry for air traffic issues, and 2) as a business partner of the company as regards the running of the domestic airport system. The company has a seat on three committees and boards operated by the Ministry: The Professional Board for Aviation Issues, the Facilitation Board and the Transport Board (permanent representative). The company has regular professional communications with the Ministry on aviation issues and close collaboration as regards the implementation of the service agreement. The company has representatives in various Ministry committees dealing with aviation issues.

Meetings are also held a few times a year with the Ministry of Industries and Innovation in connection with tourism issues. The Ministry has established a Flight Development Fund aimed at strengthening international flights to Akureyri and Egilsstaðir, and Isavia has a representative on the Board of the Fund. The company also has one representative on the Promote Iceland Board responsible for the 'Inspired by Iceland' and 'Iceland Naturally' marketing projects, which are intended to raise awareness of Iceland as a tourist destination. Meetings are also held with the Ministry of Foreign Affairs and the Icelandic Coast Guard in connection with defence-related operations at Keflavík Airport and the Airport's organisational issues.

Isavia has a great deal of interaction with many public bodies, owing to the diversity of the company's activities. The closest interaction is with the Icelandic Transport Authority, which issues operating permits for airports and flight controls and is responsible for the appropriate supervision of implementation and operations. Other monitoring bodies of note are the National Centre for Hygiene, Food Control and Environmental Protection, the Construction Authority, the Administration of Occupational Safety and Health, the Health Authorities, the National Planning Agency and the Environment Agency. Many public bodies have operating units within or in close collaboration with the company, such as the police, the Directorate of Customs, the National Civil Protection Authorities and the Coast Guard. The municipal bodies connected to the operation of Isavia are mainly the health authorities, fire protection and fire brigades.

Isavia is also monitored by and collaborates with foreign entities, the principal one being the International Civil Aviation Organisation (ICAO), a United Nations agency. ICAO establishes international standards for all main aspects of civil aviation and monitors the performance of states and service providers. ICAO also monitors the performance of the abovementioned 'Joint Finance' agreement. As regard the company's operations in Greenland and the Faroe Islands, Isavia is monitored by the Trafik- og byggestyrelsen (Transport, Construction and Housing Authority) in Denmark, and as regards collaboration on flight communications services in the North Atlantic, there is close communication with the Irish Aviation Authorities

SUPPLIERS

Responsible management of the supply chain is extremely important for Isavia's operations. Establishing and maintaining a sustainable supply chain increases the likelihood of economical transactions, reduces operational risks and improves the company's reputation. Increased demand for social responsibility encourages continuous improvements to supply chains, as the operations of the company have an effect on numerous aspects of the economy. The share of the group's total business in 2020 with domestic suppliers was 76% and with foreign suppliers 24%.

The purpose of the company's procurement department is to advise and assist employees in purchasing goods, projects and services and to monitor and supervise purchasing from suppliers. Midway through last year, new purchasing rules were approved for the company and the relevant procedures and service standards were updated accordingly. This was followed by training for employees in applying these new changes.

Alongside these changes, it was decided to start work on reviewing existing purchasing methods, starting with the parent company. The aim was to harmonise procedures for day-to-day purchasing to ensure even better traceability and transparency and to simplify monitoring and supervision. In the



autumn, work began on improving and tightening up customs and import procedures at Isavia, Isavia ANS and Isavia Regional Airports. This went full-throttle at the turn of this year, with the introduction of electronic invoices. These companies now accept invoices only in electronic form (.xml). This simplifies and speeds up processing and is positive for the environment.

Purchasing at Isavia is governed by legal requirements on public procurement. Business relationships are established with the company's largest suppliers based on their participation in a procurement procedure fulfilling the provisions of Act No. 120/2016 on Public Procurement and Regulation No. 340/2017 on procurement by parties operating in the water, energy, transportation and postal service sectors. The procurement procedure is implemented by means of various types of invitations to tender or price enquiries, for which companies must fulfil basic competence requirements such as not being in arrears with withholding tax, public levies and statutory pension fund dues. There is also a chain-ofresponsibility clause in purchasing documentation.

A negotiated process following a publication of tendering specifications is used as far as possible in large and complicated procurements. This process ensures communications with tenderers during the tendering procedure, which can be of great advantage. Negotiations reduce the company's risk and increase the likelihood of a correct needs analysis of resources and delivery, which again ensures increased economisation.

In aspects for which domestic know-how is lacking as regards services and manufacture, the company has often included the condition in tender documents that international suppliers may bid for the goods, tasks or services in co-operation with Icelandic suppliers. This is done for many reasons, not least social, i.e. collaboration between domestic and international suppliers feeds knowledge and legacy into the national economy.

All tender procedures and major price inquiries require basic eligibility of tendering companies. For instance, parties who are in default of withholding tax, public levies and statutory pension fund dues will be disqualified.

Isavia contracts contain provisions on data protection which comply with new provisions laid down in EU data protection legislation, where appropriate. The Code of Conduct for Suppliers is attached to all of our contracts. This code requires suppliers used by the company to adhere to the rules it contains and to ensure that their own suppliers do likewise. Upon request, suppliers must be able to demonstrate that these rules are being followed.

In order to limit as far as possible the likelihood of the use of forced, compulsory or child labour for resources and equipment purchased in domestic and international markets, the supplier's Code of Conduct is always included in the tender documentation and must be complied with. To ensure the cost traceability and co-ordinated payment terms, the company's business terms are always used for procurements. Both the Code of Conduct and the company's business terms are available on the company's website.

CODE OF CONDUCT FOR SUPPLIERS

For more information on Isavia's Code of Conduct for Suppliers see here: https://www.isavia.is/media/1/code-of-conduct-for-suppliers-isavia-ohfupdate-060720.pdf



BUSINESS PARTNERS

SERVICE, EXPERIENCE AND CO-OPERATION

Isavia attaches great important to service – indeed, service is one of the company's key values. We work closely and systematically with airlines and business partners to promote exemplary service and improve the passenger experience.

Communication with users and operators happens first and foremost during regular meetings. Communication with passengers is handled first and foremost via various media where enquiries are received and responded to. Isavia regularly performs marketing and service surveys at its airports. The Isavia website provides a great deal of useful information, e.g., flight and airport information, flight monitoring via Messenger, price lists as well as general information.

KEFLAVÍK INTERNATIONAL AIRPORT

Recent changes in the company have brought development at Keflavík Airport closer to the needs of customers and services closer to daily operations. Keflavík Airport faces fierce competition from airports outside Iceland. Understanding customers' needs and providing outstanding service and experiences is essential to ensure the competitiveness and uniqueness of Keflavík Airport.

In recent years, the airport has undergone extensive construction work, aimed at improving service, quality and safety. For instance, the airport has been expanded to cover approx. 22,000 m2 over the past five years. A great deal of time and money has also been spent on improving internal capacity and quality at the airport, e.g. improvements to security screening to cut waiting times and extra automatic gates and equipment to ease passengers' journeys through the airport.

We focus on high-quality passenger and customer service throughout their entire journey through the terminal and airport. We run regular courses for Isavia employees, operators and partners on how best to meet the needs of passengers using the airport.

We are working on improving the passenger experience as they undergo the security measures required at airports today. Technical solutions have been introduced to make the journey through the terminal as efficient and fast as possible without inconveniencing passengers excessively. The focus has been on automation and general efficiency. In this connection, we have added a good number of automatic check-in points, automatic bag drops, automatic entry points and baggage equipment at weapons search, automatic boarding gates, as well as automatic border points for passengers travelling outside of the Schengen area.

During the year, construction was completed on Apron Boarding Stations (ABS) at Keflavik Airport. With them, passengers who are brought to remote stands will walk directly from the bus into the ABS and then on board the plane. With this project service level for passengers will increase.





BUSINESS PARTNERS AT KEFLAVÍK AIRPORT

One of the key aspects of good customer service at Keflavík Airport is the excellent business partners who sell their services and products to passengers, e.g. shops, restaurants, bus companies and car rentals. Isavia annually gives a services award to the retail and restaurant entities that have achieved the best performance in services and sales to passengers.

In 2020, the needs of these business partners were very different to those of previous years. Their priority was to keep their business operations as healthy as possible, while providing passengers with the best possible service at a time of great uncertainty as regards external conditions. Isavia afforded its partners a great deal of flexibility, and they did their very best to keep as high a level of service as possible, in order to provide passengers with the services they need and generate revenue and keep their staff employed.

Isavia launched and held regular information meetings with all business partners throughout 2020. The aim of these meetings was to help business partners adjust their service levels and be ready for recovery, as well as connect them with management to obtain the information they needed. At these meetings, business partners received regular updates from Isavia Emergency and Crisis Coordination on the effect of Covid-19 on the airport, information on expected air traffic in the short and long term and insights into how customer expectations can be expected to change after Covid-19. A dedicated information webpage has been set up where Isavia's business partners at Keflavík Airport can find the latest flight schedules, training material and useful operational information. A dedicated website has also been set up for each individual business partner, containing all contractual information and correspondence with the parties.

HANDLING AGENTS AT KEFLAVÍK AIRPORT

Regular meetings are held to communicate with handling agents, the police and customs authorities and look at how services and operations can be improved.

With the establishment of the Hub Control Centre (HCC), we aim to further enhance this co-operation. The purpose of the HCC is to achieve increased efficiency, obtain a better general overview, shorten the decision-making process and improve the flow of information, making operations more efficient for both Isavia and users of Keflavík Airport. The HCC supports the vision of Keflavík Airport as a centre for aviation in the North Atlantic.

The weather can seriously affect operations at Keflavík Airport over the winter months, and a great deal of effort has been put into co-ordinating the responses of various airport users to minimise any disruption. Special weather action meetings are held as required to pass on information and draw up action plans in light of the current forecast. In the context of Covid-19, regular meetings have been held with aviation stakeholders and business partners at Keflavík Airport to pass on information and coordinate the action necessary to meet the requirements laid down at the airport.

ASQ SERVICE SURVEYS

Standardised service surveys have been carried out at Keflavík Airport for the past fifteen years. An international survey created by the Airports Council International (ACI) which measures passenger satisfaction at more than 350 airports worldwide and provides good comparison is used. Data on 34 service aspects at the airport are collected throughout the year. The results are published on a quarterly basis, allowing a swift response if anything is found that needs remedial action. Passenger satisfaction is measured on a scale of 0-5. Keflavík International Airport has always been high on the European list, which contains over 100 airports throughout the continent. There have been, however,



isolated periods when overall satisfaction has fallen. This can usually be traced back to disruptions due to renovations of the terminal.

An award in the ACI service survey is one of the greatest accolades available to global airport operators and is given for exceptional service provision and customer experience. Keflavík Airport received recognition from ACI for the third year in a row for being among the best airports of its size category (5 -15 million passengers annually) as regards service quality in 2020.

In light of the Covid-19 pandemic, a number of questions regarding hygiene and safety measures at the airport were added to the service survey in Q4 2020. These questions look at passengers' experiences of hygiene and infection prevention measures at airports. Keflavík Airport was among fifteen other European airports than won awards for hygiene measures last year.

Although passenger numbers at Keflavík Airport have fallen sharply since the pandemic struck, the airport has continued to listen to the needs of its passengers and adjust to the new reality. Communication with passengers is no less important during a pandemic, and we were therefore very happy when Keflavík Airport received Voice of the Customer Recognition from ACI.

AIRLINES

We Icelanders rely on good air transport in our relations with the rest of the world. Keflavík International Airport therefore has the important role of attracting various airlines – flying to various destinations – to Iceland. We systematically work on business development of new routes and airlines to and from Keflavík Airport. Isavia also works together with existing and new customers to increase air traffic at Keflavík Airport, offering greater frequency and route capacity.

Communication with airlines using Isavia airports takes place during regular user committee meetings to which all users are invited. Airport user committees operate in accordance with the provisions of the

Aviation Act and regulations. These committees consist of representatives from all airlines that use the airport regularly and their agents. The meetings are an opportunity for users to discuss their views before making important decisions on operations, quality of service, fee collection, new construction, tower services or other issues that have an impact on their important interests.

In addition to regular user committee meetings, there is regular communication with airlines who already fly to Keflavík Airport and new airlines that the airport considers could be attracted to Iceland. In a normal year, such communication happens at conferences bringing together airlines and airports.

CUSTOMERS OF THE DUTY FREE STORE

The Duty Free Store operates four outlets in the Leifur Eiríksson Air Terminal – two for departing passengers, one for passengers travelling to non-Schengen countries and one for arriving passengers. One area of focus is providing professional and excellent service, taking account of the needs and expectations of the various groups of customers. Another priority is stocking a diverse range of highquality Icelandic and foreign goods, focusing on traditional duty-free goods. Regular service surveys are carried out to assess quality of service.

All passengers using Keflavík Airport are potential customers of the Duty Free Store and it is very important to reach out to them with a diverse range of high-quality products, well-organised shops and professional, impartial and agile service. The values of the Duty Free Store are: service, value and experience.

USERS OF THE FLIGHT NAVIGATION SERVICES

Consultation meetings are held once a year with the users of the flight navigation services as regards operations and investments. Consultation meetings with users of other aspects of flight navigation



services also take place under the auspices of the ICAO Planning Group (NAT-SPG) for the North Atlantic. Regular meetings are held with users, and there is communication with individual users or representatives of user groups if considered necessary. Isavia's partner, the Icelandic Meteorological Office, has a role to play in such user consultation as regards weather information and is the monitoring body as regards volcanic eruptions and other natural disasters.





HUMAN RESOURCES

ISAVIA'S HUMAN RESOURCES

Isavia endeavours to be a popular and progressive workplace. The main aim of Isavia's human resources policy is to promote general job satisfaction, good morale and exceptional service. Isavia's values – service, co-operation and safety – are reflected in the focus areas which form the foundation of Isavia's human resources operations. Isavia and its subsidiaries employ a diverse group of employees at various workplaces across the country. At the end of 2020, Isavia employed 968 people, 35% of whom were women and 64% men. The average age of employees is 44 years, and the average length of service is 10 years.

In 2020, considerable changes were made to the operations of Isavia and its subsidiaries. The Covid-19 pandemic has brought about a targeted response and required new ways of keeping operations going. Isavia Emergency and Crisis Coordination has been running throughout the pandemic, working on ways to ensure operational safety at airports and employee welfare via infection prevention measures and constant information provision. Stringent infection prevention requirements have been laid down, and the infection prevention rules set by the public authorities have been followed. Employees were required to wear facemasks in passenger areas and whenever near passengers, and physical distancing rules were laid down. Shift groups were separated to ensure physical distancing and limit contact between them.

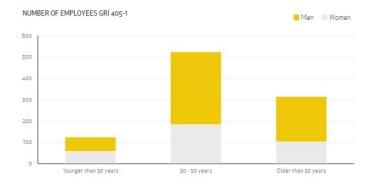
Employee numbers fell significantly owing to the sharp decrease in passenger numbers over the year. This decrease mainly affected front-line employees whose work directly depends on passenger numbers. Isavia was very keen to look after its employees and protect jobs as far as possible, with the ultimate goal of being ready for when activity and passenger numbers increased again.

Management faced new challenges linked to managing employees working at home, finding ways to keep projects going and motivating their employees in changeable and demanding circumstances. The need for teleworking was addressed by the introduction of Teams, in order to support office employees

and enable them to continue their work unhindered away from their workplace. Employees were offered an online course on the main functions and actions available in Teams. Office employees spent most of the year working at home. Workplace was introduced last year to support operations and to better connect employees in these new circumstances.

WORKPLACE ANALYSES AND SURVEYS

Workplace analyses are usually carried out every two years, with smaller surveys in between. Workplace analyses lead to the setting up of improvement teams to work with the results with a view to increasing job satisfaction and wellbeing at work. A survey on employee wellbeing at work during Covid -19 was sent out in the autumn, encouraging managers to look after their employees. Employees were offered online training by the Streituskólinn stress training provider, dealing with most aspects of public health. A specific Covid-19 course was also prepared, covering infection transmission routes, infection control and special procedures for employees at international airports. Managers are encouraged to have regular conversations with their employees to give them and their superior the opportunity to discuss tasks, possible problems and remedial action.





LABOUR MARKET

Isavia operates in the general labour market, endeavours to maintain a good relationship with unions and follows general collective wage agreements negotiated by the Confederation of Icelandic Employers with numerous unions on behalf of the company. Special collective wage agreements have been made with the following unions: Landssamband slökkviliðsmanna (LSS) (firefighters), Félag flugmálastarfsmanna ríkisins (FFR) (state aviation employees) Sameyki (SFR) and Félag íslenskra flugumferðarstjóra (FÍF) (air traffic controllers).

The notice required to terminate employment is as laid down in collective wage agreements and can vary according to length of service and age. The right to terminate employment is mutual, and all information is in writing. Isavia complies with all laws and regulations governing the labour market and does not employ persons who have not reached the age of 18.

RECRUITMENT

Isavia focuses on recruiting the most skilled employees available, and all recruitments are based on capability, education and work experience. A clear recruitment procedure is the foundation of professional recruitment, and Isavia's recruitment procedure was reviewed and assessed in 2020. All recruitment and career development at Isavia is based on the company's equality policy and equality action plan. Human Resources uses data to analyse and support decision-making. Applications are assessed with reference to gender ratio, and particular care is taken to observe the highest levels of equality in recruitment.

Once the recruitment procedure has been completed and the new recruit has begun, there is follow-up of the new appointment for the first few weeks. New employees are warmly welcomed to ensure that they are happy in their new environment and feel welcome from the very first day. A new recruit's first

day is the start of a 'new journey'. On that day, the new recruit is assigned a mentor, who is always available and supports them through their first weeks, together with the manager.

Isavia wishes to promote a healthy and motivating work environment, with opportunity for career growth and development. Career development is important – and could also involve a move to another work environment within the Isavia group. All job vacancies are advertised on Workplace and employees are encouraged to apply.

There were a total of 24 recruitments at Isavia in 2020 (12 men and 12 women), and the average age of new recruits was 39.8. Employee turnover for the year was 35.89%, a figure chiefly due to the Covid-19 situation. This rate varies across jobs and companies.

END OF EMPLOYMENT

The rules governing end of employment were modified last year. End of employment is now deemed to be the end of the month in which the employee reaches the age of 67. The members of the Icelandic Air Traffic Controller Association, however, retire at the age of 63. Isavia offers an end-of-employment training course for those nearing retirement age, and their spouses are also invited. The course covers useful information and deals with this important career milestone. Twenty employees took part in such a course in 2020. Improvements were made to the end-of-employment procedure, and an end-ofemployment interview now takes place just before employees retire. The aim of this interview to is to ensure that employees experience of the end-of-employment procedure is positive and to gather precious information to achieve even better results and to promote a positive work environment and wellbeing.



Employees turnover GRI 401-1

2020	Age	Starters	%	Leavers	%
Women	under 30 years	3	25%	81	48%
	30 - 50 years	8	67%	55	33%
	over 50 years	1	8%	32	19%
	Total	12	100%	168	100%
Men	under 30 years	1	8%	70	32%
	30 - 50 years	8	67%	73	34%
	over 50 years	3	25%	73	34%
	Total	12	100%	216	100%

Information on employees GRI 102-8

Employees	Women	%	Men	%	Total	%
Total number of employees	344	36%	624	64%	968	100%
Full time	210	22%	529	55%	739	76%
Part time	134	14%	95	10%	229	24%
Employment contract						
Temporary	43	4%	27	3%	70	7%
Permanent	301	31%	597	60%	884	91%

Parental leave GRI 401-3

Year	Year			2019	2018	2017
Parental leave	Women	Men	Total	Total	Total	Total
Total number of employees that took parental leave	61	58	119	78	91	69
Total number of employees that returned to work after parental leave	47	57	104	70	88	69
Total number of employees that returned to work after perantal leave ended that were still employed 12 months after their return to work	х	х	х	50	74	61

STAFFIÐ - THE EMPLOYEE ASSOCIATION

Staffið – the employee association of Isavia and its subsidiaries – promotes diverse and vibrant social life and negotiates discount terms for our employees with various companies. The association generally focuses on providing a positive, family-friendly working environment and positive morale. There is no doubt that 2020 was a demanding year for the association, with restrictions on gatherings taking their toll. It was, however, decided to organise remote events, such as stand-up comedy and concerts, for association members to enjoy at home.

PARENTAL LEAVE

Isavia attaches great importance to trying to accommodate employee requests for parental leave and to show flexibility in meeting their needs as regards returning to work once such leave has been completed. A total of 119 employees took parental leave in 2020, 61 women and 58 men. Women choose to spend more time on parental leave and utilise the shared rights of parents. In 2019, 78 employees took parental leave and 50 of these had returned to work 12 months later.





HEALTH AND WORKING ENVIRONMENT

Employee wellbeing is a key element of a healthy workplace and has an impact on the work produced. Isavia therefore takes great pride in raising employee awareness of the importance of a healthy lifestyle. The company promotes greater mental and physical employee wellbeing via such things as information provision, physical fitness subsidies and welfare services.

Isavia places considerable importance on all employees knowing what demands are made of them as regards safety, including the substance of laws and regulations on health and safety. Conditions in the workplace have an effect on employee health, and the company endeavours to ensure that they have a safe and healthy workplace.

We requested a price quote in the course of last year for comprehensive welfare services, the aim being to be able to better meet and support the needs of employees. An agreement is to be signed with a company that will provide us with comprehensive welfare services. The service provider boasts an interdisciplinary team of nurses, nutritionists, social workers, psychiatrists, personal trainers, physiotherapists, coaches and doctors.

EDUCATION AND TRAINING

It is the policy of Isavia to ensure that all employees receive the requisite training and that employees have the skills necessary to achieve success in their work. Training should also ensure employee safety and wellbeing. A wide range of courses are available all year round – both mandatory courses and courses aimed at developing personal skills and promoting wellbeing at work. We try to ensure that everybody receives appropriate training, and there is a training plan for all job types within the group. The content of training each year depends on the projects, objectives and challenges facing the company, with mandatory job-certification training making up the lion's share.

ORGANISATIONAL CHANGES

In May 2020, it was decided to merge the training teams of the Service & Operation and Human Resources & Corporate Strategy divisions and move training management to Finance & Human Resources. The aim of this merger was to create a strong training division within Isavia to work systematically at maintaining and expanding the knowledge and skills of all employees, in line with Isavia's strategy and values.

Isavia ANS runs a training division which provides for certified training for air-traffic safety electronic personnel (ATSEP) and other training related to air navigation services, including in Tern Systems simulators. Around 300 people at Isavia and its subsidiaries – including air traffic controllers (AFIS), flight communications officers, flight data analysts, trainers, skill assessors, etc. - receive appropriate licensing, conversion and ongoing training every year.

ROBUST TRAINING WORK

The year 2020 was an unusual year, requiring a greater focus on online learning and the use of remote meeting equipment. A great many online courses were launched – both mandatory courses and optional. Some examples of courses run are: Basic PRM, Driving, 2020 Flight Information System and Environment.

There were fewer classroom training courses, although some were possible, e.g. courses on job satisfaction and change, a course on opportunities for retirees, a course for evacuation officers and a firstaid course.

The pandemic had a major impact on the work of the Isavia ANS training division in 2020. Almost all courses had to be postponed by months, and some were cancelled altogether. Changing infection prevention rules affect participant and employee numbers at any given time. At times, it was not



possible to conduct training in simulators or at the workplace due to stringent physical distancing rules. The rate of infection in society and the general situation of uncertainty also had an effect on learning. Nevertheless, we were able to complete necessary conversion training and most ongoing training for around 275 experts in air traffic services in Isavia companies. Things did not go as well as regards certification and job training in air traffic control for around 25 employees. A wage dispute put everything on ice through to January, and after Covid-19 struck in March, schedules and dates had to be repeatedly changed. Low levels of air traffic also had a negative effect on the operations of the division.

MANAGEMENT TRAINING

Isavia's goal is to ensure that employees with management responsibilities receive basic management training. Training schedules for managers are being prepared and are divided into stages depending on the position of the manager. A wide range of courses specifically intended for management are on offer each year. Areas of focus in management training have moved more towards softer aspects such as communications, trust and adaptability. There has also been extra focus on project management, time management and skills for handling difficult human resources issues.

CO-OPERATION WITH THE GENERAL SCHOOL SYSTEM

Co-operation with the general school system – which is usually substantial – was mostly non-existent last year, with just one undergraduate taking an internship with us. The same goes for our agreement with Reykjavik University regarding funded research and Isavia's support for the final projects of the university's students – only one grant application was received and was approved. Isavia attaches importance to maintaining and strengthening this co-operation.

STUDY GRANTS

Isavia employees are paid either a wage or a study grant when undertaking training. This also applies to training undertaken before employees take up their position. All employees are entitled to apply for grants for study outside of Isavia. The most common applications are from those undertaking university study.

Isavia employees need to gain various types of expertise both in Iceland and abroad. It is a priority of Isavia's to ensure that such opportunities are available and that its employee skills are among the best possible. Isavia also has agreements with Reykjavik University's Open University and the University of Iceland's continuing education centre Endurmenntun for discounts to encourage their employees to study there.

HUMAN TRAFFICKING

In 2019, Isavia produced a video on human trafficking which is used to train all front-line employees at the Leifur Eiríksson Air Terminal to spot human trafficking. The video is now part of induction training for new recruits at the terminal, Isavia's Director of Training and Education is part of consultation group under the aegis of the Ministry of Justice on action to fight human trafficking. The group has mapped prevention measures and other actions in this regard, and the Icelandic Red Cross recently received a grant from the state to step up the work being done as regards human trafficking. This includes setting up a co-ordination centre with the role of harmonising procedures and responses in the event of suspected human trafficking, undertaking preventive action and training and raising awareness among society. Isavia attaches importance to being well informed on these issues and intends to lead cooperation and action among the companies operating at Keflavík Airport in the fight against human trafficking.



TRAINING HOURS

As is evident, there were fewer training hours in 2020 than in previous years. Mandatory training nevertheless continued, and the main factor was the reduction in employee numbers and the lack of recruitment. The gender gap in training hours is chiefly due to the fact that far fewer women are in jobs requiring many training hours, such as airport services.

Average hours of training per year per employee and field of work GRI 404-1

Divis	lon Men	Women	Total hours
Isavta ohf.	9.353	2,569	11,922
Service and Operation	ons 8,453	1,933	10,387
Commercial and Airport Developme	ent 436	172	608
Finance and Human Resource	ces 184	392	576
Digital Development and	d IT 188	32	22
CEO off	ice 91	39	130
Isavla ANS	3,089	1,749	4,838
Isavia Regional Airports	3,326	368	3,694
Duty Free store	273	273	546
To	tal 25,394	7528	32,922
Avarage hours of train	lng 40,7	21,9	

EQUAL OPPORTUNITIES

Isavia attaches great importance to working rights. The company's Code of Conduct states that employees are to show respect for everybody's work and not discriminate against colleagues or customers on the basis of gender, religion, beliefs, ethnic origin, race, colour or on any other grounds. Isavia's equality action plan aims to improve general job satisfaction and improve morale. The equality

programme has been developed in accordance with Act No. 150/2020 on the Equal Status and Equal Rights of Women and Men. Employees are made aware of the company's Code of Conduct, which is accessible on Isavia's intranet and website together with the equality action plan.

Isavia's equality action plan attaches great importance to equalising the gender ratio in management positions in the company. In 2020, Isavia received recognition from Women in Business – an Icelandic equality and networking movement – of the success and objectives achieved as regards gender balance in management.

Work-life balance is an important aspect for all of us and is an equality issue. Isavia gives employees the flexibility to balance work and family responsibilities, for the benefit of the company and better quality of life for employees.

We endeavour to ensure that all employees – regardless of gender, age or nationality – enjoy equal opportunities for training and education. As soon as they are recruited, employees receive information on our policies on and responses to bullying and any type of violence and harassment. New recruits are also informed about our equality policy and the company's Code of Conduct.

Training material is drafted to meet different learning styles, while specific learning difficulties are taken into account in examinations and skills assessment. Our training material is diverse and visual, and in most cases, text is read out loud.

EQUAL PAY CERTIFICATION

For many years, Isavia has systematically worked towards gender equality and first gained equal pay certification – ratified by the Directorate of Equality – in 2018. Isavia's status for equal pay certification is audited every year by external auditors, most recently in September 2020. The gender-based pay gap identified was 1.2%. The objective of adopting the equal pay system by means of an equal pay standard



(IST:85 2012) is to maintain wage equality within the company. The company also undertakes to work on constantly improving itself in this field, monitoring the relevant criteria and reacting to any deviations which may arise.



SOCIAL ENVIRONMENT

Both the company and individual employees have an interest in building up a social environment. A good social environment has both a direct and indirect impact on employee wellbeing and health and on important operational aspects, such as sick leave, employee turnover and productivity. Isavia employees work as a whole in a spirit of co-operation, mutual respect and tolerance. Bullying and psychological harassment, such as gender and sexual harassment in the workplace, will not be tolerated under any circumstances.

Part of the training for new recruits touches on the social environment, where, among other things, the company's equal rights policy and response plans against bullying and other psychological harassment are presented. The response plan contains information on what assistance is on offer from the company and trade unions. Importance is attached to maintaining notification pathways. Employees must know whom to contact, and communication channels must be clear for the victim and the perpetrator. This policy is based on Article 38 of Act No. 46/1980 on Working Environment, Health and Safety in Workplaces and Regulation No. 1009/2015 on bullying, sexual harassment, gender harassment and violence at work.

Five reports were received in 2020 – two were handled via a formal procedure involving activation of the response plan, while the other three were resolved internally. These reports were processed according to company procedure.



OCCUPATIONAL SAFETY AND HEALTH

OCCUPATIONAL SAFETY AND HEALTH

Isavia has in place an occupational safety and health policy covering all the operations of the company based on the values and overall strategy of Isavia. Isavia undertakes to be a role model in safety, health and occupational issues by promoting a safe and healthy work environment for those who work in and visit the operating units of the company. The policy is both intended to prevent accidents to people and also to monitor the facilities provided to employees to ensure a healthy work environment. The CEO approves the policy, and Chief officers are responsible for executing the policy.

Occupational safety and health governance is part of Isavia's quality system. During the year, we followed up on the applicable ISO45001 certification for some of the operation of Keflavík Airport. This work has resulted in increased security awareness within the entire company. The health and safety of employees is of paramount importance within the company, and every effort is made to analyse risks and take preventative measures. Extensive work was undertaken to increase safety awareness in daily work within the company, and for example, health and safety information was sent to all employees during Isavia's Safety Week. As before, the focus was on employees reporting all accidents, near misses or conditions that can cause accidents, as well as reminding everyone that we are all responsible for safety issues within the company.

The year saw changes made to the organisation of health and safety as well as security and coordination, as their management was transferred to a single division, i.e. Services and Operations (POR). This makes it possible to engage in more targeted efforts regarding these issues for the entire company. In addition, a harmonised health and safety manual was issued in Áttavitinn, Isavia's operations manual. Psychological aspects of health and safety, however, remain within the purview of the Human Resources Department. POR employs an occupational safety and health representative who is responsible for recording accidents and incidents and for reviewing investigation reports.

The number of reported work accidents decreased last year from 65 in 2019 to 39 in 2020, whereof

serious accidents (absence accidents) fell from 19 to 4 in 2020. The scope of reports indicates that the importance paid to employees reporting accidents and near misses has paid off. This means that it is possible to concentrate on employing preventative measures and improvements.

Isavia's main goal continues to be to reduce the number of accidents in the workplaces of Isavia. In 2021, we plan to co-ordinate accident reporting, simplify registrations and to make them more user friendly. This will simplify processing and follow-up in the safety management system of Isavia Opscom.

A mandatory Health and Safety Committee is operated with members coming from across the company. The Committee consists of both Safety Officers who are appointed to the Committee by Isavia and Safety Stewards who represent the employees. The Chairman of the Committee is the Health and Safety Officer of Isavia and is responsible for organising its meetings. The Safety Committee is responsible for reviewing the status of non-conformities and remedies and examining accidents and reports as well as the reports of the Occupational Health and Safety Administration. The Safety Committee is intended to promote the safety awareness of employees through training and education and ensure compliance with laws and regulations applicable to the operation. The Committee was of the opinion that it was important that Committee members were more involved in the health and safety issues of the company, e.g. in relation to risk assessments.

Isavia has a monitoring plan for health aspects in locations that have been considered especially sensitive after a risk assessment, and they are examined with respect to noise, air quality and vibration. One aspect of promoting a safe and healthy working environment was to offer employees informative education on health and wellbeing in the workplace and information on Covid-19.

Registrations of accidents and near misses are through the Isavia intranet and, for external parties, the website of Keflavík Airport. The Health and Safety Officer is responsible for maintaining a record of these incidents and notifying those responsible for improvements as appropriate. All incidents are cause analysed. This is to try to find the root of the problem to make it possible to respond and prevent the incident from happening again. Isavia employees are under obligation to provide notifications of

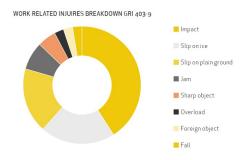


any accidents, and during investigations, just culture is maintained.

Isavia uses S5 database to manage all non-conformities and opportunities for improvement that relate to occupational safety and health. Internal audits of workplace safety and occupational health are regularly performed, and an annual maintenance assessment is performed by an external party to maintain ISO45001 certification.

Work related injuries GRI 403-9

	2020	2019	2018	2017
Total number of work related injureis	39	60	57	66
Number of fatalities as a result of work related injury	0	х	х	×
Number of high consequence work related injuries (exluding fatalities)	0	х	х	×
Time loss injuries	4	19	×	>
Care injuries	19	3	×	>
First-aid injuries	16	47	х	×
Rate of recordable work related injuries per 200.000 hours	3,87	5,1	4,6	5.7



OCCUPATIONAL SAFETY AND HEALTH POLICY

Isavia undertakes to be a role model in safety, health and occupational issues by promoting A safe and healthy work environment for those who work in and visit the operating units of the company.

For more information on Isavia's Occupational saftey and health policy see here: https://www.isavia.is/media/1/Occupational%20Safety%20and%20Health%20Policy.pdf

SAFETY WEEK

The Isavia Safety Day was held in October. Due to present conditions, the arrangements were somewhat different. Instead of workplace visits, lectures or participating in disaster scenarios, employees were invited to view electronic education/lectures in which different issues between days in the week were addressed. Attention was paid to the term safety in its widest sense, i.e. taking into consideration workplace health and safety, information security, safety awareness and to what extent employee wellbeing was important to ensure safety consciousness, communications and safe operation.

The educational material was sourced from a number of sources, from experts outside the company, new material on occupational health and safety and safety awareness was sent to all employees and work was carried out with experts within the company as regards disseminating information, e.g. as regards information security.

During the Safety Week, moreover, the focus was also on the importance of safety notifications and the participation of all employees. Supervisors were encouraged to discuss safety issues at the beginning of all meetings during the Safety Week. Participation during the Safety Week was good, and both supervisors and employees were involved in the events on offer. It is important for Isavia that everyone pay proper attention to safety issues, as incidents that occur have the potential to have extensive



negative effects on the company together with the fact that the goal of all who work for Isavia or in its workplaces is to come home healthy at the end of the working day.

The operation of machines and vehicles as well as driving practices were two of the aspects that Isavia's safety team addressed during the year. The team prepared educational material on the use of seat belts and updated applicable rules on the use of seat belts within Keflavík Airport.

The goal of the informational material was to increase driver awareness regarding the importance of always using seat belts, including while driving within the airport, as well as increasing safety awareness and preventing accidents.

Particular focus was directed toward collaboration with stakeholders, and educational material was distributed to them as a part of the drive to increase safety awareness during Isavia's Safety Week.

PERSONAL DATA PROTECTION

Isavia places great importance on the protection and responsible treatment of information. This includes personal information irrespective of in what form such information may be. Isavia follows the criteria of the safety standard ÍST EN ISO/IEC 27001:2017 and encourages the security of information valuables through formal procedures contained in the information security handbook and quality handbook that support continuity in operations and minimise operational risk. The protection and treatment of personal information, moreover, covers all information valuables from third parties that Isavia has in its possession and/or which the company has asked a third party to manage on its behalf. The policy was established in 2018 and approved by the CEO.

What kind of personal information is being processed and how such information should be preserved must be kept in mind in all Isavia's operations on a daily basis. Isavia and its subsidiaries practice generally accepted work practices and have adopted personal data protection into their operation to

ensure that it is an integral part of daily operations. This includes maintaining a processing file, preparing processing agreements, updating and/or documenting work procedures relating to the processing of personal information, educating individuals about the processing of their personal information, notifying of security failures, performing risk assessments to assess the effects on personal data protection, acquiescing to requests from individuals as regards their rights together with educating employees about personal data protection.

Isavia assesses the personal data protection management system by conducting internal audits which are also a part of the company's quality system. In addition, management conducts reviews of the management systems, the results of audits and responses to security breaches at least once a year. Employees and stakeholders have the opportunity to submit suggestions to the personal data protection representative, and full confidentiality is maintained. Suggestions are taken under consideration and used to make improvements to the management system. In addition, Isavia takes advantage of results from personal data protection monitoring bodies and sees such results as an opportunity for improvements and as a recognition for the effectiveness of the management system.

Isavia employs active security measures to prevent security breaches from occurring. Security breaches are responded to immediately when discovered or notified and an investigation initiated. Improvements are always recommended on completion of an investigation and are implemented with the view of strengthening the company's security measures. Isavia has endeavoured to limit the extent to which personal information is processed and to ensure the safety of such information across the company. There are active security measures to prevent security breaches from occurring.

Security breaches are responded to immediately when discovered or notified and an investigation initiated. Improvements are always recommended on completion of an investigation and are implemented with the view of strengthening the company's security measures. No violations of personal data protection were lodged with Isavia from customers or monitoring bodies as regards customer information in 2020.



ISAVIA IN THE COMMUNITY

COMMUNITY PARTICIPATION

Isavia is responsible for the operation and maintenance of the infrastructure that is the basis for aviation services in Iceland, connections to the wider world and flights between three continents over a large area. Iceland's airports constitute important public-transport infrastructure. Of these airports, Keflavík Airport is the largest entry point into Iceland and is especially important for the transport of passengers and goods by air in and out of the country. Isavia's operations are of considerable national interest, and its employees make every effort to conduct their work in a safe and efficient manner in harmony with the community.

Isavia follows a policy of corporate social responsibility, with priorities in accordance with the company's overall policy. The company is working on and participating projects linked to this policy in various ways. The common thread running through these projects is that they support us in being part of a pleasant journey for passengers, customers and other stakeholders.

CORPORATE SOCIAL RESPONSIBILITY POLICY

Isavia promotes equilibrium between the economy, environment and society with sustainability as a guiding light.

For more information on Isavia's Corporate social responsibility policy see here: https://www.isavia.is/media/1/CSR%20Policy.pdf

ISAVIA'S EMERGENCY AND CRISIS COORDINATION

Isavia's Emergency and Crisis Coordination was formally established in 2015 by formalising collaboration measures and specific procedures within the company that were created as result of the eruption in Eyjafjallajökull (Eyjafjalla glacier) in 2010. The method used was to form a team of employees who have a variety of skills and experience and good connections both within and outside the company to lead the work. The experience gained under different conditions has subsequently been used to form and develop the company's ability to meet anticipated and unforeseen events.

The role of Isavia's Emergency and Crisis Coordination is to:

- Ensure that Isavia's responses are co-ordinated and harmonised during times of risk and emergencies.
- Ensure comprehensive responses to events that threaten the operative security of the company and to mitigate their effects.
- Provide support to management and employees.
- Ensure the return of full services as soon as possible.

To achieve these goals, the Emergency and Crisis Coordination employs flexible and performancedriven procedures that address events in an organised manner.



COVID-19

Isavia's Emergency and Crisis Coordination was a highly active venue due to bad weather conditions and other events in the months at the end of 2019 and beginning of 2020. In discussions during such meetings, news of a new contagious disease that was spreading across China began to be heard. Immediately thereafter, discussions were held about the company's plans for the future, and in fact, the work of the Emergency Committee began. Although discussions or decisions at the time were not, as such, crucial for responses in January, the general tone was set and shows how important it is that members of such organisations meet regularly and discuss possible threats based on what might happen based regarding effects on the operation of airports and air travel. On 24 January, the Emergency Committee attended its first meeting with Almannavarnir (the Department of Civil Protection and Emergency Management) and the Chief Epidemiologist to discuss the matter.

The infection prevention plans for international airports was issued in 2019 in collaboration with the office of the Chief Epidemiologist and Almannavarnir. These plans were used as a good base for Covid-19, although adaptations were made to meet this new threat. The process has at all times been flexible to be able to meet a variety of scenarios.

A number of other aspects also play an important part in the organisational and planning preparations at the same time as extensive organisational changes were implemented within Isavia in 2020. The Emergency Committee operates across Isavia units and its subsidiaries, and as a result, the decision was immediately made to co-ordinate all fields of the operation, i.e. the parent company, air navigation services, domestic and international airports.

The Emergency Committee activated its information sources and channels to stakeholders as well as connections that were formed during regular joint meetings. Responsiveness and short communication channels within Isavia as well as to external parties have been important, while the close co-operation between the Emergency Committee and Almannavarnir and the Chief Epidemiologist as well as the

dynamic collaboration with airport stakeholders have been a key element in good collaboration and of excellent results.

Within the company, regular information flows, employee meetings and an information site were activated. Access to the Emergency Committee was extremely open, and anyone could send enquiries and receive advice from the very beginning. Isavia's educational department was quick to issue information that Isavia employees and other stakeholders at the airport could use to their advantage. In addition to the fact that managers needed to find new ways to contact their employees as efficiently as possible when the workplace was divided into home-based work and different infection-free zones, employees and managers must be congratulated for being extremely flexible as regards their work based on different scenarios and infection prevention rules.

All the actions in which the Emergency Committee is involved are subject to examination. As regards long-term projects, it is important to investigate, although actions have not been completed. By the beginning of June, a summary was prepared of what actions had been successful and what could have been done better during the first wave of the pandemic. All the employees of the company were given the opportunity to voice their opinion, and the results were used to fine tune procedures as points that were used during organisations in the next wave that began at the end of July / beginning of August.

Everyone has contributed, care has been taken to ensure infection prevention and the result is that no employee working for the airport or related operations has been infected at work (as far as we know).

CIVIL PROTECTION AND ACCIDENT RESPONSE

Isavia plays an important role in the management system of the Civil Protection Department and plays a key role in response plans for search and rescue in the Icelandic air traffic control area and development of accident response plans on land. Full scale airport emergency plan exercises at the airport are an important part of Isavia's preparedness as well as civil protection measures and their



development. As a rule, four full scale airport emergency plan exercises are held every year throughout Iceland. Participation is without fail good, with more than 1,000 people from all response units usually taking part in these exercises as well as the general public. Since the company began holding full scale airport emergency plan exercises at airports, the response plans of the Civil Protection unit for multiparty accidents have developed in line with the working procedures used in airport exercises. The company's exercises have therefore become a consultation forum for response entities for the development of knowledge and procedures that have been codified in regulations and the Civil Protection Act.

There were four Airport emergency plan exercises scheduled in 2020 at the largest airports in Iceland (including Keflavík Airport). As a result of Covid-19, however, these were all cancelled and have been rescheduled to 2021. The ban on gatherings was instrumental in this respect, as it was important to ensure the safety of all responders. Preparatory work for the exercises was carried out during the year.

FULL SCALE AIRPORT EMERGENCY PLAN EXERCISES

For more information on full scale airport emergency plan exercises (in icelandic) see here: https://www.isavia.is/fyrirtaekid/um-isavia/samfelag-og-umhverfi/samfelag/flugslysaaefingar

THE ICELANDIC ASSOCIATION FOR SEARCH AND RESCUE (ICE-SAR) AND THE ICELANDIC RED CROSS

As of 2012, a grants fund with the purpose of supporting accident equipment has been operated throughout Iceland in co-operation with partners. The equipment is available as necessary in the event of major accidents, accidents that occur in remote places or when people need to be housed in mass relief centres. Co-operation between Isavia, ICE-SAR and the Red Cross been successful, and the volunteers from these organisations are an important part of the airports' response systems throughout Iceland.



UNITED NATIONS GLOBAL COMPACT

Isavia is a party to the UN Global Compact. By virtue of its participation, Isavia undertakes to ensure that its polices and work practices are in accordance with the ten principles of the United Nations on human rights, work issues, environmental issues and actions against corruption. Isavia also undertakes to participate in projects supporting the UN's Sustainable Development Goals and to publish information on the company's social responsibility in accordance with the criteria of the UN Global Compact and the GRI.



UN WOMEN'S EMPOWERMENT PRINCIPLES

Isavia signed the UN Women's Empowerment Principles, an international initiative spearheaded by UN Women and the UN Global Compact. As a signatory, Isavia undertakes to address equality issues with the company, demonstrate social responsibility and take the initiative in the field. The agreement contains seven criteria to guide the efforts of companies and institutions to foster equality and increase their participation of women in business. Signing this Convention is the natural continuation of other efforts made by the company under the banner of social responsibility and dovetails with the company's objectives on gender equality.





UN SUSTAINABLE DEVELOPMENT GOALS

Isavia has set itself a policy-making objective linked to the United Nations' Sustainable Development Goals. Special emphasis has been placed on 5 (Gender equality), 7 (Affordable and clean energy), 8 (Decent work and economic growth), 9 (Industry, innovation and infrastructure), 11 (Sustainable cities and communities), 12 (Responsible consumption and production), 13 (Climate action) and 17 (Partnerships for the goals).



GRI - GLOBAL REPORTING INITIATIVE

This is the fourth time Isavia is issuing an Annual and Corporate Social Responsibility Report. The report is modelled on the GRI Standards: Core criteria together with GRI-G4 special provisions for airports. These special provisions deal specifically with the challenges and opportunities faced by airports when it comes to sustainability. The aim of issuing this report is to provide transparency, a more in-depth view of the company's activities and their effects on society at large. The information in the report is based on operations in 2020.



FESTA—ICELANDIC CENTRE FOR CORPORATE SOCIAL RESPONSIBILITY

Isavia is an active member of Festa - the Icelandic Centre for Corporate Social Responsibility. The aim of Festa is to raise awareness of CSR in Icelandic companies and in the community and encourage research in this field.



RESPONSIBLE TOURISM

Responsible tourism is a motivational project with the aim of Icelandic tourism companies agreeing on some clear and simple actions concerning responsible tourism. The purpose of the project is to promote Iceland as a desirable tourist destination going forward, which supports sustainability for future generations of the country. Isavia has taken part in the project from the beginning.



ICELAND TOURISM CLUSTER

Isavia is a collaborative member of the Icelandic Tourism Cluster. The role of the company is to strengthen competitiveness and enhance the value of Icelandic tourism. It is a real addition to the tourism-related activities conducted elsewhere (e.g. by the Travel Industry Association, the Icelandic Tourist Board and Promote Iceland, to name but a few). The Iceland Tourism Cluster focuses on greater co-operation with these and other partners throughout Iceland.



MAIN ORGANIZATIONS OF WHICH ISAVIA IS A MEMBER:

Airport Council International (ACI)

American-Icelandic Chamber of Commerce

Association of Reykjanes Employers

United Nations Global Compact BIM Iceland

Borealis, co-operative forum for flight navigation service providers in North-West Europe

Confederation of Icelandic Employers

Civil Air Navigation Services Organisation (CANSO)

Danish-Icelandic Chamber of Commerce

Dokkan

Excellence Iceland (Stjórnvísi)

Festa, Icelandic Centre for Corporate Social Responsibility

French-Icelandic Chamber of Commerce

Icelandic Travel Industry Association

Iceland Tourism

Iceland Ocean Cluster

ÍMARK – Marketing Association of Iceland

Mannauður, Association of Human Resources Managers

NAT-SPG, co-operative forum of States within the ICAO NAT Region

Project Management Association of Iceland

Ský, Association of IT people



EVIRONMENTAL ISSUES

THE ENVIRONMENT

Isavia has, as have most other companies, suffered considerable setbacks during the past year. Nevertheless, the company has soldiered on and continued to carry out improvements in its efforts in environmental issues. Isavia thus strives to keep the negative environmental impact of its operations to a minimum in harmony with the community and passengers and to be, thereby, a part of a good journey.

Isavia established an environmental policy in April 2015. A great deal of effort has since been spent on the objectives of the policy in accordance with our action plans regarding environmental and climate issues. The current plan applies to the years 2020–2021. This plan sets out various measures aimed at reducing the negative environmental impact of the company's operations. This focuses on, among other things, the renewal of the company's fleet of vehicles toward more environmentally friendly vehicles, increased waste sorting, the development of infrastructure for environmentally friendly vehicles and carbon off-setting.

Work on the adoption of the ISO 14001 environmental standard for Isavia ohf. began during the year and will be completed by spring 2021.

ENVIRONMENTAL POLICY

Isavia will strive to minimize negative environmental impact of its operations and always consider environmental matters in its decision making..

For more information on Isavia's Evironmental policy see here: https://www.isavia.is/media/1/Environmental%20Policy.pdf

During the adoption, important environmental aspects in the operation of Isavia ohf. were analysed. A detailed monitoring plan for these aspects was created, and the main environmental risks in the

operation were assessed. The Isavia Academy had overall supervision of the composition of a digital training course for employees. The course addressed the company's environmental policy, actions to take regarding environmental issues, the adoption of the standard and was held in co-operation with Isavia's Environmental Department. The course was launched at the beginning of 2021.

One unit at Isavia ANS, Gufunes Iceland Radio, has had ISO14001 certification since 2018.

There was one major pollution incident at Keflavík Airport last year. The incident occurred when the landing gear of Icelandair's Boeing 757 failed. More than five thousand litres of jet fuel spilled onto one of the runways. The specially trained employees of Airport Operations were, however, able to clear the spill before it reached the grounds adjoining the runway. The accident occurred while the ground was still frozen, which made quite a difference, and no soil renewal was required as a result. In addition, there were a few minor fuel mishaps during refills on the aprons at Keflavík Airport. These were minor leaks onto the tarmac and were cleaned up.

No rulings have been made where the company was considered to have violated environment protection legislation.





WATER

Isavia is conscious of the importance of preserving the freshness and cleanliness of the groundwater in the surrounding area. Verkís has overall responsibility for groundwater research and analysis at Keflavík Airport. Samples have been taken every year since 2017. These samples continue to show the presence of undesirable chemicals in groundwater, most of which can be traced to the operations of a third-party years ago. Their concentration, however, is low. There are indications that the condition of groundwater in and around the airport are improving. Isavia will continue to take measurements and monitor the quality of groundwater.

Isavia obtains water from utilities at each site and has not reused or recycled water from airport areas. In recent years, Isavia has improved wastewater drainage at international airports, which is commonly connected to municipal drainage systems. In 2016, work was carried out on refurbishing wastewater drainage from the west part of Keflavík Airport, which drains into the sea. A two-stage pumping and filter station was built at Djúpavík south of Stafnes in Sandgerði and a new and longer outlet laid out to sea. Isavia operates one two-stage pumping and filter station at Djúpuvík that supplies a part of Keflavík Airport. In other respects, Isavia uses the sewage system of the municipalities in which each workplace is located, and the recipient is in all cases the sea, although the level of sewage cleaning may differ. Oil separators and settlement ponds receive the majority of the polluting materials that otherwise would end up in the sewage system.

USE OF CHEMICALS

De-icing materials, together with sand, are used on runways and aprons to prevent the surface from becoming slippery and leading to risks to aircraft traffic, vehicles and others using these areas. Keflavík Airport uses both de-icing granules and de-icing fluids. De-icing substances are based on either on sodium formate or on potassium formate. They are certified with the Blue Angel ecolabel. They are

biodegradable, have minimal toxic effects and meet all mandatory environmental and ecological requirements. Domestic airports use sand almost exclusively.

The use of de-icing materials decreased considerably between years, probably due to the fact that air traffic was much reduced and the reduction in the use of remote stands. Use, moreover, is also dependent on the weather. During the winter of 2019–2020, winter services at Keflavík Airport were provided for 141 days. Snow clearing took 5,460 machine hours.

Quantity of de-icing substances in airports GRI G4-A06

	2016	2017	2018	2019	2020
Clearway SF3 de-icing grains	27 tonnes	58 tonnes	123 tonnes	129 tonnes	107 tonnes
Clearway F1 de-icing liquid	54.300 l	79.959 l	216.000 l	438.000 l	219,000

ECOSYSTEM

Biodiversity at Isavia airports is as diverse as it is numerous. The Reykjanes peninsula is a UNESCO Global Geopark and, as such, is of major significance as regards geological formations. Some of these are globally unique. In this context, the best-known example is probably how well one can see the plate boundaries of the Eurasian and North American plates. There are no geological formations within the Keflavík Airport area even though the airport is certainly located in an interesting geological area.

Isavia has closely monitored wildlife within airport zones and has analysed adjacent airport environments in terms of the presence of animals and birds. The areas are extremely diverse as regards vegetation and availability of food, with the result that their attractiveness to wild animals and birds differs from place to place. Measures taken to reduce the risk for air passengers and reduce the likelihood of collisions between wildlife and aircraft are an important facet in the operation of airports. A range of methods, such as habitat management, are used to keep wildlife and birds away.



Isavia has, for a number of years, monitored wildlife on airports throughout Iceland. The employees of Isavia who are involved in wildlife management register the number and species of wildlife that can be seen at the airport. Considerable efforts are spent on mapping wildlife behaviour, particularly that of birds at and near the airports, and employees involved in this work have extensive experience in wildlife management. In 2018, Isavia enlisted the help of Náttúrustofa Reykjaness (The Southwest Iceland Nature Research Centre) and Þekkingasetur Suðurnesja (Suðurnes Science and Learning Centre) to carry out a detailed examination of birdlife at Keflavík Airport. At the time, the most recent examination had been performed in 1975. The results of the examination have been used by the airport's employees to improve the habitat and wildlife management in the area.

Isavia registers all possible aircraft collisions between birds and wild animals at all its airports. Last year, 9 confirmed instances of birdstrike were registered at Keflavík Airport. At domestic airports no birdstrikes were registered.

Total annual number of bird strikes GRI G4-A09

201	2018	
173.17	193.070	Total number of aircraft movements
2	35	Total number of bird strikes
1.2	1.8	Total annual number of bird strikes per 10.000 aircraft movements

Below is a list of the species of wild animals and birds that were observed in airport areas over the past year. They are classified according to the threatened species list of the Icelandic Institute of Natural History. In addition, information is provided on their status in this country as well as their status on the ICUN Red List of Threatened Species. Population sizes in Iceland may differ when compared to global populations, and some species enjoy protection according to Icelandic law even if they are not on the **IUCN Red List.**

IUCN Red List species and national conservation list species with habitats in areas affected by operations GRI 304-4

Status on IUCN red list	Legal status in Iceland	Status Iceland	Scientific name	Species
Least concern (LC)	Not protected	Endangered (EN)	Larus marinus	Great black- backed gull
Least concern (LC)	Protected except near protected eider-duck nesting site during the period 15/4 - 4/7	Endangered (EN)	Stercorarius Parasiticus	Parasitic jaeger
Near threatened (NT)	Protected	Vulnerable (VU)	Haematopus ostralegus	Eurasian oystercatcher
Near threatened (NT)	Protected	Vulnerable (VU)	Somateria mollissima	Common eider
Least concern (LC)	Not protected	Vulnerable (VU)	Corvus corax	Common raven
Least concern (LC)	Protected	Vulnerable (VU)	Sterna paradisaea	Arctic tern
Least concern (LC)	Protected	Vulnerable (VU)	Tringa totanus	Common redshank
Least concern (LC)	Protected	Near threatened (NT)	Asio flammeus	Short-eared owl
Least concern (LC)	Protected, except on certain days between 1/11 - 30/11	Near threatened (NT)	Lagopus muta	Ptarmigan
Least concern (LC)	Protected	Least concern (LC)	Larus canus	Common gull
Least concern (LC)	Protected	Least concern (LC)	Cygnus cygnus	Whooperswan
Least concern (LC)	Protected except from 1/9 - 15/3	Least concern (LC)	Anas platyrhynchos	Mallard
Least concern (LC)	Protected except from 20/8 - 15/3	Least concern (LC)	Anseranser	Greylag goose
Least concern (LC)	Protected except from 20/8 - 15/3	Least concern (LC)	Anser brachyrhynchus	Pink-footed goose
Least concern (LC)	Protected	Least concern (LC)	Pluvialis apricaria	European golden plover
Least concern (LC)	Protected except from 1/9 - 15/3	Least concern (LC)	Larus ridibundus	Black-headed gull



CLIMATE

ENERGY USE

DIRECT ENERGY USE

Fuel consumption is the most important environmental factor in the otherwise energy demanding operation of Isavia. We closely monitor fuel consumption in our operations and make efforts to try and reduce it where possible. Tests involving the addition of rapeseed oil to fuel used on equipment were initiated last year, and the hope is that we will be able to increase the proportion added in coming years.

The greatest share of this consumption by far is accounted for by the servicing and maintenance of the runways and operating areas of airports. Although its scope in some ways relates to the number of passengers, it is for the most part dependent on the weather and, as a result, may fluctuate, particularly if winter services are required for many days of the year. During the winter of 2019–2020, winter services at Keflavík Airport were provided for 141 days. Snow clearing took 5,460 machine hours.

Isavia has operated according to an Environment and Climate Action Plan that is applicable to the end of 2021. This plan sets out various measures aimed at reducing the negative environmental impact of the company's operations. The measures involve aspects such as the renewal of its vehicle fleet, machinery, the prudent use of resources, increased electrification and carbon off-setting. We have already begun working on the revision of this action plan and the formulation of a new sustainability policy.

There was some reduction in the fuel consumption of Isavia when account is taken of the overall fuel consumption. When, however, account is taken of the use per passenger, there was a considerable increase in fuel consumption between years. This can be traced to the considerable decrease in the number of passengers to Keflavík Airport as a result of the Covid-19 pandemic. In addition, it was clearly shown that Isavia's fuel use did not correlate to the number of passengers to any great extent, as stated above. Isavia's target for 2020 was to reduce fuel consumption per passenger by 4%, but this was not achieved.

> Energy consumption within the organiztion GRI 302-1 & Reduction of energy consumption GRI 302-4

Type	2015	2016	2017	2018	2019*	2020	2020 kWh
Petrol	45.665 l	47.131 l	40.769 l	39.964 l	37.400 l	26.962 l	7.777.867
Diesel	751.722 l	714.574 l	819.696 l	893.326 l	853.682l	759.292 l	246.70
Aircraft fuel	x	×	62.468 l	77.520 l	78.131 l	66.676 l	682.390
Per passenger	0,148 l	0,106 l	0,0961	0,095 l	0,114 l	0,501 l	

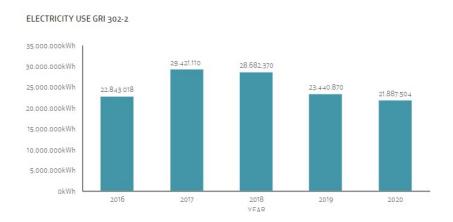
^{*} Figures for 2019 have been updated in light of new data.

INDIRECT ENERGY USE

Last year, electricity consumption at Isavia was 21,887,504 kWh – a considerable decrease from the preceding two years. This can first and foremost be traced to the company's economisations during the Covid-19 pandemic. The reduction in energy use was greatest at the Leifur Eiríksson Air Terminal at Keflavík Airport, although there were also significant reductions in other airports in Iceland. The figures for previous years have been updated in light of actual use to correct forecasts.



Energy consumption is forecasted to rise in the coming years as result of the expansion of Keflavík Airport and of further installation and greater use of energy-intensive infrastructure, e.g. grounding for aircraft and charging points for cars and other vehicles. The amount of hot water used by Isavia was 834,379 cubic metres (48,393,956 kWh). This use corresponds to the use of approximately 980 150square metre homes.



GREENHOUSE GAS EMISSIONS

DIRECT GREENHOUSE GAS (GHG) EMISSIONS THROUGH ENERGY USE SCOPE 1

The direct emission of greenhouse gases by Isavia can be traced to fuel use. In 2020, the amount of direct greenhouse gas emissions caused by burning fossil fuels was 2194 t CO2e. This is considerably less than in the years before. In early (spring) 2019, Isavia reached an agreement with Kolviõur and Votlendissjóður for the carbon off-setting of Isavia fuel consumptions for three years, retroactive for one year. This means that in 2018, 2019 and 2020, Isavia will have carbon off-set all direct emissions from the operation, or a total of 7198 t CO2e.

Last year, it became clear how much of Isavia's carbon footprint is connected to the use of large machinery and services to aprons, runways and taxiways. Despite the unprecedented downturn in operations, where the number of flights and passengers decreased significantly, there was not much of a decrease in Isavia's carbon footprint. The clearing of runways and other winter and maintenance work that Airport Operations carries out is in all respects independent of the number of flights or passengers; the scope of tasks remains the same. Isavia's greatest challenge with regard to reducing its carbon footprint is to find solutions on how to minimise the emissions of greenhouse gases from the specialised equipment used by the airport.

Direct Greenhouse Gas Emissions Scope 1 GRI 305-1

Emissions due to energy consumption in CO2 tonnes	2016 2.146	2017	2018	2019* 2.513	2020
Isavla total		2.458	2.694		
Isavia ohf.	Х	х	×	×	1460
Isavia Reginal Airports	х	х	х	х	469
Isavia ANS	х	х	×	х	239
Duty-Free Store	Х	x	х	×	26

^{*} Figures for 2019 have been updated in light of new data.



INDIRECT GREENHOUSE GAS EMISSIONS (GHG) THROUGH ENERGY USE SCOPE 2

In 2019, Isavia reached an electricity agreement with HS Veitur. The agreement provides that all electricity purchased by Isavia will be from renewable sources and free of charges due to the sale-oforigin guarantees. The energy used by Isavia in its operation in the form of electricity or heat comes from district heating plants or hydropower plants. In both cases, the energy in question is from renewable sources which generate low emissions of greenhouse gases. Indirect emissions due to heat and electricity, therefore, are very slight if account is taken of electricity production by other means. Indirect emissions through energy consumption in 2020 totalled 215 t CO2.

OTHER INDIRECT GREENHOUSE-GAS EMISSIONS (GHG) THROUGH ENERGY **USE SCOPE 3**

Emissions in scope 3, indirect emissions from the operation, include the treatment of waste and employee travel. In recent years, Isavia has used the Festa Loftlagsmælir (Festa climate gauge) to estimate carbon emissions relating to scope 3, although 2019 was the first year in which Isavia fully utilised the Klappir environment monitoring system. This has provided a better picture of carbon emissions. A part of the general waste from Keflavík Airport, however, is not sent to landfills but is instead incinerated in the Reykjanes incinerator of Kalka. The emission factor for the incineration of waste is lower than those that apply to landfill disposals. Emissions from incineration and landfill waste disposal by Isavia in 2020 were 86 tonnes of CO2e.

Direct emissions of greenhouse gases per passenger increased considerably between the years 2019 and 2020. The pandemic has been instrumental in this trend. One must realise, however, that it is clear that emissions per passenger is not a good indicator. A closer examination must be made of what indicators are more appropriate. Isavia's goal, however, is to minimise its total emissions, irrespective

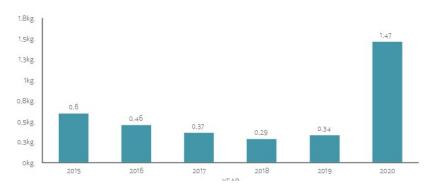
of the number of passengers or number of flights. We continue to strive to reduce total emissions as well as emissions from large factors such as fuel consumption. There was a decrease of 12.7% in direct greenhouse gas emissions from fuel consumption from 2019 to 2020.

Reduction of GHG emissions 305-5

		2017	2018	2019*	2020
GHG emission from landfill/disposal	tonnes CO2	59	66	94	86
GHG emission from electricity	tonnes CO2	206	338	255	215
GHG emission from fuel	tonnes CO2	2.458	2694	2513	2194
Total emissions GHG	tonnes CO2	2.723	3.098	2862	2495
Carbon offset	tonnes CO2	0	2694	2310	2194
Total emissions GHG with carbon offset	tonnes CO2	2.723	404	552	301
Emissons per passenger	tonnes CO2	0,37	0,29	0.34	1,47

^{*} Figures for 2019 have been updated in light of new data.

GHG EMISSIONS INTENSITY PER PASSENGER GRI 305-4





AIR QUALITY

Isavia monitors nitrogen dioxide levels around Keflavík Airport by means of an air quality meter located over Eyjabyggő. Real-time measurements can be found on the loftgaedi.is website. Air quality forecasts have been prepared for 13.7m passengers and 14.5m passengers. In both cases, the concentration of sulphur dioxide and nitrogen oxide is under reference values. Based on the passenger forecast used in the Masterplan for Keflavík Airport, just over 13 million passengers are expected in 2039.

NET ZERO & THE CLIMATE AGREEMENT

In 2019, the CEO of Isavia signed a NetZero Commitment issued by ACI Europe to the effect that Keflavík airport, together with numerous other airports in Europe, will be carbon-free by 2050 at the very latest.

Isavia has also been a signatory to the Climate Agreement of the City of Reykjavík and Festa – the Center for Sustainability since 2015. Following the signing of this declaration, Isavia set itself the objective of reducing greenhouse gas emissions, thus demonstrating initiative and responsibility towards the environment and society.

Isavia is conscious of the responsibility it bears regarding climate issues and greenhouse gas emissions and is working in an active and organised way on measures to reduce its carbon footprint.

ACA CARBON ACCREDITATION

Isavia participates in the Airport Carbon Accreditation (ACA) system, run by Airports Council International. The ACA is a form of carbon accreditation designed by airports for airports and is therefore customised to their operations. The project, which was previously divided into four stages, has now been updated in accordance with the NetZero commitment and is now six stages. Keflavík Airport has taken part in the project for five years, and in 2019, Isavia completed the second stage in the adoption of the carbon accreditation. The objective has been set to reduce carbon emissions by 2030, and work is under way according to an action plan.



BOREALIS ALLIANCE FREE ROUTE AIRPSPACE

Isavia is a member of Borealis Alliance, an association of nine air navigation service providers (ANSP) in Northern Europe. Work is ongoing on the Free Route Airspace project, aimed at shorter flight times, resulting in lower fuel consumption, lower costs and less pollution. In Iceland, aircraft operators can now schedule and operate direct flights from Keflavík Airport to airports in Norway and Scotland, the nearest air traffic control areas to the south-east of Icelandic airspace.

The effects of flight altitude on the fuel consumption of aircraft are considerable. As a flight progresses, it is more economical for aircraft to fly at higher altitudes. It is estimated that a thousand-foot (1,000 feet) deviation from the optimal altitude calls for 1% extra fuel per hour.



ACOUSTICS

NOISE MEASUREMENTS

In recent years, Isavia has taken various measures to mitigate noise from flights at Keflavík Airport. An acoustic measurement system with one mobile and three fixed meters has been used in the neighbourhood of Keflavík Airport since 2017.

The acoustic measurement system linked to aircraft movements was installed at the same time as the meters. This allows residents, stakeholders and Isavia to monitor flights and noise measurements. One can also report nuisance noise that relates to individual aircraft movements. A link to the acoustic measuring system can be found on the Isavia website.

Last year, Isavia received 17 reports of noise and nuisance caused by air traffic, most of which were linked to passenger flights directly over residential areas or military flights.

ACOUSTIC NOISE MONITORS

Acoustic noise monitors have been placed at several locations in and around the airport.

For more information on acoustic noise monitorss live feed see here: https://webtrak.emsbk.com/kef2

In 2017, Isavia hired the engineering firm Efla to produce a sound map for the airport based on the number of aircraft movements, aircraft types and location. The map shows the calculated 24-hour noise level (Lden) around Keflavík Airport. According to Efla's mapping, there is no resident that suffers noise caused by air traffic which exceeds 64 dB but around 300 who are exposed to noise levels between 60-64 dB and 1,300 who are exposed to noise levels of 55-59 dB. This map can be seen on the website of the Environment Agency of Iceland.

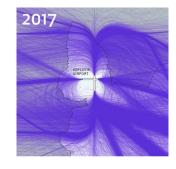
An action plan to combat excessive noise levels to the year 2023 was approved following a consultation

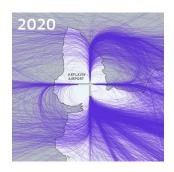
process and presentations. The plan was prepared in collaboration with Reykjanes Township and Vegagerðin (Icelandic Road Administration). This plan can be seen on the website of the Environment Agency of Iceland. Among the actions that Isavia embarked on was to adopt new flight routes for Keflavík Airport. These profiles were designed with the aim of minimising noise and nuisance caused by flight traffic at the airport. When controlling air traffic, Keflavík Airport strives to use those runways which cause the least nuisance for residents in the vicinity of the airport. This is implemented to the greatest extent possible, with due regard to safety and environmental factors, such as wind and runway conditions.

Continuous efforts are spent on monitoring noise measurements and ensuring that the rules of the airport as regards runway use and flights over residential areas are complied with.

There were 11 reports of nuisances caused by flight movements at Reykjavík Airport in 2020, mainly due to the aircraft start-ups.

The images below show a comparison of flight paths between years. The images are created from the acoustic measurement system and show a clear change in flight traffic above residential areas in Reykjanes. The amount of residential areas affected by flight traffic is greatly reduced.







RECYCLING

WASTE SORTING AND EFFECTS

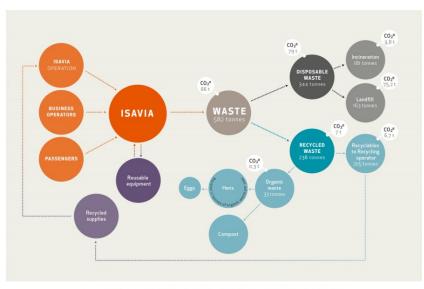
Ilsavia places great importance on waste sorting and has, over the past few years, used Grænu skrefin (Green Steps) organised by the Environment Agency of Iceland for the adoption of the company's waste sorting. At the beginning of 2021, all the employees of Isavia ohf. took part in environmental training which discussed waste categories in detail and the importance of circular thinking. Unsorted waste from Isavia ohf. and its subsidiaries is sent either for incineration in Kalka or to a local landfill site. The greatest environmental effect of waste treatment from the operations of Isavia is through the disposal of unsorted waste. The treatment of sorted waste carries a low carbon footprint.

RECYCLING PROPORTION AND VOLUME OF WASTE

The total volume of waste from Isavia decreased significantly in 2020 as compared to the year before. This can be traced directly to the drop in operations and the decrease in the number of passengers. Approximately 344 tonnes of waste were sent for incineration or to landfills during the year. Isavia's recycling percentage for the year was 41%, while the target set by Isavia was 40% by year-end 2020. Efforts have been initiated to increase this percentage even further and to reduce the formation of waste in the operation. A large volume of disposable gloves and face masks, which may not be recycled, were used during the year. These, therefore, were all disposed of as general waste. In addition, the transfer of the office operations of Isavia ohf. from the tower at Reykjavík Airport due to mould also had a considerable impact on the volume of waste last year. All paper, together with other items that were deemed to be uncleanable, was thrown away or sent for recycling as appropriate. Nevertheless, the company was able to maintain the recycling ratio unchanged from 2019.

Percentage of recycled waste per passenger GRI 306-2

Year	201	6	2017	7	201	8	201	9	202	20
Sorted per passenger	0,027 kg	14 96	0,040 kg	20 96	0,045 kg	27 96	0,075 kg	4196	0,140 kg	41%
Unsorted per passenger	0,160 kg	86 %	0,160 kg	80 96	0,123 kg	73 %	0,107 kg	59%	0,202 kg	59%
Total per passenger	0,187 kg	100 96	0,200 kg	100 96	0,168 kg	100 96	0,182 kg	100 96	0,342 kg	100



Streams of waste in Isavia's operations and carbon emissions of each category



ACTIONS RELATING TO RECYCLING ISSUES

In recent years, Isavia has adopted a variety of actions to achieve its objective to minimise waste generated by the operation and to increase the proportion sent for recycling. This includes the collection of organic waste. A project intended to draw the attention of employees and others to food waste was initiated through educational material on the company's intranet, messages on refrigerators and coffee-break rooms. In addition, the specialists in the Environmental Department also worked closely with the operators of the airport's employee cafeteria in an effort to decrease food waste, carrying out weighing checks and notifying employees of its results through an information screen in the cafeteria facilities. Operations in 2020 were severely curtailed, and the employee cafeteria at Keflavík Airport was closed.

In recent years, during the spring, Isavia, in collaboration with Terra, has offered employees and other interested parties the option of obtaining compost.

Iceland Radio in Gufunes continued its environmental efforts as before. The focus is on waste sorting, and a large proportion of food leftovers that accrue are used to feed the hens that became a part of the operation a few years ago.

Keflavík Airport's warehouse at Grænás receives furnishings and useable building materials from the renovations in Leifur Eiríksson Air Terminal and other airport buildings. Furnishings are reused if spare parts are needed or sent to other locations around the country. Part of the Green Steps initiative currently being adopted by Isavia is awareness of the possibilities of reusing furnishings and other material within the company.





SCOPE OF OPERATIONS

PASSENGERS AND FLIGHT MOVEMENTS

Two factors have the greatest impact on the scope of Isavia's operations: the number of flight movements and the number of passengers. Isavia's income from Keflavík Airport can be attributed first and foremost to the airlines that land at the airport, concession revenues from food and beverage and retail outlets as well as other income from renting facilities.

As a whole, the company's operations have lessened in scope as compared to last year. Domestic passenger throughput decreased by around 53%, while the number of international passengers travelling through domestic airports decreased by 82.6%. At Keflavík Airport, the number of passengers decreased by 81%, and traffic in Icelandic airspace decreased by 40% in 2020.

Three aircraft operators ran scheduled flights within Iceland, i.e. Air Iceland Connect, Flugfélagið Ernir and Norlandair. Other aircraft operators who regularly used Isavia Domestic Airport services were Mýflug, Circle Air and Atlantsflug. In addition, the companies Norðurflug, Blue West Helicopters and Helo operate helicopter services at the company's airports. The Icelandic Coast Guard (ICG), moreover, has its facilities at Reykjavík Airport.

Air Iceland Connect maintained a limited schedule from Reykjavík to several locations in Greenland. In addition, the Icelandic Flight Academy (Flugskóli Íslands) and Flugfélagið Geirfugl have facilities at Reykjavík Airport. BIRK Flight Services, Reykjavík FBO and Air Iceland Connect are responsible for ground handling services at the airport.

FLIGHT STATISTICS

Isavia publishes flight statistics on the web with basic statistics about passengers, aircraft movements, cargo and traffic in the Reykjavik Control Area.

For more information on passenger and flight statistics see here:

https://www.isavia.is/en/corporate/about-isavia/reports-and-statistics/passenger-statistics/passenger-statistics

At Akureyri Airport, Norlandair has regular scheduled flights within Iceland and scheduled and chartered flights to Greenland. These flights were severely curtailed during the year, and overseas flights from Akureyri were virtually non-existent. Circle Air offers chartered and sight-seeing flights from Akureyri. In addition, the Akureyri Aviation Academy (Flugskóli Akureyrar) is based at the airport. Air Iceland Connect is responsible for ground handling services at Akureyri Airport.

Akureyri Airport is the centre for Iceland's ambulance flights, as the Mýflug airline has an agreement thereto with the Ministry of Health. The travel agency Voigt Travel, in collaboration with the aircraft operator Transavia, offered chartered flights from the Netherlands to Akureyri, twice a week from February to March. The plan was to continue with the flights into the summer, but these were cancelled as of March due to Covid-19. There were chartered flights from Akureyri to Tenerife at the beginning of the year. In addition, chartered flights to the Faeroe Islands were also operated.

At Egilsstaðir, Air Iceland Connect deals with ground handling services for private and leased aircraft. There were, however, no chartered flights from Egilsstaðir this year.

Reykjavík Airport has two runways (1,567 and 1,230 m long), Akureyri Airport has one (2,400 m) and Egilsstaðir Airport has one (2,000 m). Other airports and landing sites have runways ranging from 634 m to 1,887 m in length.

NUMBER OF INTERNATIONAL AIR-NUMBER OF DOMESTIC AIRPORTS IN NUMBER OF LANDING STRIPS IN **PORTS IN ICELAND ICELAND** 30

The largest customers of Isavia's flight navigation services are Icelandair, United Airlines, Air Greenland, Qatar, Emirates, Lufthansa, Turkish Airlines, British Airways, SAS, Air Canada, Delta Air Lines, Air India, US Privat og KLM. These airlines fly the greatest number of kilometres within the Icelandic flight traffic control area. Icelandair is the largest user of the flight navigation services at Keflavík Airport.



SCOPE OF OPERATIONS AT KEFLAVÍK AIRPORT

The year 2020 has posed considerable challenges globally, not least the aviation sector. Keflavik International Airport, as other airports, felt this keenly, as by mid-March, air traffic through the airport began to decrease. January and February were as predicted despite extensive flight cancellations due to weather conditions in January.

During this period, there were 15 aircraft operators with regular flights to Keflavík, or one fewer than the year before, as WOW air ceased operations at the end of March 2019. To put this into context, there were four in 2012 and 12 in 2016. Air traffic in April and May was almost non-existent, or around 1–2 flights a day or none at all on some days.

On 15 June, some hope was rekindled within the Icelandic tourism sector when the authorities decided to open the borders to a limited extent. Responses from aircraft operators were immediate, as there was no lack of interest in coming to Iceland. The number of airlines flying to Iceland immediately increased to seven and then very shortly thereafter to 14, offering 34 destinations before the second wave of infections began in Iceland. The authorities subsequently issued an order for a double screening process as of mid-August for passengers arriving in Iceland. Soon after these changes were made, air traffic decreased and the number of passengers steadily decreased until in December, when numbers rose slightly due to Christmas.

Goods transportation has increasingly been transferred to passenger flights in recent years (i.e. belly cargo), and regular air freight transportation has fallen considerably. This, however, increased significantly in 2020 to 77%, compared to 2019, as passenger transport has, for the most part, been almost non-existent. Three operators are responsible for regular freight flights to Iceland, i.e. Icelandair, Bluebird and DHL. Four handling agents operate at Keflavík Airport: Icelandair, Airport Associates, South Air and Iceland Jet Centre.

Isavia introduced a new incentives system in April this year after working on preparations towards the

end of 2019. The new incentives system is well designed to assist airlines in the decision to reinstate flights to Iceland, although it is clear that once operators see that the pandemic is receding or when travel conditions improve, Keflavík Airport and Iceland will have to compete with other destinations. As a result, it is vital to establish a dynamic incentives programme to attract these operators to return.

The total number of passengers in 2020 was 1,374 thousand, as compared to 7,249 thousand the year before, or a decrease of around 81%. Despite increased freight movement flights, these decreased by almost 10%, which clearly shows how much freight was transported with passenger flights before the pandemic hit. Keflavík Airport has two runways, which are 3,054 m and 3,065 m long.

Numerous passengers take advantage of Keflavík Airport as a transit airport, and Icelandair uses the airport for such purpose on routes between Europe and North America. The minimum flight connection time for passengers at Keflavík Airport is 25 minutes.

KEFLAVIK AIRPORT LONGEST RUNWAY REYKJAVÍK AIRPORT LONGEST

AKUREYRI AIRPORT LONGEST RUNWAY

EGILSSTAÐIR AIRPORT LONGEST RUNWAY

3.065 m

1.567 m

2.400 m

2.000 m

INTERNATIONAL FLIGHTS AT REGIONAL AIRPORTS

The past few years have seen considerable collaboration between the marketing centres in North and East Iceland. Isavia Regional Airports and Íslandsstofa (Promote Iceland) worked together during the year on a project initiated by Flugbróunarsjóður (the Flight Development Fund) to strengthen the marketing of airports in Northeast Iceland. The results of the project showed that there were opportunities for even greater collaboration and that the airports could be marketed as two options for direct access to unique natural environs and wide open spaces. Isavia Regional Airports and Íslandsstofa will continue with this project and advertise the airports, the infrastructure and services available, while



the role of the marketing centres will continue to be to advertise the destinations and goods availability and to prepare to receive future guests.

An important step was taken in 2018 when the British travel agency Super Break launched flights to Akureyri with groups of tourists from the UK. Flights were operated for three months in early 2018 and then from New Year 2018/19 through to March 2019. The flights were popular, but unfortunately, the company suffered a stoppage of operations in August 2019 and their planned schedule for winter 2019/2020 did not, therefore, materialise. The travel agency Voigt Travel was responsible for 16 flights between Akureyri and Rotterdam during the 2019 summer season. These flights have been considerably well received. In February 2020, the company again began selling flights between Akureyri and Rotterdam, which lasted to 9 March, but the company had to cancel its summer schedule due to the pandemic.

PASSENGER AND TRAFFIC FORECASTS

Isavia compiles a traffic forecast at least once a year for the company's core operations for passenger numbers at Keflavík Airport and for traffic in Icelandic airspace.

Traffic in the Icelandic air traffic control area is assessed in accordance with information from a working group entitled the Economic Financial Forecasting Group (EFFG). The working group, which prepares a forecast for air traffic over the North Atlantic, is made up of all service providers and representatives of associations using the service in the North Atlantic.

The passenger forecast for Keflavík Airport is usually compiled at the end of each year for the coming year and is published in November or December. The forecast was issued rather late due to uncertainties regarding the use of the 737 MAX aircraft of Icelandair, as these had all been grounded.

By mid-March, however, all forecasts were obsolete due to the pandemic. This meant that it was only possible to rely on in-house passenger forecasts during planning, and no real public forecast was issued. In a normal year, the company relies on the booking status of aircraft operators, flight schedules and extensive information exchange with the airlines. Due to the uncertainties, these aspects have not been available and passenger statistics therefore garnered to some extent from information provided from the airlines and the experience and knowledge gained in recent years.

VALUE CREATION

Isavia is a company that plays an important role both community-wise and in an economic sense. Isavia's airports, especially Keflavík International Airport, create value for the community and the economy, both in Iceland and elsewhere in the world. Direct flight connections are extremely important. The more direct connections by flight from Iceland to the main cities of the world, the easier it is for Icelandic companies and private persons to engage in business overseas and export goods and seek international experience. In addition, they increase the interest of overseas companies to begin operations in Iceland. An analysis has been carried out in Europe which indicates that an increase in flight connections of 10% produces 0.5% economic growth.

Airports are important business centres and directly and indirectly strengthen the creation of economic and social value for the communities that their operations touch. Being located close by an airport allows companies and their value chains to enjoy the benefits of their close proximity and directly and indirectly support positive economic developments for such areas.

Isavia has, through e.g. the preparation of its Masterplan to 2040, examined the possibility of constructing, in the operating area of the airport, an Airport City. There are numerous opportunities that arise from creating an Airport City. This consists of the area that covers the airport, the terminal, cargo areas, office buildings, shops and services as well as hotels. The area could support the



development of operations, both flight-related and non-flight-related, and enjoy the benefits of being located near an international airport with strong flight connections to gain a competitive edge. Clear policies towards such goals can result in an increase in goods and services transactions, attract increased foreign investment in Iceland, increase the number of valuable jobs and increase the prosperity of all Icelanders

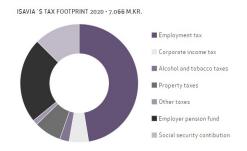
A total of 537 employees work in the largest operation unit of Isavia at Keflavík Airport. In addition, hundreds of employees work in other companies that have operations in direct connection with the airport. Approximately 163 companies have long-term access authorisations to Keflavík Airport. These are companies or public bodies with facilities within the airport and the companies that provide them with services.

Isavia's contribution to the community consists of a range of different elements. Some of Isavia's contributions are in the form of taxes and public levies that the Group pays or collects, together with matching contributions to employee pension funds.



Direct economic value generated and distributed GRI 201-1

	2020
Direct economic value generated	
Revenues	14.858 m.kr.
Economic value distributed	
Operating costs	5.633 m.kr
Employee wages and benefits	14.067 m.kr.
Payments to providers of capital	1.196 m.kr.
Payments to government	2.071 m.kr.
Investments	3.153 m.kr.
Community investments	5 m.kr.
Economic value retained	-11.268 m.kr.
Avarage number of positions	1081





DEVELOPMENT

DIGITAL DEVELOPMENT AND IT

Isavia endeavours, in tune with its strategy, to continuously strive to adopt new technology and procedures. In an effort to ensure the focus on these strategic guidelines and the importance of future digital development in the operation of the company, a separate support division for these issues was created at the end of 2019. Isavia is a service company in airport operations, and the role of IT in this context is to create a digital venue for employees, partners and customers. Thus, the company supplies important infrastructure and internal services to increase economisation, efficiency and services security to those who pass through Keflavík Airport.

Efforts were made in 2020 to focus on internal aspects and assess the manner in which digital developments and IT can support Isavia's future vision. The decision was made to formulate a policy for the issue, establish guiding lights for the future and a clear framework regarding decisions and information provision. Work on the IT policy began at the end of 2020 and will be completed in early 2021. Clear objectives were established for the issues for 2021, with a focus on data-driven decision making. The idea is to focus on strengthening data warehouses and increase management access to information. The main criteria is that access to information is open unless there are specific reasoned arguments that this should not be the case.

The operation in 2020 was characterised by the challenges posed by Covid-19. The first task of the new division was to lead the adoption of Microsoft Teams, which is a dynamic collaborative and communication tool. The adoption of Teams was quite speedy and successful during the work-at-home trend during the year and is now one of the basic tools used by employees. The company has been able to adopt new procedures as regards filing, the manner in which employees work together and how projects are managed.

Isavia and its subsidiaries employ numerous employees who undertake a wide range of tasks. To strengthen communications between the groups working in different locations within Iceland, and to bolster team spirit, the decision was made to adopt Workplace, a communications medium for workplaces. The medium is based on the same characteristics and interfaces as Facebook while still being specially designed for company environments where access is easy from any location and at any time. It is easy to access information on the company, the work and the projects in progress. The adoption of Workplace was a success and was carried out during the second wave of the pandemic in 2020.

The company also adopted electronic signatures in 2020, and the adoption of the first stage of the project has been completed. At present, electronic signatures are used in conventional agreements with suppliers and employees. The project supports the environmental goals of the company as regards reducing the carbon footprint of its operations and has also helped the company to maintain conventional operations despite the ban on gatherings. The next work components involve the customers of Isavia and applications to the external website of Isavia.

KEFLAVÍK INTERNATIONAL AIRPORT

The Leif Eiríksson Air Terminal was inaugurated in April 1987. It was, at the time, around 20,000 m2. At present, it is approximately 73,000 m2, 3.5 times larger than when opened. During the terminal's first year of operation, 750 thousand passengers passed through it. In 2019, this number had risen to 7.25 million passengers. This is beyond what was stated in the basic passenger forecast of the Masterplan for Keflavík Airport. The schedule assumed 8.8 million passengers in 2025 and 13.8 million passengers in 2040.

It is clear, therefore, that to meet international service standards, the airport's capacity will have to be increased, and the development plan for Keflavík Airport is prepared to meet this need. The schedule is based on an extensive needs assessment. The tasks of the schedule are divided between air terminal projects, airport systems projects and road construction projects. Work was begun in 2020 on designing projects that will be tendered, and construction will begin in 2021.



AIR TERMINAL SYSTEMS

This year we plan to issue invitations to tender for projects relating to two extensions to the Leifur Eiríksson Air Terminal. Construction is expected to be complete in 2022. One is a single-floor extension with a basement that will improve the baggage processing of arrivals in the terminal. Considerable changes will be made to the internal organisation of the arrivals area, and a part of this is the instalment of new baggage handling systems.

The other is an extension on two floors, without a basement, attached to the south building of the terminal. This is intended to improve the facilities offered to passengers passing through the departures gates at the east end of the south building. Included in the project is a new passenger boarding bridge (PBB).

RUNWAY SYSTEMS

An invitation to tender for the construction regarding two taxiways at Keflavík Airport will be issued and are to be completed this year. One is a new 1200 m taxiway for aircrafts that links the terminal's apron to the runway, and the other is maintenance and renewal of lighting equipment on one of the airport's large taxiways. The new taxiway will increase the safety and efficiency of the runway system

ROADWORKS

The plan is to issue an invitation to tender for two new roads within the airport area and to finish their construction this year. One of these roads is a 1500 m long service road to the construction site and will, in the future, be of use for goods transport to and from the airport area and the terminal. The other is a 500 m circular connection which will link the current traffic system in the forecourt of the terminal to the current layout of Reykjanesbraut. This will considerably improve road safety and will

decrease traffic blockages at the terminal.

Another project for 2021 is the initiation of the design or continuance of projects that are next on the development schedule. The airport terminal projects are, according to the development schedule, as follows:

- The continued broadening of the concourse between the north and south buildings, with new borders and the enlargement of the food and beverage area.
- A new concourse with up to 17 aircraft gates with gangways together with gates for remote stands.
- New service desks for arrivals and departures passengers in the new north building, together with an area for baggage screening.

The airport systems projects are intended to increase the capacity and safety of the runway system and eliminate the bottlenecks that could form there. These projects include a de-icing apron, new access taxiways, a fast-track taxiway and other connections between aprons and taxiways. In addition, work has begun on preparations for a vehicle parking building to the west of the Leifur Eiríksson Air Terminal.

Invitations to tender for project management and project supervision as regards the construction at Keflavík Airport were completed at the end of 2019 and resulted in a long-term agreement with the UK construction and consultancy firm Mace. Mace employees began work at the beginning of 2020, and there are, as a rule, 2–4 employees in Iceland who are involved in the preparations for construction.

Mace will be responsible for the project and its supervision as regards the planned construction, including the construction of the East Pier, a new concourse to the east and the construction of a new airport building. In addition, the company will also provide consultancy services for other Isavia projects at Keflavík Airport, including a linking building for the widening of the boarding corridor between the



north and south building of the airport. There is still some way to go before construction can begin on the East Pier and the new terminal, as construction of this magnitude requires several years of preparatory work. The work of Mace during the year has included the organisation of project management, project governance, risk assessment, communications with stakeholders, sustainability and more.

ISAVIA REGIONAL AIRPORTS

Maintenance work is carried out on runways, aprons and buildings each year, insofar as funds allow. The following regional airports were painted during the year: Reykjavík, Akureyri, Egilsstaðir, Höfn, Vopnafjörður, Þórshöfn, Bakki, Sandskeið, Gjögur and Reykjahlíð. The volume of paint used was: 10,359 litres of white, 1,124 litres of yellow and 468 litres of black.

A number of urgent tasks were undertaken in 2020, which were on the National Transport Policy schedule, and in addition, funds were allocated through the economic efforts of the government. An example of these is the overlay laid at Pórshöfn Airport and Ísafjörður Airport, the latter of which also had its parking area asphalted at long last.

Bakkaflugvöllur Airport and Reykhólar Airport, moreover, were repaved. The precision approach path indicator (PAPI) was renewed at Blönduós Airport and is a vital piece of equipment for ambulance flights. Work on the renewal of runway lights at Hornafjörður Airport began in the autumn but was then postponed to the spring due to weather conditions.

At Reykjavík Airport, the aprons at Básar were paved. This project was vital, as this part of the airport is first and foremost used for smaller jets and private aircraft. The fencing around the area controlled by the Coast Guard Patrol was renewed. Over 1,500 m of barbed wire was laid on top of the airport fence to ensure flight protection.

At Akureyri Airport, work on the installation of ILS equipment was completed and the ILS equipment

deployed at the end of January 2020. The new approach improved access to Akureyri considerably. The approach is important to both the aircraft that regularly fly to the airport according to schedules to and from the airport as well as being extremely important for new operators arriving in Akureyri. Norlandair, for example, has voiced its approval of the approach, and it proved its worth when Transavia came to Akureyri Airport at the beginning of the year in what can only be termed as demanding circumstances.

Work on a new apron at Akureyri Airport continued in 2020 with the completion of the design of the lower foundations. Work was carried out on a new fuel depot area at Akureyri Airport in the latter part of 2020 when fuel tanks were moved to a new location at the planned new apron. In addition, the use of the septic tank for the air terminal in Akureyri was discontinued and a new wastewater treatment plant put into use. The wastewater treatment plant is an environmentally friendly solution, and its use is a huge step in the environmental issues of Akureyri Airport.

The design of a new addition to the Akureyri Airport terminal began in 2020. The addition is intended for international flights and will help the airport to establish itself as an international airport.

At Egilsstaðir Airport, the office facilities were renewed and the roof repaired.

On the basis of the economic efforts expended by the authorities, an agreement was reached with Flugmálafélag Íslands (the Icelandic Aeronautical Association of Iceland) for the maintenance of smaller landing fields. The Association embarked on improvements to landing fields such as that at Hella Airport and will continue to undertake such projects during 2021.

ISAVIA ANS

Projects relating to the renewal of flight data systems of the Air Traffic Control Centre were continued. The system, named Polaris, will be designed by Tern Systems, a subsidiary of Isavia ANS, in cooperation with Isavia ANS.



PLANNING AND DEVELOPMENT

The development plans for Keflavík Airport are updated on a yearly basis, and its Master Plan is updated approximately every five years. The airport's Masterplan and Development Plan communicate our plans for expansion to the local community. The economic impact of the airport on the nearby community and the Icelandic economy in general is considerable, as is the importance of the airport for Iceland's main industry, tourism. Stakeholders have great expectations for successful development, and the Development Plan deals in particular with the cost estimates and time schedules for the work and analyses passenger patterns and air traffic in the context of building plans.

The Development Plan for Keflavík Airport was updated in 2019, and the Masterplan was presented in 2015. Both the Development Plan and the Masterplan should have been updated in 2020 but were postponed due to uncertainties in the flight services sector. We anticipate that new updates of both will be advertised in 2021.

The airport's Masterplan and Development Plan are optional – they are not acknowledged in Icelandic legislation and planning environment, but they are used abroad. The aim is to communicate a future vision for the airport, setting out phasing and flexible plans that take into account passenger and traffic forecasts and communicate information on building plans to stakeholders. Planning of this type is an approach that Isavia has selected to set forth its building and development plans. The airport has gone further in its assessment of the environmental impact and has demonstrated that the overall impact of its Development Plan goes further than the requirements laid down in environmental impact assessment legislation.

The airport's Masterplan and Development Plan have been approved by Isavia's Board of Directors after having been considered by the Executive Board. The Masterplan is a future vision for the airport as regards land use and communications with the community connected to the airport. The Development Plan is issued once or twice a year and covers the next seven years. The Masterplan

covers the next 25 years and is issued every 3-5 years. The updated development plan shows new areas of developments and the changes that have been made to plans over the last five years - since the last version in 2015.

The Development Plan is presented to stakeholders and at consultation meetings, and comments are invited. The websites of the development plan and construction plans are used to communicate information and invite comments from stakeholders. Actions are prioritised in terms of importance on the basis of a needs assessment and requirements based on user expectations and international regulations and standards. This approach of formulating a Masterplan and Development Plan is systematic, and Isavia has acquired certain experience in this regard. Both the Development Plan and the Masterplan have been issued twice.

The Development Plan is sent in its entirety to the Icelandic National Planning Agency, where the environmental impact of the planned building work is assessed. Environmental impact assessments are usually linked to individual projects, but the Development Plan enables the overall impact of the planned works to be assessed before work beginning over the coming years, taking into account the increased capacity and impact on environmental and social factors.

The environmental impact assessment of the Development Plan shows the effect that the expansion plans and mitigations measures for the airport will have. Several projects proposed in the Development Plan and Masterplan promote reducing the environmental impact of the airport, such as a de-icing apron and shortening taxiing distances for aircraft. The design for the airport expansion takes account of the BREEAM environmental certification system.

MASTERPLAN

For more information on Keflavik Airport Masterpland and Major Development Plan see here: https://www.isavia.is/en/corporate/business/keflavik-airport/business-opportunities/masterplan-kef



Keflavík Airport causes an increased indirect environmental impact, but greater capacity will create jobs and bring economic benefits for the immediate community. In this connection, we shall have to expect some undesirable consequences of increased air traffic, such as noise, more cars on Iceland's roads, carbon dioxide emissions, etc. Isavia monitors noise and air pollution near the airport and officially publishes the findings. Isavia also favours environmentally friendly solutions for expanding the Suðurnes Forum would sign a declaration pledging to speed up the adoption of the circular economy in airport and terminal.

It is difficult to assess the indirect impact of the operations at Keflavík Airport, but a report commissioned by Isavia on the significance of airport development for the future clearly shows the expected direct economic impact.

The British construction and consultancy firm Mace has, as of the beginning of 2020, worked as Isavia's partner in the development of Keflavík Airport. The company will be responsible for project management and supervision as regards upcoming construction. It will also be invaluable for providing its expertise in such large projects. Among the tasks Mace undertook in 2020 was to define consultation processes with stakeholders as regards construction at Keflavík Airport and to establish ambitious development plans for the airport as regards its future legacy and the sustainability of the work. Particular attention was paid to the effects on neighbouring communities, employment opportunities and environmental issues.

When formulating its Masterplan, Isavia has endeavoured to foster good relations with the immediate community. Consultation meetings are held when devising plans, and plans are regularly presented to stakeholders and the media.

Isavia has set up a consultation forum in conjunction with the immediate community – under the aegis of the UN Global Goals – and has good relations with the main stakeholders. The collaborative project, entitled Suðurnesjavettvangur (Suðurnes Forum), involves the four municipalities in the Suðurnes region – Grindavíkurbær, Reykjanesbær, Suðurnesjabær and Vogar – together with Isavia, Kadeco and the Association of Suðurnes Municipalities. Numerous meetings were held by the representatives

appointed by these groups in 2020. Four groups were appointed to address specific issues, and all submitted their proposals for remedies that accorded with the Global Goals. A discussion meeting was subsequently held in November where 140 members participated in lively discussions on the four issues at hand. An announcement was made at the end of the meeting that all those involved in the the area.



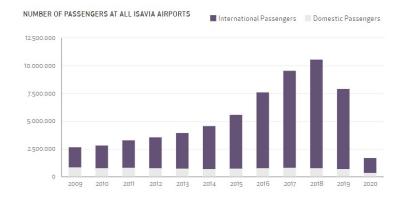
FLIGHT STATISTICS

INTERESTING FLIGHT STATISTICS

Isavia publishes statistics on passenger numbers, flight movements, cargo transportation and traffic through Icelandic airspace.

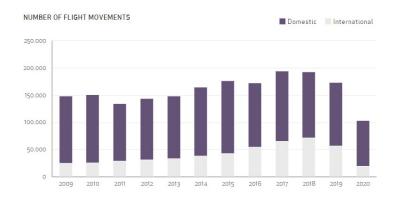
PASSENGERS

Total passenger movements through Isavia airports numbered just over 1.7 million in 2020, which is a 79% decrease from 2019. The number of international passengers using Icelandic scheduled-flight airports decreased from just under 7.3 million to just under 1.4 million, i.e. a decrease of some 81% year -on-year. There were decreases at all Icelandic airports, i.e. 50% in Egilsstaðir Airport, 77% at Akureyri Airport, around 81% at Keflavík Airport and almost 89% at Reykjavík Airport. The number of domestic passengers fell over the same period, from just under 653,000 to just over 320,000, i.e. a decrease of some 51%.



AIRCRAFT MOVEMENTS

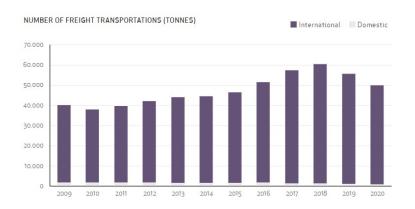
Flight movements in Isavia airports were almost 104,000 in 2020, or a decrease of 40% from the year before. Flight movements between countries were just over 19 thousand, or a 66% decrease from 2019. The greatest decrease was in Keflavík Airport, or around 67%; at Reykjavík Airport, the decrease was approximately 50%, 48% at Akureyri Airport and 31% at Egilsstaðir Airport. Flight movements within Iceland decreased from more than 116 thousand in 2019 to a little less than 85 thousand in 2020, or approximately 27%.





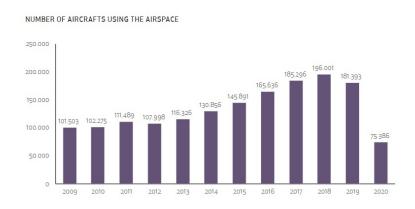
FREIGHT TRANSPORTATION

In total, almost 50,000 tonnes of goods were transported through the company's airports in 2020, a decrease of more than 10% from the previous year. Goods transportation between countries was a little more than 49,000 tonnes in 2020, a decrease of almost 10% between years. Goods transportation within Iceland was just over 897 tonnes in 2020, a decrease of just over 20% from 2019.



AIR TRAFFIC CONTROL

Just over 75,000 aircraft passed through Icelandic airspace in 2020, a decrease of around 58% from 2019. A total of over 103 million kilometres were flown in the Icelandic air traffic control area in 2020, or more than 58% fewer than in 2019. Just over a quarter of all air traffic over the North Atlantic crosses the Icelandic air traffic control area, which is controlled by Isavia. The area is quite unique among oceanic areas, thanks to its flexibility as regards flight routes and altitudes.





KEY FIGURES FROM OPERATIONS 2020

Passenger movement through the airports of Isavia overall were 1.7m in 2020, a decrease of 79% from 2019. The number of international passengers using Icelandic scheduled-flight airports decreased from just under 7.3 million to just under 1.4 million, i.e. a decrease of some 81% year-on-year. The number of domestic passengers fell over the same period, from just under 653,000 to just over 320,000, i.e. a decrease of some 51%.

The operating revenues of the Group amounted to almost ISK 14.7bn and decreased by ISK 23.7bn between years, or by around 62%. EBITDA, i.e. earnings before depreciation, financial items and taxes, decreased by almost ISK 13.0bn. The total assets amounted to ISK 80.5bn at year-end 2020, an decrease of ISK 0.17bn between years. The position of cash and cash equivalents continued to be strong by the end of the year. The company's owner increased its share capital by ISK 4,0 bn in June 2020 in support of the company's investment plans. Isavia's tax footprint for 2020 was ISK 7,066m. This is the proportion that the Group pays or collects in the form of taxes and public levies, together with matching contributions to employee pension funds.

REVENUE	OVERALL RESULT	EQUITY	INVESTMENT ACTIVITIES
14.737 m.kr.	-13.179 m.kr.	27.259 m.kr.	-3.329 m.kr.
RETURN OF EQUITY	EQUITY RATIO	AVERAGE NUMBER OF POSITIONS	TAX FOOTPRINT
-41,4 %	33,9 %	1.081	7.066 m.kr.

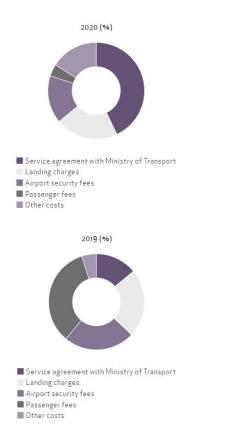
From the profit and loss account (million kr.)	2020	2019
Revenue	14.737	38.454
EBITDA	-6.137	6.775
EBIT	-10.054	2.906
Financial income/expenses	-4.875	-1.410
Profit before taxes	-14.929	1.496
Operating profits	-13.178	1.199
From the balance sheet (million kr.)	2020	2019
Property, plant and equipment	57.194	57.550
Assets	80.477	80.64
Equity	27.259	36.466
nterest-bearing liabilities	48.104	36.22
Current ratio	2,03	1,94
	31.5	
	2,03	
From the statement of cash flows (million kr.)	31.5	2019
From the statement of cash flows (million kr.) Operating activities	2020	2019 9.032
From the statement of cash flows (million kr.) Operating activities Investment activities	2020 -7.874	2019 9.032 -3.895
From the statement of cash flows (million kr.) Operating activities Investment activities Financing activities	2020 -7.874 -3.329	1,94 2019 9.032 -3.895 -1.383 9.167
From the statement of cash flows (million kr.) Operating activities Investment activities Financing activities Cash and cash equivalents at the end of period	2020 -7.874 -3.329 10.972	2019 9.032 -3.895 -1.383
From the statement of cash flows (million kr.) Operating activities Investment activities Financing activities Cash and cash equivalents at the end of period	2020 -7,874 -3,329 10,972 9,372	2019 9.032 -3.895 -1.383 9.167 2019
From the statement of cash flows (million kr.) Operating activities Investment activities Financing activities Cash and cash equivalents at the end of period Financial ratios Contribution margin	2020 -7,874 -3,329 10,972 9,372	2019 9.032 -3.895 -1.383 9.167 2019
From the statement of cash flows (million kr.) Operating activities Investment activities Financing activities Cash and cash equivalents at the end of period Financial ratios Contribution margin Profit margin	2020 -7.874 -3.329 10.972 9.372 2020 -41,6496	2019 9.032 -3.895 -1.383 9.167 2019 17,6%
From the statement of cash flows (million kr.) Operating activities Investment activities Financing activities Cash and cash equivalents at the end of period Financial ratios Contribution margin Profit margin Rate of return on assets	2020 -7.874 -3.329 10.972 9.372 2020 -41.6496 -89,4296	2019 9.032 -3.895 -1.383 9.167 2019 17,696 3.196 0.48
From the statement of cash flows (million kr.) Operating activities Investment activities Financing activities Cash and cash equivalents at the end of period Financial ratios Contribution margin Profit margin Rate of return on assets Return of equity	2020 -7.874 -3.329 10.972 9.372 2020 -41,6496 -89,4296 0,18	2019 9.032 -3.895 -1.383 9.167 2019 17,696 3.196 0.48
From the statement of cash flows (million kr.) Operating activities Investment activities Financing activities Cash and cash equivalents at the end of period Financial ratios Contribution margin Profit margin Rate of return on assets Return of equity Earnings per ISK of share capital Equity ratio	2020 -7.874 -3.329 10.972 9.372 2020 -41,6496 -89,4296 0,18 -41,3696	2019 9.032 -3.895 -1.383 9.167



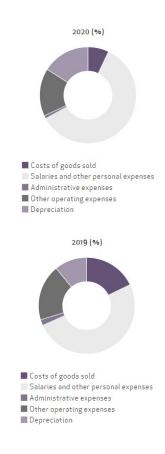
TOTAL INCOME

2020 (%) ■ Income from airport services Income from property and parking ■ Goods sold ■ Income from International air navigation services Other income 2019 (%) ■ Income from airport services Income from property and parking ■ Goods sold ■ Income from International air navigation services Other income

INCOME FROM AIRPORT SERVICES



OPERATING EXPENSES





GRI INDEX

GRI CONTENT INDEX

Isavia's Annual and CSR report 2020 is published in accordance with the criteria of the Global Reporting Initiative GRI Standards: Core option and GRI-G4 Airport Operator Sector Disclosures. Personnel from all divisions of the company participated in gathering content and writing of the report. Information in the report originates from the company's IT systems and reflect current knowledge at the time. The reporting period is 2020 calendar year. Status: •Fulfilled o Partly fulfilled. UNGC = connection to UN Global Compact. SDG = connection to relevant UN Sustainable Development Goals.

Disclosure	number and title	Location	Comments	Status	UNGC
GRI 102:2016	General Disclosures				
Organizationa	l Profile				
GRI 102-1	Name of the organization		Isavia ohf	•	
GRI 102-2	Activites, brands, products, and services	Operation		•	
GRI 102-3	Location of headquarters		Dalshraun 3, 220 Hafnarjörður	•	
GRI 102-4	Location of operations		Isavia operates only in Iceland. The company owns three subsidiaries: Isavia ANS, Isavia Regional Airports	•	
GRI 102-5	Ownership and legal form		Isavia is a public limited company	•	
GRI 102-6	Market served. Additionally, for airports: Catchment area for passengers and cargo originating in the vicinity of the airport.	Operation Business Partners Flight Statistics		•	
GRI 102-7	Scale of reporting organization. Additionally, for airports: Estimated number of employees in the reporting organization, size of airport, number and length of runways stating whether they are primary or crosswind runways, minimum connection time between flights at the airport, number of operations, number of airlines served, and number of destinations served.	Operation Human Resources Flight Statistics Key Figures Financial Statement 2020		•	



Disclosure r	number and title	Location	Comments	Status	UNGC
GRI 102-8	Information on employees and other workers	Human Resources		•	6
GRI 102-9	Supply chain	Stakeholders		•	
GRI 102-10	Significant changes to the organization and its supply chain	Message from the CEO Chairman's Statement Operation		•	
GRI 102-11	Precautionary Principle or approach	Corporate Governance		•	
GRI 102-12	External initiatives	Social Participation		•	
GRI 102-13	Membership of associations	Social Participation		•	
Strategy					
GRI 102-14	Yfirlýsing frá æðsta ákvörðunartaka	Message from the CEO		•	
Ethics and Inte	grity				
GRI 102-16	Values, principles, standards, and norms of behavior	Corporate Governance Isavia's Code of Conduct		•	10
Governance					
GRI 102-18	Governance structure	Corporate Governance		•	
GRI 102-20	Executive-level responsibility for economic, environmental, and social topics	Operation		•	
GRI 102-21	Consulting stakeholders on economic, environmental, and social topics	Material Aspects	Director of Corporate Strategy and Sustainability on behalf Managing Director	•	
GRI 102-22	Composition of the highest governance body and its committees	Corporate Governance Statement (in icelandic)		•	
GRI 102-23	Chair of the highest governance body	Rules of procedure for the Board of Directors (in icelandic)		•	
GRI 102-25	Conflicts of interest	Corporate Governance Statement (in icelandic)		•	
GRI 102-32	Highest governance body's role in sustainability reporting		CEO is principal	•	
GRI 102-33	Communicating critical concerns		Via the CEO and Excecutive Board	•	
GRI 102-35	Remuneration policies	Remuneration Policy		•	
GRI 102-36	Process for determining remuneration	Rules of procedure of the Isavia ohf. Remuneration Committee (in icelandic)		•	



Disclosure n	umber and title	Location	Comments	Status	UNGC
Stakeholder En	gagement				
GRI 102-40	List of stakeholder groups	Material Aspects Stakeholders Business Partners Human Resources		•	
GRI 102-41	Collective bargaining agreements	Human Resources		•	3
GRI 102-42	Identifying and selecting stakeholders	Material Aspects		•	
GRI 102-43	Approach to stakeholder engagement	Material Aspects Stakeholders Business Partners Human Resources		•	
GRI 102-44	Key topics and concerns raised	Material Aspects Objectives and Improvements Stakeholders Business Partners Human Resources		•	
Reporting Prac	tice				
GRI 102-45	Entities included in the consolidated financial statements	Financial Statement 2020		•	
GRI 102-46	Defining report content and topic Boundaries	Material Aspects		•	
GRI 102-47	List of material topics	Material Aspects		•	
GRI 102-48	Restatements of information	Material Aspects		•	
GRI 102-49	Changes in reporting	Material Aspects		•	
GRI 102-50	Reporting period		Report for calendar year 2020	•	
GRI 102-51	Date of most recent report		26. march 2020	•	
GRI 102-52	Reporting cycle		Yearly	•	
GRI 102-53	Contact point for questions regarding the report	isavia@isavia.is		•	
GRI 102-54	Claims of reporting in accordance with the GRI Standards	Material Aspects		•	
GRI 102-55	GRI content index	GRI Index		•	
GRI 102-56	External assurance	Message from the CEO Material Aspects Financial Statement 2020	Independent Auditor's Report. Independant advisors report and verification	•	



Disclosure	number and title	Location	Comments	Status	UNGC
ECONOMIC					
GRI 201: 2016	Economic Performance				
GRI 103-1	Explanation of the material topic and its boundary	Material Aspects Operation Financial Statement 2020		•	
GRI 103-2	The management approach and its components	Corporate Governance Operation Financial Statement 2020		•	
GRI 103-3	Evaluation of the management approach	Corporate Governance Operation Financial Statement 2020		•	
GRI 201-1	Direct economic value generated and distributed	Scope of Operations Financial Statement 2020		•	
GRI 203: 2016	6 Indirect Economic Impacts				
GRI 103-1	Explanation of the material topic and its boundary	Operation Material Aspects Scope of Operations		•	
GRI 103-2	The management approach and its components	Corporate Governance Operation Objectives and Improvements Scope of Operations Development		•	
GRI 103-3	Evaluation of the management approach	Corporate Governance Operation		•	
GRI 203-1	Infrastructure investments and services supported. Additionally, for airport to the airport sector because of high impact on local economies	· · · · · · · · · · · · · · · · · · ·		•	
GRI 203-2	Significant indirect economic impacts	Scope of Operations Development		•	



Disclosure i	number and title	Location	Comments	Status	UNGC
GRI 204: 2016	Procurement Practices				
GRI 103-1		Operation Material Aspects Stakeholders		•	
GRI 103-2	The management approach and its components	Corporate Governance Operation Objectives and Improvements Stakeholders		•	
GRI 103-3	Evaluation of the management approach	Corporate Governance Operation Stakeholders		•	
GRI 204-1	Proportion of spending on local suppliers	Stakeholders		•	
EVIRONMENT					
GRI 302: 2016	Energy				
GRI 103-1	Explanation of the material topic and its boundary	Operation Material Aspects Stakeholders		•	
GRI 103-2	The management approach and its components	Operation Material Aspects Objectives and Improvements Evironmental Issues Climate		•	
GRI 103-3	Evaluation of the management approach	Objectives and Improvements Climate		•	
GRI 302-1	Energy consumption within the organization	Climate		•	7,8
GRI 302-2	Energy consumption outside of the organization	Climate		•	8
GRI 302-4	Reduction of energy consumption. Additionally, for airports: Important for airports to share sectoral best practice	Climate		•	8,9



Disclosure	number and title	Location	Comments	Status	UNGC
GRI 303: 201	6 Water				
GRI 103-1	Explanation of the material topic and its boundary	Operation Material Aspects Evironmental Issues		•	
GRI 103-2	The management approach and its components	Operation Objectives and Improvements Evironmental Issues		•	
GRI 103-3	Evaluation of the management approach	Operation Evironmental Issues		•	
GRI 303-1	Water withdrawal by source	Evironmental Issues		0	8
GRI 304: 201	6 Biodiversity				
GRI 103-1	Explanation of the material topic and its boundary	Operation Material Aspects		•	
GRI 103-2	The management approach and its components	Operation		•	
GRI 103-3	Evaluation of the management approach	Operation		•	
GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and are of high biodiversity value outside protected areas	as Evironmental Issues		•	8
GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Evironmental Issues		•	
GRI 305: 201	6 Emissions				
GRI 103-1	Explanation of the material topic and its boundary	Operation Material Aspects Environmental Issues Climate		•	
GRI 103-2	The management approach and its components	Operation Objectives and Improvements Environmental Issues Climate		•	
GRI 103-3	Evaluation of the management approach	Operation Environmental Issues Climate		•	



Disclosure n	umber and title	Location	Comments	Status	UNGC
GRI 305-1	Direct (Scope 1) GHG emissions	Climate		•	7,8
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Climate		•	7,8
GRI 305-3	Other indirect (Scope 3) GHG emissions	Climate		•	7,8
GRI 305-4	GHG emissions intensity	Climate		•	8
GRI 305-5	Reduction of GHG emissions. Additionally, for airports: Reference to ACI-ACA Airport Carbon Accreditation Program	Climate		•	8,9
GRI 305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Climate		•	7,8
GRI 306: 2016 I	Effluents and waste				
GRI 103-1	Explanation of the material topic and its boundary	Operation Material Aspects Evironmental Issues Recycling		•	
GRI 103-2	The management approach and its components	Operation Objectives and Improvements Recycling Environmental Issues		•	
GRI 103-3	Evaluation of the management approach	Operation Evironmental Issues Recycling		•	
GRI 306-1	Water discharge by quality and destination	Evironmental Issues		0	7,8
GRI 306-2	Waste by type and disposal method. Additionally, for airports: Report on the weight of waste from international flights	Evironmental Issues Recycling		•	8
GRI 306-3	Significant spills	Evironmental Issues		•	8
GRI 307: 2016 I	Evironmental Compliance				
GRI 103-1	Explanation of the material topic and its boundary	Operation Material Aspects		•	
GRI 103-2	The management approach and its components	Operation Evironmental Issues		•	
GRI 103-3	Evaluation of the management approach	Operation Evironmental Issues		•	
GRI 307-1	Non-compliance with environmental laws and regulations	Evironmental Issues Acoustics		•	8



Disclosure i	number and title	Location	Comments	Status	UNGC
GRI 307: 2016	Evironmental Compliance				
GRI 103-1	Explanation of the material topic and its boundary	Operation Material Aspects		•	
GRI 103-2	The management approach and its components	Operation Evironmental Issues		•	
GRI 103-3	Evaluation of the management approach	Operation Evironmental Issues		•	
GRI 307-1	Non-compliance with environmental laws and regulations	Evironmental Issues Acoustics		•	8
SOCIAL					
GRI 401: 2016	Employement				
GRI 103-1	Explanation of the material topic and its boundary	Operation Stakeholder		•	
GRI 103-2	The management approach and its components	Operation Human Resources		•	
GRI 103-3	Evaluation of the management approach	Operation Human Resources		•	
GRI 401-1	New employee hires and employee turnover	Human Resources		•	6
GRI 401-3	Parental leave	Human Resources		•	6
GRI 402: 2016	Labor Management Relations				
GRI 103-1	Explanation of the material topic and its boundary	Operation Human Resources		•	
GRI 103-2	The management approach and its components	Operation Human Resources		•	
GRI 103-3	Evaluation of the management approach	Operation Human Resources		•	
GRI 402-1	Minimum notice periods regarding operational changes	Human Resources		•	3



Disclosure	number and title	Location	Comments	Status	UNGC
GRI 403: 201	8 Occupational Health and Saftey			_	
GRI 103-1	Explanation of the material topic and its boundary	Operation Material Aspects Occupational Saftey and Health		•	
GRI 103-2	The management approach and its components	Operation Objectives and Improvements Human Resources Occupational Saftey and Health		•	
GRI 103-3	Evaluation of the management approach	Operation Human Resources Occupational Saftey and Health		•	
GRI 403-1	Occupational saftey and health management system	Human Resources Occupational Saftey and Health		•	
GRI 403-2	Hazard identification, risk assessment, and incident investigation	Human Resources Occupational Saftey and Health		•	
GRI 403-3	Occupational health services	Human Resources Occupational Saftey and Health		•	
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Saftey and Health		•	
GRI 403-5	Worker training on occupational health and safety	Human Resources Occupational Saftey and Health		•	
GRI 403-6	Promotion of worker health	Human Resources Occupational Saftey and Health		•	
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Saftey and Health		•	
GRI 403-8	Workers covered by an occupational health and safety management system	Occupational Saftey and Health		•	
GRI 403-9	Work-related injuries	Occupational Saftey and Health		•	
GRI 404: 201	6 Training and Education				
GRI 103-1	Explanation of the material topic and its boundary	Operation Material Aspects Human Resources		•	
GRI 103-2	The management approach and its components	Operation Human Resources		•	
GRI 103-3	Evaluation of the management approach	Operation Human Resources		0	



Disclosure	number and title	Location	Comments	Status	UNGC
GRI 404-1	Average hours of training per year per employee	Human Resources		•	6
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Human Resources		•	
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Human Resources		0	6
GRI 405: 2010	6 Diversity and Equal Opportunity				
GRI 103-1	Explanation of the material topic and its boundary	Operation Material Aspects Stakeholders		•	
GRI 103-2	The management approach and its components	Operation Objectives and Improvements Human Resources Social Participation		•	
GRI 103-3	Evaluation of the management approach	Operation Human Resources		•	
GRI 405-1	Diversity of governance bodies and employees	Human Resources		0	6
GRI 405-2	Ratio of basic salary and remuneration of women to men	Human Resources		•	6
GRI 406: 201	6 Non Discrimination				
GRI 103-1	Explanation of the material topic and its boundary	Operation Material Aspecst Stakeholders		•	
GRI 103-2	The management approach and its components	Operation Objectives and Improvements Human Resources Social Participation		•	
GRI 103-3	Evaluation of the management approach	Operation Human Resources		•	
GRI 406-1	Incidents of discrimination and corrective actions taken	Human Resources		•	6
GRI 408: 201	6 Child Labor				
GRI 103-1	Explanation of the material topic and its boundary	Operation Material Aspects Stakeholders		•	
GRI 103-2	The management approach and its components	Operation Objectives and Improvements Human Resources Social Participationi		•	



Disclosure r	number and title	Location	Comments	Status	UNGC
GRI 103-3	Evaluation of the management approach	Operation Stakeholders		•	
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	Stakeholders Code of Conduct for Isavia's Suppliers		•	5
GRI 409: 2016	Forced or Compulsory Labor				
GRI 103-1	Explanation of the material topic and its boundary	Operation Material Aspects Stakeholders		•	
GRI 103-2	The management approach and its components	Operation Objectives and Improvements		•	
GRI 103-3	Evaluation of the management approach	Operation Stakeholders		•	
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Stakeholders Code of Conduct for Isavia's Suppliers		•	4
GRI 412: 2016	Human Rights Assessment				
GRI 103-1	Explanation of the material topic and its boundary	Operation Material Aspects		•	
GRI 103-2	The management approach and its components	Operation Objectives and Improvements		•	
GRI 103-3	Evaluation of the management approach	Operation Objectives and Improvemens		•	
GRI 412-2	Þjálfun starfsmanna í stefnum eða verklagsreglum um mannréttindi	Stakeholders Human Resources		•	1
GRI 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Stakeholders Code of Conduct for Isavia's Suppliers		•	2
GRI 413: 2016	Local Communities				
GRI 103-1	Explanation of the material topic and its boundary	Operation Material Aspects Development		•	
GRI 103-2	The management approach and its components	Operation Social Participation Development		•	
GRI 103-3	Evaluation of the management approach	Operation Development		•	



Disclosure i	number and title	Location	Comments	Status	UNGC
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	Development		•	1
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	Development		•	1
GRI 418: 2016	Customer Privacy				
GRI 103-1	Explanation of the material topic and its boundary	Operation Material Aspects Occupational Saftey and Health		•	
GRI 103-2	The management approach and its components	Operation Occupational Saftey and Health		•	
GRI 103-3	Evaluation of the management approach	Operation Occupational Saftey and Health		•	
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Occupational Saftey and Health		•	
GRI 419:2016	Socioeconomic Compliance				
GRI 103-1	Explanation of the material topic and its boundary	Corporate Governance Material Aspects		•	
GRI 103-2	The management approach and its components	Corporate Governance Operation		•	
GRI 103-3	Evaluation of the management approach	Corporate Governance Operation		•	
GRI 419-1	Non-compliance with laws and regulations in the social and economic area		No fines have been imposed on the company	•	7,8,9



GRI Sector	specific data: Airport Operators				
Disclosure nu	mber and title	Location	Comments	Status	UNGC
GRI A01		Scope of Operations Flight Statistics		•	
GRI A02	Annual total number of aircraft movements by day and by night, broken down by comercial cargo, general aviation and state aviation flights	Scope of Operations Flight Statistics		•	
GRI A03	Total amount of cargo tonnage	Scope of Operations Flight Statistics		•	
GRI A04	Quality of storm water by applicable regulatory standards	Evironmental Issues		0	
GRI A05	Ambient air quality levels according to pollutant concentrations in microgram per m3 or parts per million (ppm) by regulatory regime	Climate		•	
GRI A06	Aircaraft and pavement de-icing/anti-icing fluid used and treated by m3 and/or tonnes	Evironmental Issues		•	
GRI A07	Number and percentage change of people residing in areas affected by noise	Acoustics		•	
GRI A08	Number of persons physically or economically displaced, either voluntarily or involuntarily, by the airport operator or on its behalf by governmental or other entity, and compensation provided	Number of persons physically or economically displaced, either voluntari- ly or involuntarily, by the airport opera- tor or on its behalf by governmental or other entity, and compensation provi- ded	No such incidents reported	•	
GRI A09	Total annual number of wildlife strikes per 10.000 aircraft movements	Evironmental Issues		•	