

1 PURPOSE

- 1.1 The purpose of this Stock Option Plan (the “**Plan**”) is to enable Iceland Seafood International hf. (the “**Company**”) to attract and retain employees through an attractive wage system. Employees are provided with an opportunity to acquire a share in the Company in order to increase their incentive to promote future growth and increased prosperity of the Company and to reward such promotion.
- 1.2 Any reference to the Company shall include other companies within the same group of companies, in accordance with the Act on Annual Accounts No. 3/2006.

2 DEFINITIONS

For the purposes of this Plan and related documents, including the Stock Option Agreements (as defined below), the following terms shall be defined as set forth below:

“ Amount of Stock Option ”	means the amount of stock in nominal value, which the Optionee is entitled to purchase in the Company.
“ Board ”	means Board of Directors of the Company, as appointed at each time.
“ Closed Period ”	means a period in which exercise of Stock Option is not permitted by relevant laws and regulations, including but not limited to Rules No. 1050/2012 on Treatment of Inside Information and Insider Trading and Guidelines No. 2/2012 on the Enforcement of Rules No. 1050/2012, or otherwise stipulated under this Plan or other authorisations of the Company.
“ Earned Stock Option ”	means each option granted to an Optionee which the Optionee has earned by working for the company and which is exercisable by him or which is exercisable during a particular exercise period, as further set out in this Plan and the Stock Option Agreement.
“ Exchange Rate ”	means the multiplier which determines the purchase price of the Stock the Optionee is entitled to purchase.
“ Exercise ”	means that the Optionee uses their right to purchase Stock in the Company in consideration for payment of the Purchase

	Price, as further set out in a Stock Option Agreement.
“Exercise Period”	means the period in which the Optionee can exercise their Earned Stock Option, as further set out in a Stock Option Agreement.
“Granted Stock Option”	means a Stock Option which is granted to the Optionee on signing of a Stock Option Agreement.
“Market Value”	means the weighted average price in stock exchange trading of the Company’s shares for ten whole business days prior to the execution of a Stock Option Agreement. If the company’s shares are not listed in a stock exchange, then the referent shall be the shares’ current cost in trading, otherwise the book value of the company’s equity as put forth in its last revised annual account or interim financial report.
“Optionee”	means an employee of the Company entitled to exercise a Stock Option pursuant to this Plan and an executed Stock Option Agreement.
“Purchase Price”	means (a) in respect of any Stock Option Agreement executed prior to the Company’s admission to trading on Nasdaq First North-Iceland the original listing price of the Company’s shares when approved for trading on Nasdaq First North-Iceland as further set out in a Stock Option Agreement (the “Original Listing Price”) and (b) in respect of any Stock Option Agreement executed following the Company’s admission to trading on Nasdaq First North-Iceland the Market Value .
“Stock Option”	means an option granted to an Optionee to purchase shares in the Company, at a set time and at a predetermined Purchase Price subject to the terms and conditions of this Plan and the Stock Option Agreement.
“Stock Option Agreement”	means the agreement that is made with each Optionee on the basis of this Plan, the

terms and conditions of which being decided by the Board.

“Vesting Period”

means the time period from Granted Stock Option until Earned Stock Option being exercisable.

“Termination of Employment”

means the date when the Optionee ceases their daily attendance at the Company’s offices, notwithstanding when he ceases to be on the Company’s payroll.

3 PARTICIPANTS - OPTIONEES

- 3.1 The Board will have full discretion over which employees to grant options to.
- 3.2 The Board shall be authorised to offer new employees to participate in this Plan, as long as the Board has shares in the Company available for allocation in accordance with clause 7.

4 STOCK OPTION AND LEGAL POSITION OF OPTIONEES

- 4.1 The Stock Option is an independent right which is based on a Stock Option Agreements with each individual employee and has no connection with the Optionees’ terms of employment or the Optionees’ other agreements with the Company, unless otherwise stated in the Optionees’ Stock Option Agreement.
- 4.2 This Plan and the Optionees’ Stock Option Agreement do not grant the Optionee any right of continuing employment by the Company.
- 4.3 Stock Options may not be transferred or assigned or have any charge or other security interest created over them. A Stock Option shall terminate if the relevant Optionee attempts to do any of those things.
- 4.4 Optionees do not attain the legal position of a shareholder in the Company until shares have been both paid for and an Optionee has been registered in the Company’s register of shares pursuant to the terms and conditions of a Stock Option Agreement.
- 4.5 In the event that the Act on Foreign Exchange No. 87/1992, as amended, prohibits the Optionee from Exercising all or part of the Granted Stock Option that would otherwise be exercisable, such Exercise shall be postponed unless the Company has obtained any consent and/or exemption required from the Central Bank of Iceland to complete such Exercise.
- 4.6 The Company shall use its reasonable endeavours to apply for and procure any consent and/or exemption required from the Central Bank of Iceland in order to complete such Exercise, provided that the Company shall not be required to commence any litigation in relation thereto.

5 EFFECTIVE DATE AND TERM OF THE PLAN

- 5.1 This Plan is effective as of the approval of the Company’s Annual General Meeting held on held on 11th May 2016 (the “AGM”).

- 5.2 This Plan is unlimited in time and shall lapse on the earlier of:
- a) all Stock Option Agreements made in accordance with the Plan are fulfilled, or
 - b) Stock Options have lapsed in any other way, or
 - c) the Board decides to terminate the Plan pursuant to Clause 10.4.

6 IMPLEMENTATION AND SUPERVISION

- 6.1 This Plan and its implementation fall under the authority and supervision of the Board. The Board has the power of decision in all matters requiring decisions pursuant to the Plan.
- 6.2 The Board shall decide the specific terms and conditions of the Stock Option Agreements for each individual Optionee and terms and conditions of individual Stock Option Agreements do not need to be identical as the Board can adjust terms of individual Stock Option Agreements as it deems fit for each Optionee.
- 6.3 Relations with Optionees, the conclusion of Stock Option Agreements and related matters shall be the responsibility of the Chief Executive Officer of the Company. The Board or remuneration committee is responsible for relations with the Chief Executive Officer and Chief Operating Officer as regards their Stock Options.

7 ISSUANCE OF NEW STOCK CAPITAL

- 7.1 The Company can use its own shares for Stock Options, purchase shares or issue new shares in order to meet its obligations pursuant to a Stock Option Agreement. No shares will be issued pursuant to the exercise of a Stock Option unless such issuance and such exercise complies with all relevant provisions of law and the requirements of any stock exchange upon which the shares may then be listed.
- 7.2 The authorisation of the Board to issue new stock under this Plan is limited to ISK 54,362,311 representing 2.34 % of the issued share capital of the Company on a fully diluted basis. In order to fulfil its obligations according to Stock Option Agreements based upon this Plan the Company will issue new shares or deliver own shares.
- 7.3 Amount of Stock Option for any single employee shall not exceed 12.5% of the total issued Stock Option.
- 7.4 If an Optionee does not fully exercise Granted Stock Option, the Board may redistribute the unused Stock Option in accordance with this Plan. The Board shall verify that a shareholders' meeting has granted it the necessary authority for issuing additional shares to Optionees that already have been Granted Stock Options to ensure that each executed Stock Option Agreement can be fulfilled.

8 TERMINATION OF EMPLOYMENT

- 8.1 Stock Options are subject to the condition that Optionee be and continues to be employed by the Company. In the event that Optionee ceases to be employed by the Company during the Exercise Period the following shall apply:
- a) In the event that an Optionee resigns their employment, the Optionees' earned but unexercised Stock Option lapses at the date of the termination of employment.

- b) In the event that an Optionee be dismissed without further notice as a result of substantial non-performance of an employment contract, justifying immediate dismissal, their earned but unexercised Stock Option lapses on the date of dismissal.
- c) In the event that an Optionees' employment is terminated with contractual notice, the employee can exercise any exercisable option before the end of the notice period.
- d) In the event that an Optionee resigns for reasons of age, the Optionee shall have 90 days from its termination of employment to exercise any earned, unexercised Stock Option.
- e) In the event that an Optionee becomes incapable of work as a result of permanent disability, the Optionee has 90 days, from the date it is verified that the Optionee is indeed permanently disabled, to exercise any earned, unexercised option.
- f) Upon the death of an Optionee, the Optionees' estate shall have 90 days to exercise any earned, unexercised option.

8.2 The Board may approve exceptions from the provisions of this chapter subject to its sole and unfettered discretion.

9 STOCK OPTION AGREEMENTS

9.1 The Stock Option Agreement shall contain the terms and conditions decided by the Board, for example the exercise period, the amount of Stock Option and Exchange Rate.

9.2 The following terms shall apply to all Stock Option Agreements:

- a) The time period, from the Granted Stock Option until the time when the Stock Option is exercisable, needs to be at least 12 months long.
- b) A Stock Option can only be exercised during a period other than a Closed Period.
- c) The Purchase Price of shares upon the Optionees' exercise of the Stock Option shall not be lower than the Market Value of the shares at the time of Granted Stock Option.
- d) A Stock Option that is not exercised within an Exercise Period, shall be cancelled and cannot be exercised at a later stage.
- e) An Optionee may exercise their Stock Option in part or in full provided the Optionee exercises at least $\lceil \frac{4}{48} \rceil$ of the Stock Option each time.

9.3 The Board may approve exemptions from provision e) of Article 9.2 above of this chapter subject to its sole and unfettered discretion.

10 CHANGES IN OPTIONEES STOCK OPTION

10.1 Stock Options, earned and unearned, are subject to any change implemented by the Company, including but not limited to the Amount of the Option and maximum amounts, the issue of bonus shares, restructurings, issue of subscription rights, issue of convertible bonds, increases and decreases in share

capital, mergers, demergers, takeovers or other changes which may affect the value of the options. However, in the implementation of such changes, the Company shall use reasonable endeavours to ensure that the value of the Stock Option remains substantially the same, notwithstanding the changes.

- 10.2 The Board shall determine any question of interpretation and settle any dispute arising under the Plan, as well as correct any errors in those documents. In such matters, the Board's decision shall be final.
- 10.3 The Stock Option does not in any way curtail the authority of the Board or shareholders' meetings to make any necessary changes in the operation of the Company, e.g. through borrowings, sales of assets or other restructuring in the operation of the Company.
- 10.4 The Board may at any time decide to change, improve or terminate the Plan, fully or in part. Furthermore, the Board is authorised to change and adapt the Plan to any tax law amendments that may be made regarding stock options. However, the Board cannot make any changes to Earned Stock Options, which would adversely affect the interests of the Optionees without their written permission.

11 TAX OBLIGATIONS

- 11.1 This Plan is not modelled as to fit the conditions of Article 10 of the Act on Income Tax and to be approved by the Director of Internal Revenue.
- 11.2 The Company is not responsible for any tax consequences of participation in the Plan.

12 ANNOUNCEMENTS

- 12.1 All notice sent pursuant to this Plan or Stock Option Agreements, shall be in writing. A notice is deemed received when it has been signed received by an authorised party or that the participant has otherwise confirmed the receipt, e.g. by e-mail.
- 12.2 If a notice is sent by a recommended letter or by telefax, it is deemed received in accordance with the receipt issued by the mail service.
- 12.3 Optionees must see to it that their current address is available to the Company at all times.

13 SETTLEMENT OF DISPUTES

- 13.1 The District Court of Reykjavík shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Plan and, for such purpose, irrevocably submits to the jurisdiction of that court.
- 13.2 This Plan and any disputes or claims arising out of or in connection with its subject matter are governed by and construed in accordance with the laws of Iceland.

This Plan was approved and implemented by the Company's AGM. At the AGM a Remuneration Policy for the Company was also approved, which authorises the Board of Directors to enter into Option Agreements within the scope of the Plan and exercise its authority to issue new shares in the Company in that respect. So approved at a shareholders' meeting on 11th May 2016 and by the Board of Directors.

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