



Corporate Governance

In this part is the statement on corporate governance. This statement forms part of the management's review in Atlantic Airways' Annual Report for the period 1 January – 31 December 2016. The section in this report on corporate governance is not comprised by the auditor's statement on the management's review in Atlantic Airways' Annual Report 2016. The section on the Internal Control and Risk Management relating to financial reporting and the Board of Directors are comprised by the auditors' statement on the management's review included in the annual report.

Atlantic Airways was delisted from the stock exchanges in Copenhagen and Reykjavik in 2014, which meant that the company is no longer subject to any recommendations on Corporate Governance. However, Atlantic Airways has nonetheless chosen to follow the Danish Recommendations on Corporate Governance and to comply with the recommendations where possible. A comprehensible table overview of the company's compliance with the Danish Recommendations, as well as explanations of departures, is provided on the company's website <https://www.atlantic.fo/en/about-us/the-company/governance/corporate-governance/>.

The Danish Recommendations on Corporate Governance was issued in May 2013 and last updated in November 2014. The full version of the Danish Recommendations on Corporate Governance can be found on the website www.corporategovernance.dk

The following subsections address main aspects of corporate governance in Atlantic Airways.

Annual General Meeting

The Annual General Meeting represents the supreme authority in the affairs of the company, within the limits established by the Articles of Association, in the hands of the shareholders' meetings. The Annual General Meeting of Atlantic Airways shall be held before the end of April each year. Shareholders and their advisors may attend the Annual General Meeting, and the meetings are open to representatives of the press.

Board of Directors

The Board ensures a prudent organization of the company's business and manages the company's general affairs as well as ensures that the best interests of the company's shareholders are guarded. The Board seeks to promote the long-term development of the company and endeavours to keep the organization and operations consistent with the company's mission and strategy.

The Board of Directors consists of 6 members. Two of the members are elected by the employees. Election of board members among the staff is conducted in accordance with relevant legislation. The other 4 board members are elected at the Annual General Meeting.

All persons elected to the Board of Directors must be properly qualified, and be able to devote the time required by the duties involved. The specific requirements for the skills of board members should ideally take keen notice of the following preferred skills, competencies and characteristics: experience within the aviation industry or other related fields of transport, relevant commercial experience, personal management experience relevant to the company's scope and size, governmental relations and issues, financial management and investor relations, performance and cost management, legislative insight and/or professional experience and strategic expertise and/or change management experience. The listed skills are not only relevant skills and competencies of various members, but are also listed to ensure that the Board of Directors represents a diversity of relevant skills and knowledge.

The Chairman's role is to organize and chair the meetings, to act as a contact person to the executive management, prepare the meeting agenda and ensure timely release of meeting material to members before the meetings, ensure notice to the entire Board of meetings, ensure that the most significant issues of the company are addressed, ensure that legal requirements of the Board are met and to act as an external spokesman.



The main duty of the deputy chairman is to step in as acting Chairman of the Board, should this become necessary.

The Board of Directors appoints the CEO and other members of the Executive Management. The Board of Directors convene when the Chairman deems it necessary or when one of the members or the CEO requests it.

The Board of Directors has held 10 meetings in 2016.

Board of Directors

Niels Mortensen, Chairman of the Board

Born: 28 October 1966 (male)

Address: Traðavegur 12, FO-100 Tórshavn, Faroe Islands

Joined the Board: March 2013

Special skills: Commercial experience

Chief Occupation: CEO of SMS P/F and NM Holding

Experience: Danske Bank 1987-1992, P/F SMS 1992-

Other board duties: P/F Petur Larsen og P/F Duty Free

Education: Niels Brock Business School, Danske Bank

Expiry of the current election period: April 2017

Considered independent of the Company

Kaj Johannessen, Vice-chairman of the Board

Chairman of the Board 1 January – 8 March 2013

Vice-chairman 2009-2012, and from 14 May 2013

Chairman of the Nomination Committee 2013

Chairman of the Audit Committee activities

Born: 8 November 1960 (male)

Address: Inni á Fløtum 13, FO-180 Kaldbak, Faroe Islands

Joined the Board: April 2009

Special skills: Expertise in financial and accounting matters, Governmental matters

Chief Occupation: CEO of P/F Farcod, P/F Enniberg og P/F Ametyst

Experince: CEO of P/F Enniberg since 2016. Advisor in the Ministry of Transport, Infrastructure and Labour 2015- 2016. Advisor in the Ministry of Finance 2013-2015. Advisor in the Ministry of the Interior 2008-2013. Senior Bank clerk in Føroya Banki (Bank Nordik) 2000-2008. Member of the chairmanship of the Faroese Council of Economic Advisers 2006-2009. Economist at Landsbanki Føroya 1993-2000 and Managing Director of Menningargrunnur Ídnaðarins 1990-1993. Examiner in economics at the Faroese University (Fróðskaparsetur Føroya) since 2001. Examiner in managerial economics at the Faroese Business Collage since 2009.

Other board duties: P/F Enniberg, P/F Farcod, P/F SMS og P/F Miðlon

Education: Mr. Johannessen has a MSc in Economics and Business Administration from Copenhagen Business School 1990, specializing in Financing, International Business and Management Accounting

Expiry of the current election period: April 2017

Considered independent of the Company



Board

Laila Ísheim Hentze, Member of the board

Born: 5 January 1972 (female)

Address: Gróthúsvegur 10, FO-188 Hoyvík, Faroe Islands

Joined the Board: April 2014

Special skills: Commercial experience

Chief Occupation: CEO Gallup Føroyar

Experience: Televarpið, CEO 2003-2011

Other board duties: None

Education: Mrs. Hentze has a MSc in Business, Language and Culture from Copenhagen Business School Business School

Expiry of the current election period: April 2017

Considered independent of the Company

Fróði Magnussen, Member of the Board

Born: 18 July 1969 (male)

Address: Oman Viðarlund 15, FO-100 Tórshavn, Faroe Islands

Joined the Board: April 2016

Special skills: Education and experience in commercial business.

Chief Occupation: CEO Formula P/F

Experience: CEO Formula P/F since July 2009. Head of Business Development of Formula P/F, August 1996- July 2009. Project Manager, Datacentret. Aarhus School of Business, August 1993 – August 1996. Part time teacher at Føroya Handilsskúli since 1997 (HD) since 1997.

Other board duties: Board member Formula 1998-2003 and again 2015-. Board member Formula Solution and chairman since foundation in 2003. Board member KT-felagið since 2010, Chairman in 2012-2014. Board member Framtak, since 2014. Board member Faroese Employer's Association since 2014. Substitute member Revenue Office Council since 2012 to 2016 when it was dismantled. Substitute member The Governmental Bank of the Faroe Islands 2016-.

Education: Cand. Merc; Aarhus School of Business.

Expiry of the current election period: April 2017

Considered independent of the Company

Hanna Svabo, Member of the Board

Born: 11 April 1952 (female)

Address: Gerðisgøta 4, FO-370 Miðvágur, Faroe Islands

Joined the Board: May 2014

Special skills: Employee of Atlantic Airways

Chief Occupation: Head of Staff and industr Travel, Customer service

Experience: Employee of Atlantic Airways since 1988

Other board duties: None

Education: Office clerk, Medical secretary

Expiry of the current election period: April 2019

Considered dependent of the Company as employee representative

Janus Rein, Member of the Board

Born: 29 May 1974 (male)

Address: Láarvegur 42, FO-100 Tórshavn, Faroe Islands

Joined the Board: June 2014

Special skills: Employee of Atlantic Airways

Chief Occupation: Captain at Atlantic Airways

Experience: Employee of Atlantic Airways since 2005, Member of the Faroese Parliament (MP) 2011-2015

Aðrir nevndarsessir: None

Útbúgving: Lawyer LL.B BA Laws, Airline Pilot ATPL, Merkonoma, Master Mariner

Expiry of the current election period: April 2019

Considered dependent of the Company as employee representative



Audit Committee

The Board has not formed a separate Audit Committee. The Board does not find it necessary to establish a separate Audit Committee, considering the company's size and organizational structure. The Board of Directors decided at a board meeting in March 2010 in accordance with Article 29 of the Faroese Audit Act that the Board executes the activity of the Audit Committee. Kaj Johannesen is chairman of the audit committee.

Executive Management

The Executive Management of Atlantic Airways is made up of the Chief Executive Officer and the Chief Financial Officer, who are responsible for the daily operations of the company.

The main duty of the CEO is to oversee daily operations and through this follow the board's policy and instructions. The CEO reports directly to the Board on the performance of the company on a regular basis. She must also provide the Board and the company auditors with any relevant information concerning Atlantic Airways' operations, which they may request. The CEO is responsible for the company's compliance with relevant law, with regard to accounts and finances, and is responsible for safeguarding the company's assets. In addition, the CEO is the Accountable Manager for the airline and as such has the ultimate responsibility to comply with the standards and requirements set by the aviation authorities.

The company's CFO is in charge of finance, administration, HR, technical department, rotor-wing department and IT.

Executive Management

Jóhanna á Bergi, CEO

Born: 29 September 1970

Address: Traðagøta 18, FO-700 Klaksvík, Faroe Islands

Experience: Mrs. Á Bergi has been CEO of Atlantic Airways since September 2015. CEO of FaroeShip P/F 2006-2015, Sales and Marketing Director of JFK 1998-2006 and Sales Manager at Faroe Seafood 1994-1998.

Other board duties: Visit Faroe Islands P/F, Føroya Grunnurin and Norðoya Íløgufelag, P/F Norðoyatunnilin.

Education: Mrs. Á Bergi has a MSc in Management from Robert Gordon University 2004. Export and Marketing from the Danish School of Export and Marketing 1994

Marius Davidsen, CFO

Born: 31 July 1958

Address: Í Fornanum 3, FO-380 Sørvágur

Experience: Mr. Davidsen has been CFO of Atlantic Airways since January 2005. Mr. Davidsen has been involved with Atlantic Airways since it commenced operations in 1987/88. Financial manager since 1988 and deputy for the CEO since June 1993. Mr. Davidsen is also CEO of Duty Free P/F

Other board duties: Duty Free P/F

Education: Mr. Davidsen is educated from Business School in Tórshavn

Authorized Signatories

The company is bound by the joint signature of a Chief Executive Officer and the Chairman of the Board, or by the joint signatures of two members of the Board of Directors.



Remuneration of Board and Management

The remuneration of the Board and Management are in accordance with the company's remuneration policy, available on the company's website. The remuneration policy was adopted by the Board of Directors and the General Meeting in April 2012.

The purpose of P/F Atlantic Airways' remuneration policy is to ensure appropriate corporate governance in the company and fulfil the long-term value creation for the company's shareholders.

The Board of Directors is remunerated with a fixed fee. The remuneration is not included in any sort of incentive or performance-related pay. The remuneration is set at DKK 120,000 a year. The chairman of the Board of Directors receives double the basic remuneration and the deputy chairman receives one and a half of the basic remuneration. Remuneration for the Auditing Committee is set at DKK 20,000 a year. The chairman of the auditing committee receives triple remuneration. If a board member assumes certain ad hoc tasks beyond the duty as board member, then the board sets a fixed remuneration for such tasks.

The remuneration reflects the competences, responsibility and efforts of the board members, the activity of the company, the scope of the workload and the number of board meetings.

Executive Management is contractually employed. The remuneration is reviewed and evaluated regularly. All adjustments to existing management contracts are made in writing and adopted by the Board of Directors.

Decisive to the remuneration to Executive Management is the objective to ensure the company's continued possibilities to attract and maintain the best qualified members of Executive Management. The details in the total remuneration to the Executive Management are comprised in consideration of market practice and the company's specific needs.

Remuneration of Executive Management may be comprised of fixed pay, value-based bonus and pension. The total level for the non-variable elements in the remuneration is established in consideration of market level, as e.g. the company's size and course of development are taken under consideration. Members of Executive Management receive defined contribution plans. There is currently no variable remuneration to members of the Executive Management.

Internal Control and Risk Management system relating to financial reporting

The Board and Executive Management have the overall responsibility for the company's risk management and internal control procedures in connection with the financial reporting process, including the adherence to legal and other requirements for presentation. The company's control and risk management systems are intended to effectively identify, manage and minimize the risk of error in the financial reporting process, and provides an adequate degree of certainty; though not complete certainty, that erroneous use of assets, losses and/or material errors and omissions in connection with the presentation of the accounts are avoided. The Board and the Executive Management set out and approve overall policy, procedures, and control on important areas in connection with the presentation of accounts.

The Executive Management has the daily responsibility for legal and other requirements being adhered to as regarding the presentation of accounts, and regularly informs the Board on this matter.

The Board of Directors annually, and when it is deemed needed, reviews and discusses the applied accounting policies and changes in these, as well as significant estimates relating to the financial reporting.

The Board of Directors performs an annual assessment of the company's risk management and internal control procedures, including an overall assessment of risk in connection with presentation of accounts. Part of this assessment is to determine the risk of fraud, and possible changes required to reduce and/or eliminate such risk.

A reporting process has been established under which monthly reports are made to the Board of Directors, explaining deviations from the expected results and key figures for the business segments.