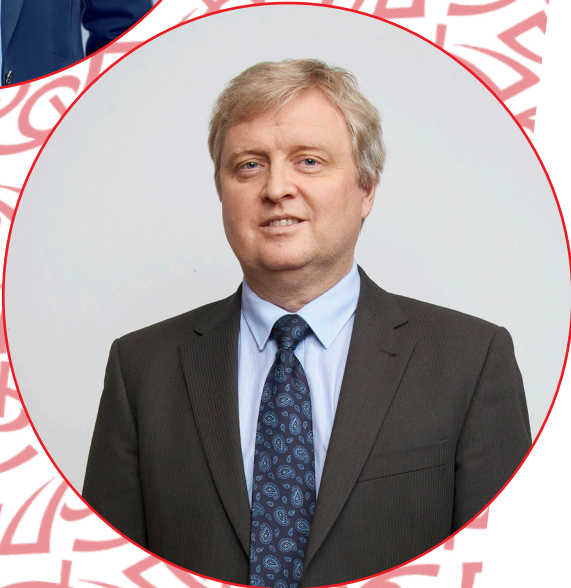




2021 ANNUAL REPORT OF ÍSLANDSPÓSTUR

SUSTAINABILITY REPORT AND ANNUAL ACCOUNTS



ADDRESS OF THE CEO AND CHAIRMAN OF THE BOARD

CHANGES INSPIRE OPTIMISM

Íslandspóstur plays an important role in Icelandic society by connecting people, companies and communities. Íslandspóstur performs this role with pride, through the dissemination of information, data and goods to all Icelanders and their customers, wherever they are.

In recent years, there has been a revolution in people's communication and business practices, both in Iceland and abroad. Íslandspóstur has focused on following this development, as the demand for the company's services has changed. Letter mail continues to decrease, but parcel shipments are increasing. In 2020, the number of parcel shipments increased significantly, but it was not clear whether, or to what extent, this was due to COVID-19. The quantities for 2021 give some indication, as the number of parcel deliveries decreased from the previous year. However, looking at the years before the pandemic, it is clear that parcel shipments have increased steadily over the years, and all forecasts assume that this trend will continue. Íslandspóstur's role and its social significance is therefore unchanged, even though there has been a change in the way the role is performed.

The social significance of the company became apparent last year. Íslandspóstur played a key role in making it possible for all Icelanders to receive products in the safest way possible in times of great uncertainty. In 2021, targeted steps were taken to integrate Íslandspóstur's sustainability culture. The main milestones on that journey were creating a sustainability team; implementing

Green Steps, with the result that four out of five steps have been achieved; keeping green accounts for the first time, setting an Environmental and Climate Policy along with goals and an Action Plan; selecting the United Nations' Global Sustainability Development Goals that Íslandspóstur wants to work towards; and finally, publishing the first Sustainability Report – which is now seeing the light of day.

The five Global Goals that Íslandspóstur intends to work towards are Goals 3 Health and Well-Being, 5 Gender Equality, 11 Sustainable Cities and Communities, 12 Responsible Consumption and Production and finally, 13 Climate Action.

In 2021, Íslandspóstur received recognition from Jafnvægisvogin. In addition, the management's goal of eliminating the gender pay gap within the company resulted in the renewal of its equal pay certification for the next three years.

Changes in Íslandspóstur's operations in recent years have clearly shown that the employees are one of the company's most important resources. Therefore, certain steps have been taken to empower its management, e.g. with life coaching methods. Continuous leadership development among the staff is supported, and everyone is encouraged to set goals in accordance with Íslandspóstur's Human Resources Policy. It turns out that employees are well equipped to work towards a positive corporate culture based on solution-oriented service thinking, initiative, responsibility, motivation and joy.

The management of Íslandspóstur decided to seize the opportunities in a time of great change and review the company's quality control from the bottom up. Íslandspóstur's quality control system includes that work is carried out according to harmonised processes, deviations are analysed, improvements are made and the system is reviewed regularly. The effect has not been insignificant. Many opportunities have been found to refine work processes, reduce all kinds of waste and thus promote the sustainability of the operations. It also results in more efficient operations.

It is gratifying to report that streamlining of operations in recent years has given Íslandspóstur the scope in 2021 to invest in the company's infrastructure for the future. A new parcel sorter was installed in the autumn in the company's main distribution centre, Póstmiðstöðin. More postboxes were installed all over the country, as they have proven to be a great success with Íslandspóstur's customers. Íslandspóstur's app was further developed, and from the autumn onwards, customers could use the app to post parcels in postboxes. At the end of the year, Íslandspóstur received a new truck from Scania, which has received various environmental awards, e.g. the Green Truck Award. This is only the beginning of the environmentally friendly transformation of the company's truck fleet.

Íslandspóstur's management has been involved in changes to the legal environment for the company in recent years, and 2021 was no exception. A significant change was made to the legal environment of postal services with Act No. 98/2019, which entered into force on 1 January 2020. Among the main changes was the abolition of Íslandspóstur's exclusive right to letter deliveries under Article 50. This was the last step in the abolition of the monopoly in the postal service which had been abolished in stages until 1 January 2020. 2021 is therefore the second year that Íslandspóstur operates exclusively in competitive markets.

The abolition of the monopoly had the consequence that new ways had to be sought to ensure that the minimum postal service was available to all Icelanders. At the end of 2020, the Post and Telecom Administration (PTA) designated Íslandspóstur as the universal service provider. The method that was chosen, i.e. to appoint Íslandspóstur instead of entering into agreements with the company, indicates that a burdensome government decision no. 13/2020 was made, which is valid for up to ten years. This imposed an obligation on the company to fulfil the global services promises of the new law, in the whole country, in all categories of global services, which are: letters, bulk mail, parcels up to 10 kg, registered mail, insured shipments and blind shipments up to 2 kg. As the path of negotiations was not chosen,

Íslandspóstur's involvement in the process was more limited than otherwise, and the last two years have been spent working out the foreseeable and unpredictable shortcomings of the arrangement.

According to the arrangement established by decision no. 13/2020, the supervisory body for postal operations shall determine at the beginning of each year the state's obligation to pay for Íslandspóstur's costs of providing universal service in accordance with a government order in the past year. For that reason, the Post and Telecom Administration (PTA) ruled on the state's obligation to pay for universal service in 2020 with decision no. 1/2021.

Unfortunately, the PTA's subsequent decision did not resolve all the issues in the new Postal Act or the appointment arrangement, which either proved to be predictable and materialised in 2021 or were revealed in the first year of operation under the new laws. The most significant was the requirement in Article 17 of the Act that the global service provider's tariff should simultaneously take into account actual costs, that profits should be reasonable, tariffs easily understandable, equal treatment ensured, tariffs transparent, as well as prices being manageable for users. The global service provider's tariff must fulfill all these requirements concurrently, with the same fee being collected from the global services users, regardless of where they live in the country. There's no need to be coy about Íslandspóstur's position that the company would have preferred to exercise its right under the new Postal Act to enter into agreements with the Executive Branch on how to fulfil the aforementioned requirements, as well as other requirements made to the global service provider.

In mid-2021, Parliament approved Act No. 76/2021, on amendments to the Postal Act No. 98/2019. There were several amendments, but the most prominent ones were that supervision of postal operators was transferred from the PTA to the Icelandic Regional Development Institute and that the provision on the same price throughout the country for universal service (so-called "one country – one price") which was valid from 1 January 2020 was limited to letters under Article 50 of Act No. 76/2021, which entered into force on 1 July 2021, with the proviso that an amendment to "one country – one price" should be

implemented no later than 1 November 2021. This amendment to the law called for a revision of almost the entire tariff of Íslandspóstur, and the new tariff took effect on 1 November, in accordance with the provisions of the Postal Act.

The amendment further stipulated that the Minister of Transport and Local Government, in co-operation with the Minister of Finance and Economic Affairs, should first appoint an interdisciplinary working group to assess how best to achieve the objectives of Article 1 of the Postal Act, i.a. taking into account technological innovations, competition perspectives and Iceland's international obligations. The working group was to consist of, in addition to representatives of the Minister, professionals and representatives of the views of consumers, employers and different settlements. It was decided that the group's proposals should be presented in a report, along with a cost estimate, and an account given of their impact on the postal market as a whole and its economic impact in a competitive and regional sense. Furthermore, it was decided that Íslandspóstur should not be represented in this working group. At the time of writing, the working group's interim report has been made public; however, it does not contain clear instructions or recommendations that enable Íslandspóstur to draft a response to possible changes in the legal environment of postal operations that may result from the working group's conclusions.

In light of the above, it is the hope of Íslandspóstur's management that the establishment of the working group is an indication that the issue of postal services will receive increased attention, in accordance with its social importance, and that the government can be expected to ensure that laws and regulations of the postal service environment reflect the rapid development that is taking place in the operation of postal services.

The management of Íslandspóstur therefore has every reason to look optimistically towards the future.

Pórhildur Ólöf Helgadóttir, CEO
Bjarni Jónsson, Chairman of the Board

THE BOARD OF DIRECTORS OF ÍSLANDSPÓSTUR



Bjarni Jónsson
Chairman of the Board



Auður Björk Guðmundsdóttir
Vice-Chairman of the Board



Jónína Björk Óskarsdóttir
Board Member



Eiríkur H. Hauksson
Board Member



Guðmundur Axel Hansen
Board Member

KEY EXECUTIVES OF ÍSLANDSPÓSTUR



Þórhildur Ólöf Helgadóttir
CEO



Ósk Heiða Sveinsdóttir
Head of Services and Marketing



Héðinn Gunnarsson,
Head of Reform and Development



Gunnar Þór Tómasson,
Chief Financial Officer



Guðjón Ingi Ágústsson,
Head of Digital Solutions and IT



Hörður Jónsson,
Director of Operations



Dagmar Viðarsdóttir,
Head of Human Resources

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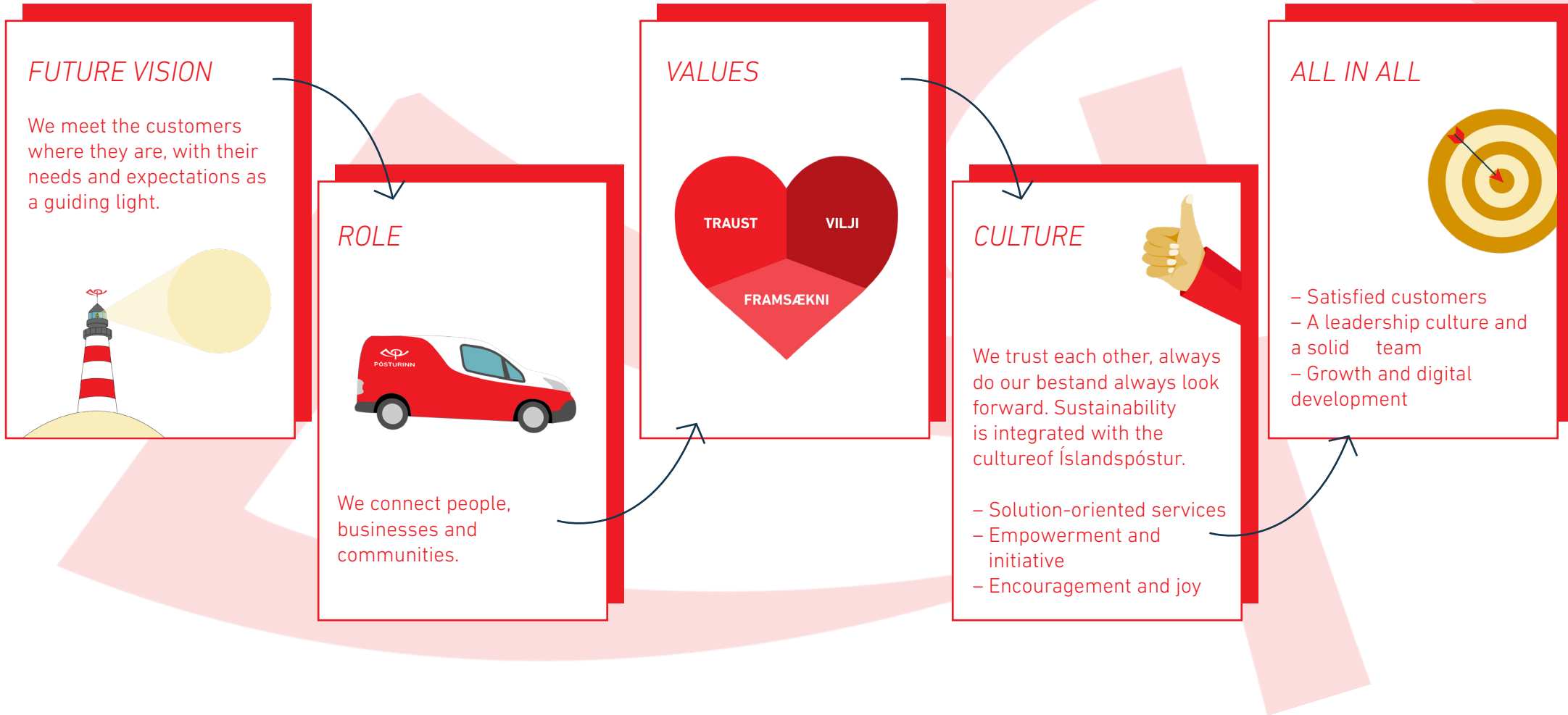
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ÍSLANDSPÓSTUR AT A GLANCE



ECONOMIC OPERATIONS AND IMPROVED SERVICES





566
POSITIONS

♀ 49%
51% ♂
EMPLOYEES

MANAGEMENT
♀ 57%
43% ♂

0,1%
GENDER PAY GAP



5,5
MILLION KM



400.000
KM ON ELECTRIC
SCOOTERS



HOUSING
20.000 M²

62.000
ONLINE CHATS



55 SITES OF
BUSINESS

47
PÓSTBOX
PARCEL LOCKERS



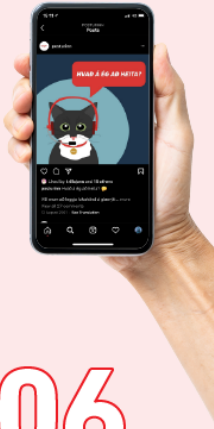
8
PAKKAPORT
PARCEL
POINTS



WEB VISITS
↑ 12%

FOLLOWERS ON
SOCIAL MEDIA
15.000

THE MOST POPULAR
STATUS
UPDATE:
COMMENTS
974
LIKES
60.906



FINANCIAL RATIOS

	2021	2020	2019
Wages and related expenses	(4,522,703)	(4,708,232)	(5,145,400)
Other operating expenses	(1,926,157)	(1,956,001)	(2,108,881)
Costs due to restructuring	<u>(34,471)</u>	<u>(117,388)</u>	<u>(225,135)</u>
Operating results before depreciation, financial items and taxes (EBITDA)	969,589	675,790	265,674
Corrected EBITDA*	1,004,060	793,178	490,809
Net financial expenses	(107,910)	(51,003)	(260,432)
Depreciation	<u>(524,803)</u>	<u>(481,054)</u>	<u>(646,253)</u>
Profits / (loss) before taxes	336,876	143,733	(641,011)
Share of subsidiaries earnings	(16,315)		
Income tax	(64,721)	(20,275)	116,808
Profit / (loss) from continuing operations	255,840	123,459	(524,203)
Discontinued operations		<u>(19,082)</u>	<u>13,381</u>
Profit / (loss) of the year	<u>255,840</u>	<u>104,377</u>	<u>(510,822)</u>

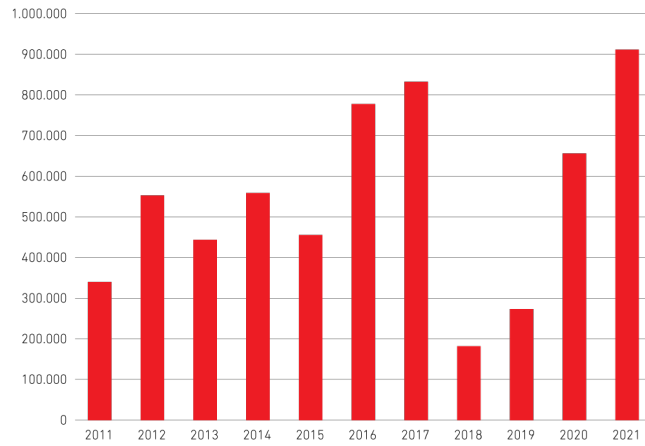
FINANCIAL INDICATORS

	2021	2020*	2019*
Change in income between years	-0.1%	-3.9%	-0.1%
Payroll proportion	60.7%	63%	66%
EBITDA proportion	13.0%	9.1%	3.4%
EBITDAR proportion	13.5%	9.7%	4.0%
EBIT proportion	6.0%	2.6%	-4.9%
Corrected EBITDA #	13.5%	10.6%	6.3%
Corrected EBIT #	6.4%	4.2%	-2.0%
Profit margin	3.4%	1.4%	-6.6%
Current ratio	1.61	1.39	1.30
Equity ratio	55%	48%	45%
Book value per share	1.2	1.12	1.09
Return on equity	7.2%	3.2%	-15.9%

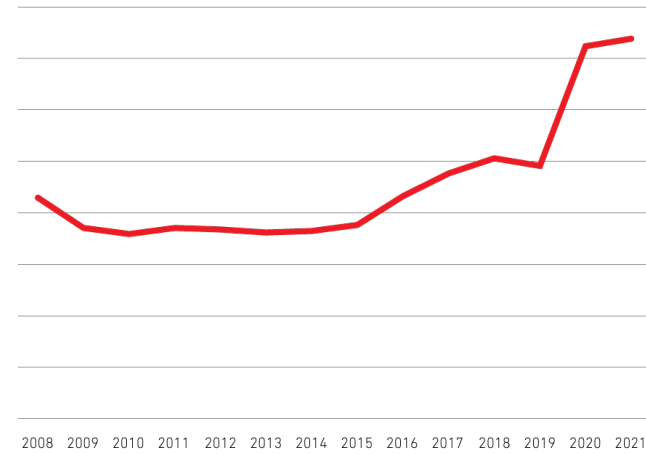
* Financial ratios calculated on the basis of the approved consolidated financial statements
Correction for restructuring costs

EBITDAR 2011-2021

ISK millions

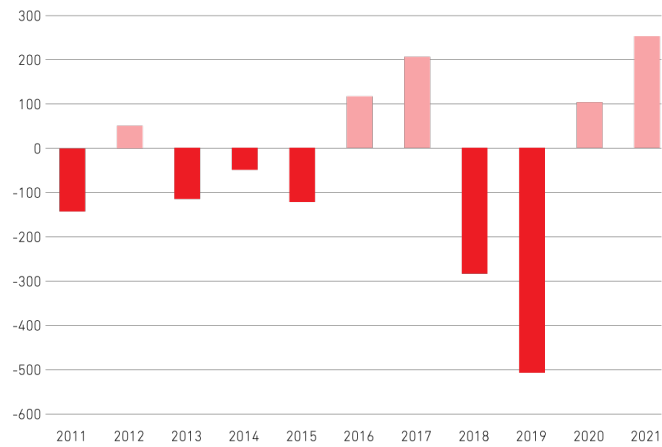


BULK DEVELOPMENT – PARCELS

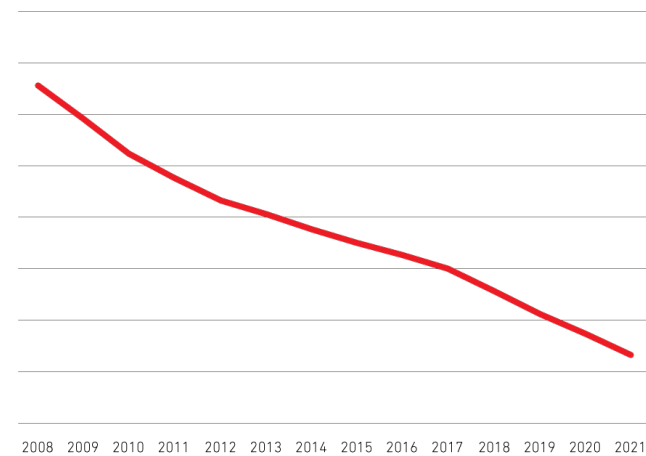


PERFORMANCE 2011-2021

ISK millions



BULK DEVELOPMENT – LETTERS



MILESTONES IN 2021

- The Reykjavík City and Festa Climate Agreement
- Jafnvægisvugin recognition
- The chatbot Njáll
- Employee air travel carbon offset
- Global Goals chosen

- New app
- New filing system
- New quality manual

- Green Step 1 achieved
- The marketing division implements sustainability criteria

- Travel habits survey
- Purchasing analysis
- Agreement with Klappir

2021

2022

JANUARY

MARCH

MAY

JULY

SEPTEMBER

NOVEMBER

FEBRUARY

APRIL

JUNE

AUGUST

OCTOBER

DECEMBER

- Collaboration with VETNIS
- Sustainable leadership culture implemented

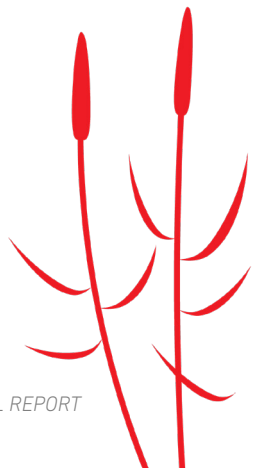
- Analysis of plastic consumption

- Magni parcel sorter
- Vegan options in canteen
- Environmental and Climate Policy

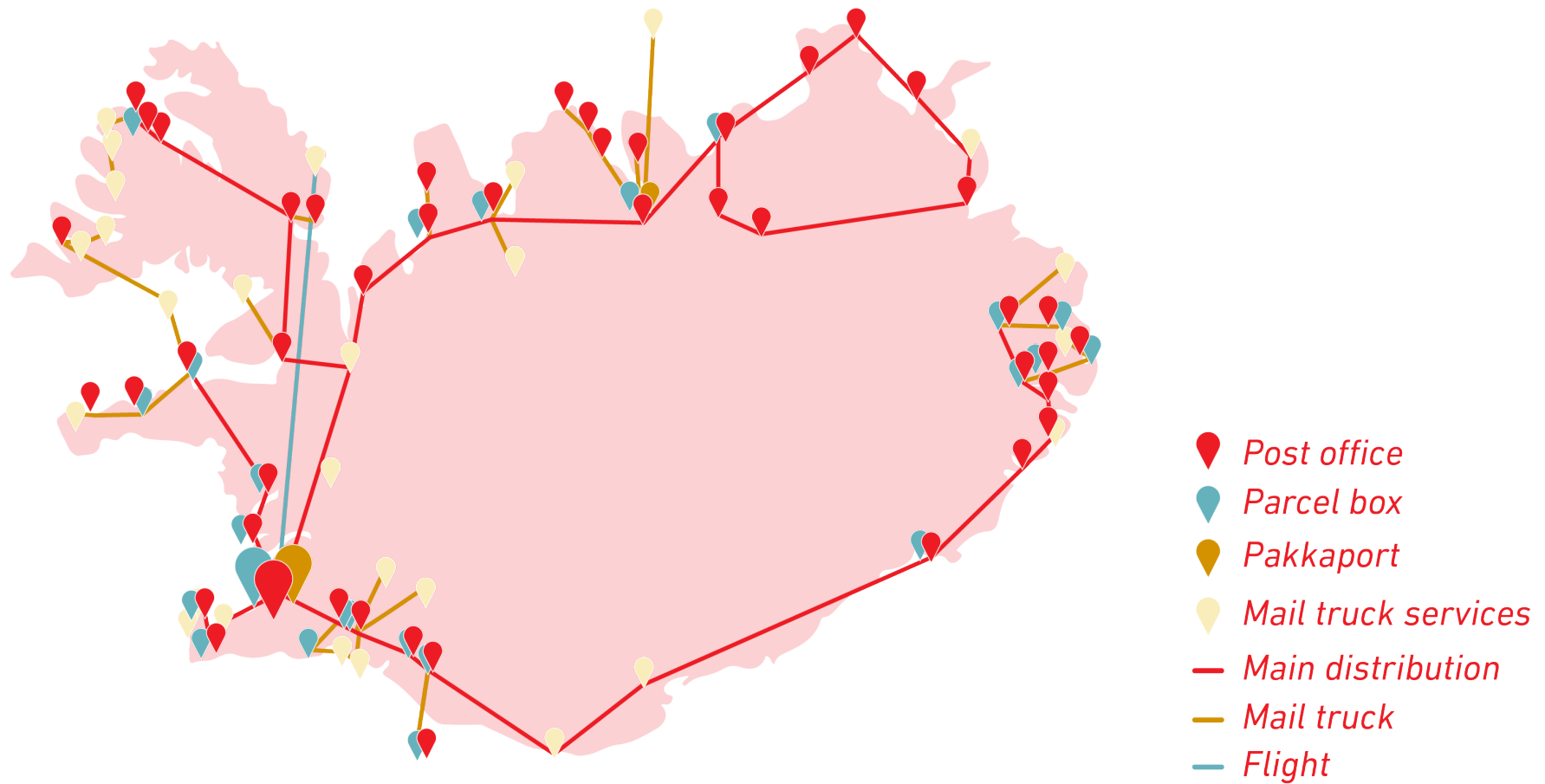
- Green accounting for the first time
- Same-day service in the capital area

- Register and send in the app

- A total of 47 postboxes
- A total of 8 parcel portals
- New environmentally friendly truck
- Green Steps 2, 3 and 5 achieved
- Transport Policy



ÍSLANDSPÓSTUR'S DISTRIBUTION SYSTEM



NEW BUSINESS PROMISES

IN 2021, ÍSLANDSPÓSTUR MADE FIVE BUSINESS PROMISES

- #1 We use powerful technical solutions to save you time
- #2 Reliable staff, efficiency and a tight distribution network ensure that your shipments arrive quickly and safely
- #3 We offer a wide range of delivery and receive packages 24 hours a day
- #4 Sustainability is integrated into Íslandspóstur's culture
- #5 We show interest in you, listen and respond

By making business promises, Íslandspóstur wants to provide its customers with information about what it stands for. We have shaped the promises with the collaboration of staff from all over the company. We want it to be clear what kind of business practices and services we provide and what expectations our customers can have of the company. The business promises will continue to evolve in line with market needs and the results of service surveys.



"If had to choose one promise over another, it would be #5: We show interest in you, listen and respond. In my opinion, this is the way forward for a successful co-operation with our customers and conducive to having a successful collaboration."

*Sigríður Heiðar,
Head of Sales*

WE LOOK FORWARD

In 2021, Íslandspóstur set its sights on market orientation. It is the beginning of a long journey to transform service and market focus so that outreach-driven sales efforts and overall customer experience are at the forefront. We believe in the importance of each and every employee connecting their job to the purpose and goals of the company. A strong and active corporate culture is the basis for companies to have the opportunity to use the power of transformation to move forward.

Market-oriented companies emphasise that everyone within the company works towards the same goal. Our goal is to meet customer needs. In order to succeed in that, it is vital that correct and detailed information is available, e.g. about the needs and development of markets. We focus on a value-added relationship with the market, listen to and hear customers' wishes, predict needs and look to the future.



"In a dynamic market, where technological innovations cause constant disruption, market orientation and drive are key factors in achieving the necessary development and results. Market orientation focuses on a deep understanding of the needs and demands of the market. The emphasis is always on outreach, customer contact and future opportunities. We are looking forward."

*Ósk Heiða Sveinsdóttir,
Head of Services and Marketing*



SUSTAINABILITY REPORT

SUSTAINABILITY IS INTEGRATED WITH THE CULTURE OF ÍSLANDSPÓSTUR





SUSTAINABILITY AS A GUIDING PRINCIPLE

In 2021, we will take a number of steps towards sustainability with the aim of integrating sustainability into the company's culture. The main milestones on that journey were establishing a sustainability team, implementing Green Steps, keeping green accounts for the first time, setting an Environmental and Climate Policy along with targets and an Action Plan, choosing Global Goals that Íslandspóstur wants to work towards and finally, publish the first Sustainability Report – which is now seeing the light of day.

As the projects progressed and more phases were achieved, we sharpened our vision in environmental issues and further defined where the company needs to and can apply itself to contribute to climate issues and sustainability in general. Íslandspóstur has set itself seven goals for sustainability.

ÍSLANDSPÓSTUR'S SUSTAINABILITY GOALS UNTIL 2030

Íslandspóstur's carbon footprint has been reduced by 55%



Using renewable energy sources to operate its car fleet



Being at the forefront of transport companies in environmental and climate issues



Meeting customers' demands for green products and services



Directing its business to environmentally certified companies – and being chosen for the same reason



Encouraging employees choose environmentally friendly transport to and from work, as all facilities and support are exemplary



Ensuring employees are aware of environmental issues and public health and contribute



MEASURES TOWARD ACHIEVE SUSTAINABILITY GOALS

#1 We will renew the car fleet according to a five-year plan, in line with technological innovations, and aim for 100% energy transition by 2030 and a 55% reduction in the carbon footprint at the same time.

#2 We fully sort and recycle waste, optimise processes, reduce plastic use and embark on energy-saving measures.

#3 We sell environmentally friendly packaging, reduce waste and implement purchasing policies and supplier evaluations.

#4 We motivate and encourage employees to participate in environmental matters through the implementation of Green Steps.

#5 We are a health-promoting workplace and improve the well-being and health of employees.

#6 We choose Global Goals and contribute to society.

#7 We publish a Sustainability Report and publish a Sustainability Settlement.

CARBON FOOTPRINT

We aim to reduce Íslandspóstur's carbon footprint by 55% in the period 2020–2030, based on unchanged operations. 2020 is a reference year because it's when we first kept green accounts, but the ratio is set based on the government's goals for climate change, even though that is based on a much longer period.

By far the largest part of the company's total emissions is related to transport. In order to achieve the goal of a 55% reduction in carbon equivalents, we rely on technological development to support the energy transition of the car fleet. This is the first version of Íslandspóstur's Environmental and Climate Policy; as technology advances, we are updating our goal towards carbon neutrality, and we would like to turn the situation around so that in the big picture, the impact of the company's activities will be positive – that Íslandspóstur will contribute to, rather than deplete, resources.

SUSTAINABILITY SETTLEMENT (UFS)

In parallel with the Sustainability Report, we prepared Íslandspóstur's Sustainability Settlement for the years 2020 and 2021, according to the UFS criteria of Nasdaq, with the help of experts from Klappir. The results give us an opportunity to set clearer goals for lower carbon emissions from our operations. The aim is for the Settlement to gradually become more extensive and to cover more aspects of the operations. The Sustainability Settlement is available on Íslandspóstur's website (posturinn.is).



CONVENTION ON CLIMATE ACTION

On 19 November, Þórhildur Ólöf Helgadóttir, CEO of Íslandspóstur, signed the climate declaration of the City of Reykjavík and Festa, together with representatives of ten other companies, Mayor Dagur B. Eggertsson and Hrunn Gunnsteinsdóttir, Festa's Managing Director.

With this, the companies committed themselves to reducing waste and greenhouse gas emissions in their operations, measuring the emissions and publishing information about them publicly. The publication of Íslandspóstur's first Sustainability Report is part of keeping that commitment.

Íslandspóstur is a newcomer to a select group of companies that, together with Festa and the City of Reykjavík, joined forces on the eve of the Paris Agreement 2015 and signed a joint climate declaration. Since then, various companies and a few municipalities have joined the group, which now contains close to two hundred parties who agree on the goal of achieving measurable results in climate issues, each in their own way, and thereby "show initiative and responsibility towards the environment and society."





GREEN ACCOUNTING FOR THE FIRST TIME

This year, Íslandspóstur compiled Green Accounting for the year 2020 and submitted it to the Environment Agency's data portal on 1 April. This was Íslandspóstur's first Environmental Settlement.

To facilitate our work and increase the overview, we have now implemented a sustainability solution from Klappir and will henceforth collect data there. The data collection is partly automatic, as many companies send the data directly into the system. Íslandspóstur's offices are located around the country and trade with energy companies and waste management companies in each location. The scope and level of complexity is in line with that. Klappir's sustainability solution provides the opportunity to monitor energy consumption and waste generation in real-time, or close to it, and respond immediately, as needed.

The post office in Borgarnes receives the keys to a new electric car.



THE GLOBAL GOALS AND ÍSLANDSPÓSTUR

ÍSLANDSPÓSTUR HAS CHOSEN THE FOLLOWING FIVE GLOBAL GOALS TO WORK TOWARDS



Promote a healthy lifestyle and well-being for everyone from the cradle to the grave



Ensure gender equality and empower all women and girls



Make cities and residential areas accessible for everyone, safe, resistant and sustainable



Ensure sustainable consumption and production patterns



Take urgent action against climate change and its effects



ÍSLANDSPÓSTUR'S CORE GOALS

Health and well-being is one of the company's core goals. Caring for employees is a priority, and the goal is to find ways to promote their health and well-being. At Íslandspóstur, we care about equality. As an example, we have made an effort to equalise our wages and have succeeded in doing so. The company is in a key position when it comes to sustainability in urban areas and society as a whole, for example with a dense network of postboxes, but in the future, we hope that the majority of Icelanders will be within walking distance of a postbox. There are great benefits to that. We are part of the consumer society, whether we like it or not, but Íslandspóstur wants to contribute to responsible consumption and production. We do this, among other things, by buying environmentally certified products and choosing environmentally friendly alternatives over others. Finally, our big task is to launch effective climate action. The renewal of the car fleet is at the top of the list, but of course we rely on technology advancing rapidly so that the energy transition goes quickly and smoothly. When looking in the rear-view mirror, we can see that in addition to these five goals, Íslandspóstur's operations and projects are related to various other Global Goals (see Global Goals Matrix, p. 68).

THE VALUE OF WORKING WITH THE GLOBAL GOALS FOR ÍSLANDSPÓSTUR

When a lot is at stake, everyone needs to work together, people, companies and governments. Ásdís Káradóttir, Records Manager and Project Manager for Sustainability, says that the Global Goals are a promising way for the company to "sharpen its vision and find ways to do good things – in line with the common goals of humanity. Good and right things. Actually, they work both ways. Many of the projects we link to our core goals are projects that we are already working on and are part of Íslandspóstur's development as a company. Examples are equal pay certification, continuous improvement and strengthening of infrastructure that reduces waste and more diverse ways of delivering packages, such as the postboxes. Focusing on specific goals helps us to see new opportunities and thus takes us further towards sustainability," says Ásdís.

MY FAVOURITE GLOBAL GOAL

"My favourite Global Goal is good health and well-being. I have long been interested in sports and a healthy lifestyle, and a few years ago I switched gears and went to study public health at university. This opened up a new world to me. For example, I learned about the effects of health, and we also immersed ourselves in the Global Goals. What characterises the goal of health and well-being is that it touches on all other Global Goals in an obvious way, among other things because what is good for people's health and well-being is also good for the environment. Climate change is a public health issue and vice versa. So-called planetary health diet (flexitarian) is my special hobby. It is both healthy for the people and the earth."



*Ásdís Káradóttir,
Records Manager*

SUSTAINABLE OPERATION





RENEWAL OF CAR FLEET

Íslandspóstur's employees and contractors drove around 5.5 million km in 2021. This includes long-distance transport, transport between places and distribution in urban and rural areas. However, bicycle mail couriers now distribute letters in urban areas on more than 50 electric mail bikes, which replaced the numerous cars that employees previously drove to the neighbourhoods. In 2021, the bicycle mail couriers travelled close to 400,000 km. It should be noted that the idea for the introduction of electric bicycles originally came from one of the company's couriers.

Íslandspóstur is constantly looking for opportunities to reduce carbon emissions from transport and distribution. We want to be at the forefront of Icelandic transport and distribution companies in environmental issues and use the most environmentally friendly cars available at any given time. Íslandspóstur's vehicles are now powered by oil, electricity and methane. In the future, we aim for the entire car fleet to run on renewable energy sources of various kinds, as conditions, distances and routes are varied.

Íslandspóstur has started a collaboration with the company VETNIS to examine the use of hydrogen for trucks on longer routes where other energy sources are less suitable. This year, a pilot project was launched, which examines the routes of Íslandspóstur's trucks around the country and where it might be appropriate to set up hydrogen stations, among other things with regard to operational safety. The development of hydrogen production in Iceland and the development of infrastructure could take a few years, but many people believe that hydrogen will replace oil along with electricity and methane.

This year, we took stock of the car fleet and its desirable renewal, in terms of what cars are available, different fuels and what technological innovations are around the corner. Finally, a three-year investment plan was approved for the renewal of the car fleet and a rough picture sketched of what will happen after that. At the end of the year, a new diesel truck from Scania was added to the fleet. This truck has won multiple awards for sustainability and runs on about 20–30% less diesel oil than its predecessor. We are, of course, looking forward to being able to park the diesel trucks and choose even more environmentally friendly trucks in the near future.



GOOD MAINTENANCE

"Part of running a mail transport company in a sustainable way is taking good care of the cars, lubricating them and monitoring them. Among other things, we have set up a special system to reduce the risk of damage, which has led to less waste. This is all important in the big picture."

*Agnar Þorláksson,
Car Service Manager*



GREENER MAIL TRANSPORT

What is Íslandspóstur's vision for the renewal of the car fleet towards more environmentally friendly options?

"The fleet is being renewed step by step. We aim for smaller cars to be only electric cars, while larger trucks may be powered by hydrogen or methane. This development is subject to an increase in methane stations, but currently, they are only located in Akureyri and Reykjavík. The development of environmentally friendly passenger cars is quite rapid, which is good, because so far, the range of electric vans does not meet our needs."

*Guðmundur Karl Guðjónsson,
Head of Delivery and Distribution*



FEWER TRIPS AND LESS WASTE

There are many opportunities for less waste in optimising processes for mail distribution. Last year, we changed the arrangement when loading cars and speeded up the process by sorting and arranging shipments better, before it comes to loading the trucks themselves. This saves a lot of time.

Another example of less waste is that by reducing the distribution days of mail, each trip will be better utilised, which in turn will lead to less emissions and pollution. The number of trips with deliveries must go hand in hand with the scope. It is more cost effective for the company and better for the environment.

The next project is that bicycle couriers will handle the distribution of smaller deliveries. This increases the volume of deliveries distributed through the most environmentally friendly routes available.



NEW ARRANGEMENT WHEN LOADING CARS

"A review of what could be done better in the Christmas season 2020 clearly revealed a certain bottleneck in loading vans for delivery in the capital area. We set ourselves the goal of speeding up this loading time.

The result was to scan all shipments in a plastic tray during sorting at Póstmiðstöðin. Previously, a driver who had to deliver 70 shipments had to scan each shipment into the van. Now, the driver only needs to scan about 10–13 trays. With this change, the loading time of vans is only a third of what it was and the delivery time has also shortened, as drivers are quicker to find shipments in the vans.

The solution was actually very simple. Sorting was changed at the same time as a new parcel sorter was introduced in Póstmiðstöðin, and the IT department reused programs that already existed in our systems with minor adaptations."

*Aðalsteinn Guðjónsson,
Business Development Manager*

AMACING PARCEL SORTER

The most significant news in Íslandspóstur's 2021 operations was the introduction of a new parcel sorter and the associated changes to all processing of items in Póstmiðstöðin. The new classifier is extremely bulky and was named Magni.

Magni is an awesome structure. It consists of two conveyor belts that transport parcels into a circle inside Póstmiðstöðin. One belt is connected to the van platform where both Íslandspóstur's drivers and customers can bring parcels to be sorted. The other belt is loaded inside Póstmiðstöðin itself. The parcels are placed on the conveyor belts and travel from there to a reader who weighs them, measures the volume and finds out where they should arrive. The reader then sends the parcels to the correct chute according to their destination, and there they are arranged in a cage.

Magni completely changes the mail sorting system, increases automation and capacity, while reducing the likelihood of mistakes. It can sort up to 5,000 shipments per hour and sorts parcels into 50 chutes.

Magni's scale called for all kinds of transfers of other activities in Póstmiðstöðin, and preparations and relocation took place last summer. Among other things, diverse office activities and letter sorting were merged in a bright hall on the second floor.

In October, just around the time of the busiest time of the year for the company, Magni was taken into use. It was certainly arduous, learning how to use new tools, changing arrangements and implementing new technologies under these circumstances. It is safe to say that Magni and Íslandspóstur's employees passed the test, and the autumn and Christmas seasons went smoothly.

WHAT DOES THE PARCEL SORTER CHANGE?

"Speed in the transport environment is always increasing. Customers demand a variety of delivery locations and speedy delivery. The parcel sorter allows us to sort more shipments in a shorter time, as less handling occurs with the shipment themselves. Magni also sorts small parcels that previously had to be sorted by hand, so this saves us a lot of work and increases the processing speed. Fast and streamlined service also means efficiency and less waste."

*Halla Garðarsdóttir,
Head of Póstmiðstöðin*





SUSTAINABLE AND DIVERSE SERVICE WITH MORE POSTBOXES

In 2021, seven new postboxes were installed, both in the capital area and in the countryside, and two old postboxes were replaced with new and more technical boxes. In the new boxes, you can post registered shipments. There are now a total of 47 postboxes throughout the country, and three more are ready for installation. During the year, the first steps were also taken towards self-service for postal items with a pilot project at the post offices in Kópavogur, Hafnarfjörður and Síðumúli. In addition, so-called parcel portals can now be found in three Krumbúðir and at three Orka stations in Reykjavík, one is in the shop in Kjalarnes and the other at Orkan in Akureyri. You can collect parcels in the parcel portals, but in the future, it is intended that it will also be possible to mail parcels there.

This development and these innovations aim to improve customer service – increase the number of delivery routes as we like to call it. A variety of delivery

methods meet the different needs of customers. Some people want deliveries right to their door. It is convenient for others to pick up parcels themselves when they are on the go, at any time of the day or night.

The increase in the number of postboxes is at the same time one of Íslandspóstur's most important sustainability projects and is about building infrastructure. The dense postbox network, along with post offices and other delivery routes, makes it easier for people to pick up deliveries on foot, by other environmentally friendly means of transport or when on the go anyway. This can reduce carbon emissions. It supports the idea of a 15- or 20-minute neighbourhood where residents can get all kinds of services within walking distance of their home. Íslandspóstur aims to further increase the number of postboxes by 2022.

SKRÁ & SEINDA

AUTOMATION IN CUSTOMER SERVICE

Automation and time savings are often taken into account when simplifying services to Íslandspóstur's customers. Customers who have a customer account or who have opted for an automatic charge on *My Pages* can now bring parcels that are ready and leave them on a special conveyor belt at the post offices in Kópavogur, Hafnarfjörður and Síðumúli. The parcels are then moved directly into the processing hall of the post office and from there to Póstmiðstöðin, where the parcel sorter Magni receives them. Magni weighs and measures the parcels and forwards the information so that the shipment can be debited.



SELF-SERVICE CHECK-IN INCREASES OPERATIONAL EFFICIENCY

"As soon as we introduced this innovation here on Dalvegur, we improved facilities for customers to register shipments on site. The changes simplify self-service and thus save staff the work. These are truly steps towards efficiency in the operation of the post office and they transfer a certain responsibility to our customers. Most people seem to welcome this. People are at least very happy to put their parcels on the conveyor belt, which transports them immediately into the processing hall. Many people have also begun to adopt registered shipments, i.e. registering them at home or on the phone, before arriving on site. Then people experience a big difference in how quick and convenient the visit to the post office is."

*Eva Gunnarsdóttir,
Station Manager of the post office in Kópavogur*

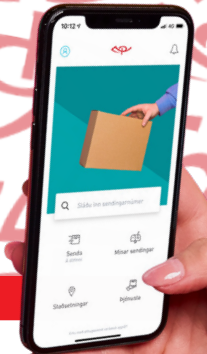
THE MAIL IN YOUR POCKET

A new app was launched in 2021. The app simplifies customer communication with Íslandspóstur, whether the purpose is to collect or send packages.

APP WITH AN ENVIRONMENTAL IMPACT?

Íslandspóstur's customers can register shipments in the app and choose where they want to leave them. The choice is between postboxes and traditional post offices, some of which offer self-service for parcels that are already registered.

Guðjón Ingi Ágústsson, Head of Digital Solutions and IT, says that the app can help reduce the carbon footprint of the company's overall operations. "Customers who choose a delivery location near their home can even walk or cycle with the parcel, thus reducing emissions."



FUTURE POLICY

When asked about the environmentally friendly options in postal services in the coming years, Guðjón Ingi says that he expects a revolution in that respect as technology advances. "We can expect solutions that are increasingly based on interactivity and artificial intelligence. Thus, the customers of the future can choose delivery depending on where they are at any given time, and it can be expected that more environmentally friendly transport equipment such as robots will replace the old equipment."

*Guðjón Ingi Ágústsson,
Head of Digital Solutions and IT*





THE CHATBOT NJÁLL CHATS CONSTANTLY

The chatbot Njáll was introduced this year. Auður Ösp Ólafsdóttir, specialist in customer experience, says that the goal is for Njáll to handle certain types of inquiries from Íslandspóstur's customers and thus simplify the operation of the customer service centre. "While the number of employees in the customer service centre is not increasing despite the increased number of shipments, there is no need to expand the premises with the associated electricity and environmental costs."

Auður says that the aim is for Njáll to be able to carry out more actions for customers in the future, actions that now require customers to visit post offices, with the associated carbon footprint. "On the other hand, one can consider the carbon footprint and environmental impact of data centres that host such technologies, and one always wonders what the net benefit really is. If we look at social factors, however, Njáll should promote better working conditions for our employees by reducing the load on them," Auður concludes.

*Auður Ösp Ólafsdóttir,
specialist in customer
experience and project
manager for Njáll.*



HUMAN RESOURCES





HUMAN RESOURCES POLICY, MEASUREMENTS AND JOB SATISFACTION

This year, work continued on the implementation of Íslandspóstur's Human Resources Policy, which was set in 2020. The policy covers all aspects of human resources. A strong image attracts the right people, motivational leaders promote well-being and staff hold each other responsible in their jobs. Opportunities are provided for continuous professional development based on dynamic training for all employees. Finally, knowledge transfer at retirement ensures more targeted knowledge management and sustainability.

Íslandspóstur performs monthly HR measurements. The aim of the measurements is to examine employees' attitudes towards various aspects of the work environment, such as management, facilities and training. The scale of the questions is in the range 1–5, and it is considered a strength range if the questions fall in the range 4.2–5, the operational range is 3.7–4.19 and the action range 1–3.69. The average overall result of all questions for 2021 was 4.2, and the average overall job satisfaction was 4.25.

If the morale at Íslandspóstur is good and the work environment is positive, job satisfaction becomes greater. Customer satisfaction increases in the same way, and this results in a better operation of the company.



"We at Íslandspóstur make sure to show up every day with a positive attitude towards work and remind each other of that. In this way, we jointly contribute to the well-being of all employees. We check in every month to examine how we are doing and measure both job satisfaction and management. When something goes wrong, we intervene and discuss issues and find the rhythm again with dynamic training and goal setting. This is how we mobilise all leaders, because together we can succeed."

*Dagmar Viðarsdóttir,
Head of Human Resources*



PUBLIC HEALTH IS AN IMPORTANT FACTOR IN LIFE AND WORK



Employees in Neskaupstaður walk and jog with the mail in all kinds of weather.

Hafdís Þóra Ragnarsdóttir, Reception Manager of the post office in Neskaupstaður, and her staff are role models for many when it comes to a healthy diet and exercise. They have managed to reconcile work and a healthy lifestyle in a unique way.

HEALTHY REFRESHMENTS IN THE CAFETERIA

“Public health is an important factor for us. We choose popcorn and dried fish over cakes, biscuits or chocolate in the cafeteria. Diet affects the energy level, and many people have experienced a lack of energy as a result of eating pastries or chocolate. Recently, we have also started having tea rather than coffee. It is often the case that when one person starts something, the others follow,” says Hafdís Þóra.

GOOD EXERCISE AND OUTDOOR ACTIVITIES REDUCE SICK DAYS

Hafdís says that the postal workers Heiðrún and Laufey see their work as part of their daily routine. This causes them to always feel good when they come to work, and they look forward to attending and taking their walk or even jogging with the mail. With this lifestyle and mindset for work, there are few sick days at the post office.

Hafdís continues: “We are all active outside of work and take good care of our health, sometimes exercise or outdoor activities.”

INFECTIOUS JOY

“The work environment is very encouraging, and everyone here is positive and happy every day, which certainly spreads to the customers. We often hear how nice it is to come to the post office and that there is great service here. Isn't that how every day should be, happy staff and happy customers?” Hafdís Þóra concludes.

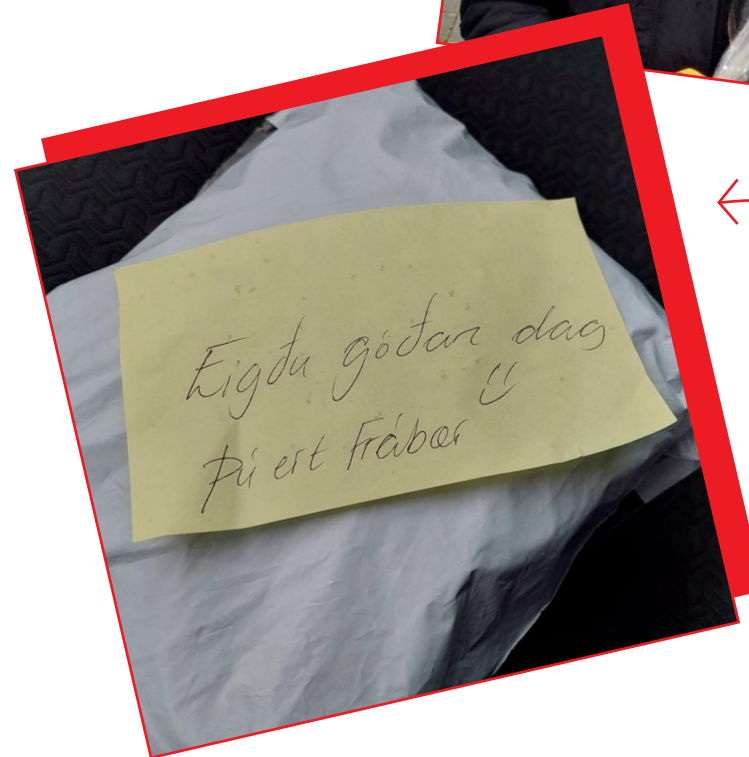


COMPLIMENTS AND ENCOURAGEMENT FROM A SURPRISING DIRECTION

Guðrún María Jóhannsdóttir, cashier at the post office in Selfoss, attracted deserved attention for pasting notes with a beautiful message on the outside of parcels and envelopes of Íslandspóstur's customers. When asked how this came about, Guðrún says that she was in a rather bad mood the day she started this. "I felt really sorry for myself and thought to myself that I was not the only one having a hard time, and therefore it made sense to write compliments and encouragement on a note and stick it on the shipments. It was, in fact, a continuation of what I have done over the years. I enjoy complimenting people and notice the little things in life."

Residents of Selfoss welcomed the notes and soon began to say thanks themselves in various ways. Many wrote on the communication page of the residents of Selfoss, but others wrote back or even left flowers in the postbox to say thank you. "Now I'm at the reception and have notes on my cash register. I also sometimes put a note in between in the mail when I sort it," says Guðrún María.

Guðrún María with flowers from customers who appreciated her notes.



A note that Guðrún María put in with a parcel in a postbox.



LIFE COACHING A PART OF SUSTAINABLE LEADERSHIP CULTURE

At the beginning of the year 2021, Íslandspóstur recruited a life coach. The job of life coach involves encouraging continuous leadership development among the company's staff and encouraging purposeful goal setting and follow-up.

TEAM COACHING HAS A VARIETY OF EFFECTS

Stronger individuals form a stronger group, and it has been shown that life coaching leads to lasting changes in attitudes and a changed work culture.

Part of the job of Íslandspóstur's life coach is team coaching. Edda says that research has shown that team coaching supports change management, speeds up the transformation process and helps to create teams from groups. Team coaching can also help companies link profitability and performance.



*LIFE COACHING WHILE WALKING IN
ACCORDANCE WITH THE GLOBAL GOAL OF
PUBLIC HEALTH*

Life coaching participants have been offered to do the coaching interview on a walk. "Walking while coaching strengthens people's spirit, soul and body. This is a great option for those who have set goals for exercise and want to co-ordinate good outdoor activities and life coaching. It is a great mystery to find solutions to work-related challenges while walking."

*Edda Jónsdóttir,
Leadership Life Coach*



"We used streamlined management methods, used targeted ways to increase joy in the workplace and received team and individual training from Íslandspóstur's life coach. Long story short, by the end of the year, we had introduced the chatbot Njáll, job satisfaction within the department had increased significantly and many of the team's ideas for reform have been implemented."

*Lilja Gísladóttir,
Service Manager*

THE QUESTION APPROACH IS GAINING GROUND

The question approach in life coaching is a powerful method that managers are increasingly taking advantage of. When managers receive long-term coaching, they are more likely to adopt the question approach in communication. This has been evident with many of Íslandspóstur's executives.

THEME MONTH

Special theme months are part of the implementation of sustainable leadership culture. The most successful was the gratitude month in May 2021, when gratitude was expressed in the mother tongue of Íslandspóstur's staff from around the world. Employees expressed gratitude for things big and small during the gratitude month, including a gratitude challenge on the social networking site.

CREATED A PLATFORM FOR EMPOWERMENT

The journey of the service centre in Akureyri is an example of the introduction of sustainable leadership culture at Íslandspóstur. The project consisted of increasing job satisfaction while creating a platform for team empowerment and improved procedures.



GRATEFUL FOR THE DIVERSITY

May 2021 was dedicated to gratitude with the heading *Say Thank You!* Gratitude can have a far-reaching effects on our lives, and it is important to cultivate an attitude of gratitude. While it is natural for us to focus on what can go wrong, we can easily train ourselves to notice the good.

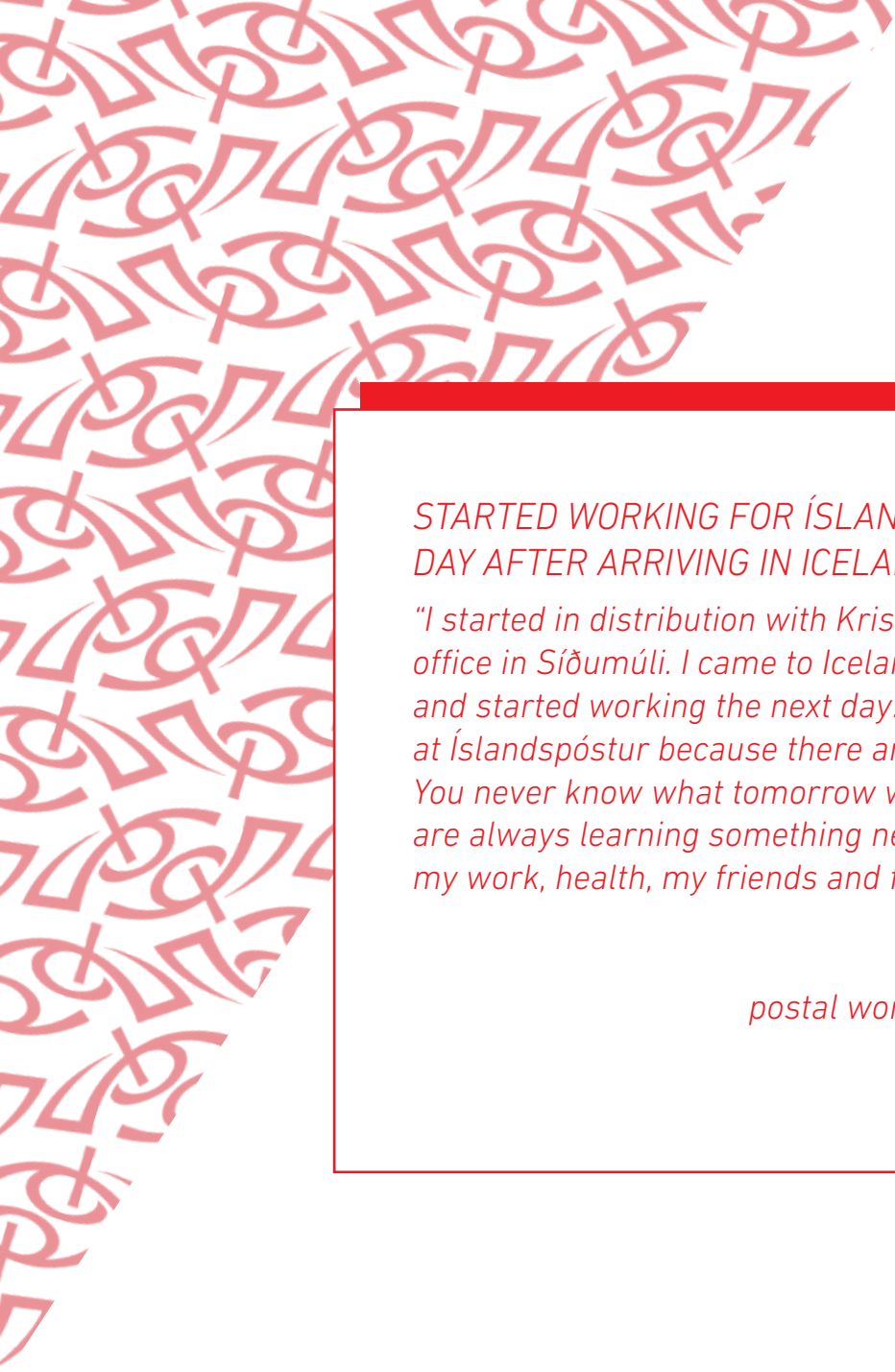
Various studies have shown that gratitude affects physical and mental health. For example, gratitude strengthens the immune system and reduces the effects of pain. Those who practice gratitude are more likely to exercise more and take better care of their health, in addition to which the grateful rest and sleep better. Gratitude encourages positive emotions, increases self-confidence, reduces stress, increases happiness and so on. Only a few of the positive effects of gratitude are discussed here, but in conclusion, it can be mentioned that gratitude affects our social connections and supports a leadership culture within companies.

GRATITUDE IN PRACTICE

During Íslandspóstur's gratitude month, a special gratitude challenge was held and people shared stories of what they were grateful for. Many people expressed their gratitude and wrote it down on notes that were hung up at the company's workplaces.



Íslandspóstur Employs People of Diverse Backgrounds and Many Nationalities. The post office is a multicultural workplace, and on the occasion of the gratitude month, a poster was created with the word for "thank you" in the mother tongue of employees from all over the world, a total of 22 languages.



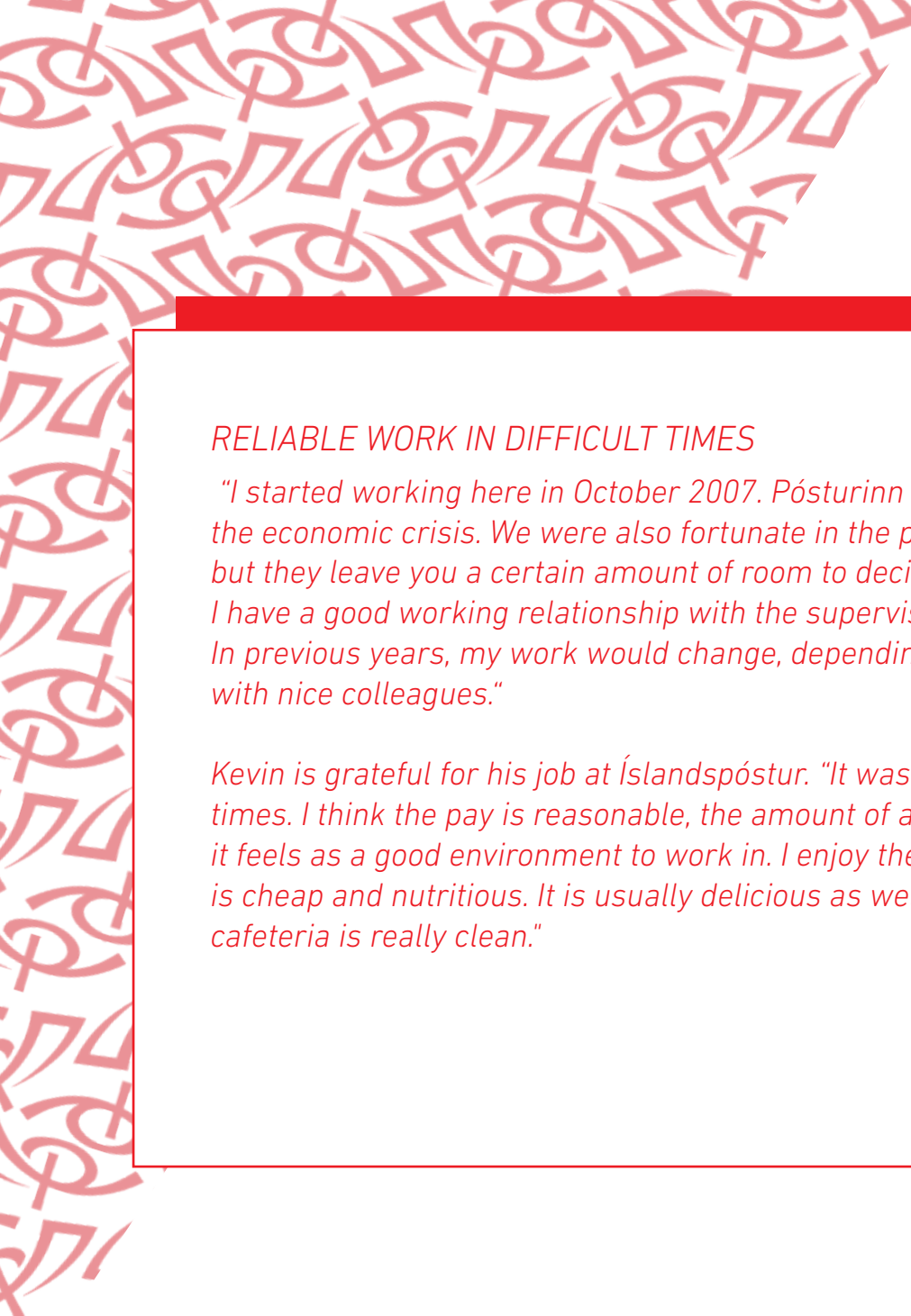
Mirela Maljkovic, a postal worker in Póstmiðstöðin, has worked for Íslandspóstur for almost 17 years, or ever since she came to Iceland from Croatia.

STARTED WORKING FOR ÍSLANDSPÓSTUR THE DAY AFTER ARRIVING IN ICELAND

"I started in distribution with Kristín on R-8, the post office in Síðumúli. I came to Iceland on 20 June 2005 and started working the next day! I really like working at Íslandspóstur because there are no two days alike. You never know what tomorrow will bring, and you are always learning something new. I am grateful for my work, health, my friends and family."

*Mirela Maljkovic,
postal worker in Póstmiðstöðin*





RELIABLE WORK IN DIFFICULT TIMES

"I started working here in October 2007. Pósturinn was a good place to work during the economic crisis. We were also fortunate in the pandemic. Supervisors supervise, but they leave you a certain amount of room to decide how to get the work done. I feel I have a good working relationship with the supervisors and my Head of Department. In previous years, my work would change, depending on the shift. This was nice. I work with nice colleagues."

Kevin is grateful for his job at Íslandspóstur. "It was a stable environment in unstable times. I think the pay is reasonable, the amount of annual leave is good as well and it feels as a good environment to work in. I enjoy the work. In the cafeteria, the food is cheap and nutritious. It is usually delicious as well. The staff are friendly, and the cafeteria is really clean."

*Kevin Pomeroy,
postal worker in Póstmiðstöðin*



Kevin Pomeroy, postal worker in Póstmiðstöðin, is from Ireland. He started working at Íslandspóstur during the economic crisis fifteen years ago.



JAFNVÆGISVOGIN

In the autumn, Íslandspóstur received the Jafnvægisvogin recognition from the Association of Businesswomen in Iceland for its achievements in gender equality. The purpose of Jafnvægisvogin is, among other things, to equalise the gender ratio among the managers of Icelandic companies and to mobilise the Icelandic business community to be a role model in gender equality issues. At Íslandspóstur, women make up 57% of managers in the top three management layers, while men make up 43%.

The company has systematically worked for gender equality over the years and received an equal pay certification in 2018. In 2021, the equal pay certification was renewed for the next three years. In the wage analysis for the renewal of equal pay certification in 2021, the unexplained gender pay gap between basic and fixed wages was 0.1%. The unexplained wage gap in 2021 was only 0.02%, in favour of women.



GREEN STEPS





GRÆN SKREF

GREEN STEPS TOWARDS SUSTAINABILITY

In 2021, Íslandspóstur began work on Green Steps for official bodies who want to strengthen their environmental work. The first step was taken in the spring and ended with an audit by the Environment Agency of Iceland. This meant, for example, an increased effort in sorting and recycling at Íslandspóstur's offices all over the country with better labelling of containers and guidelines for sorting. We also learned about reliable eco-labels and certifications, considered energy consumption and stopped using disposable tableware, to name a few.

Last fall, we rolled up our sleeves and worked in parallel on three Green Steps, numbers 2, 3 and 5. They include a total of about 100 actions that together push the company further towards sustainability. In January, 33 of Íslandspóstur's operating units, i.e. the office, Póstmiðstöðin and 31 post offices, passed the Environment Agency's audit of the three steps.

Actions in steps 2 and 3 include setting an Environmental and Climate Policy, choosing environmentally certified products, supporting staff to use environmentally friendly means of transport, raising the recycling rate of total waste to 70%, switching to diode lighting and offering vegan dishes in the canteen and organic coffee and tea in break rooms.

As Íslandspóstur boasts a strong quality control system and equal pay certification, and we know how to work according to standard management systems, we are immediately pushing for the implementation of step 5. It includes a simple environmental management system with clear goals and actions, training, procedures, follow-up, etc. belonging to such a system.

Now we only have to take Green Step 4. That is up next.



ECOLOGICAL PROCUREMENT

In connection with the introduction of the Green Steps, for the first time last year, a procurement analysis of the 100 largest suppliers of Íslandspóstur was conducted, incl. the volume of transactions and the frequency of purchases. Among other things, it was examined whether suppliers had set an Environmental Policy, offer environmentally certified and/or environmentally friendly products, etc.

From now on, it is planned to carry out a similar analysis every year and look at certain types of procurement, which vary from year to year. Procurement analysis is an opportunity to make better agreements, have a positive effect on Íslandspóstur's suppliers and direct business to companies that offer environmentally certified products and services. Therefore, it is the foundation for ecological procurement.



"This year, we refined our procurement process, updated supplier evaluations, and issued guidelines for environmentally friendly procurement for our procurement staff. It deals with what should be kept in mind when purchasing in different procurement categories, which products and services in each category are best for the environment. This has affected our valuation of the company's inputs and will increase in the near future."

*Gunnar Þór Tómasson,
CFO*





SORT LIKE THE WIND

During the year, Íslandspóstur improved the recycling rate at the expense of general waste and increased the number of recycling categories, e.g. we started collecting organic waste at all operating units where it is available from the local municipality. The recycling campaign was part of the implementation of the Green Steps. We also improved the labelling of sorting containers and set up instructions for staff. To gather knowledge, a group of employees visited Terra's recycling centre at Berghella in Hafnarfjörður. We help each other with the recycling, and if anyone is in doubt about how to sort something, the motto is "ask a friend". The arrangement of recycling varies from municipality to municipality, and each post office had to adapt to it. This applies, i.a. to the post office in Höfn in Hornafjörður. There, the chickens in the zoo in Hólmur get to benefit from the organic waste generated in the cafeteria.

UNEXPECTED SAVINGS

The recycling campaign had a positive effect on the post office in Síðumúli. Previously, one 1,000-litre container was rented for all waste that was generated, but by sorting the waste into cardboard, plastic, general waste and organic, the monthly cost of waste disposal rent was reduced from ISK 14,000 per month to ISK 4,000. This is an ISK 120,000 savings per year. "This number came as a big surprise to us," says Lísá Ragnoli, Reception Manager.

USED PACKAGING AT A DISCOUNT

At the post office at Síðumúli, customers can buy used boxes and envelopes at a discounted price. Lísá says that this has worked well and that there is 100% utilisation of re-used packaging.



WASTE SORTING TURNED OUT TO BE A COST-SAVING MEASURE

A new approach to waste sorting turned out to be an easy task, according to Lísá Ragnoli, who manages the post office in Síðumúli. "We have garbage containers outside and sort everything in collaboration with Terra. The staff has received training on waste sorting at Sólar. We have a special bin for cardboard, another for plastic and a third for general waste. We also sort organic waste in a special bin."

*Lísá Ragnoli,
Reception Manager the post office in Síðumúli*



*Birgir Michael Welker
Pétursson, Real Estate
Manager*

WE FIX AND REUSE RATHER THAN BUY NEW

Birgir Michael Welker Pétursson is the Real Estate Manager at Íslandspóstur. He says it is important to take good care of, fix things and reuse them, rather than buying new.

ÍSLANDSPÓSTUR'S CIRCULAR ECONOMY

“When we take good care of things, they last a long time. Íslandspóstur has operating units all over the country, and when things stop being used in one place, they are advertised on a kind of exchange market page on the employees’ communication website. So you could say that we have our own version of the circular economy at Íslandspóstur,” says Birgir.

SUSTAINABILITY IN ACTION

In addition to taking good care of things and helping them have a continued life cycle within the company, Birgir makes sure that things like desk chairs and desks are repaired. “We fix things as long as there are spare parts available. This way we can make furniture last longer. This is all part of the sustainability culture,” Birgir concludes.



ENERGY SAVINGS

Some of the Green Step actions taken during the year revolve around energy savings. The first step was to increase training for employees on how to save electricity at workplaces. Examples of a simple action that can make a difference are stickers in appropriate places that, for example, remind people to turn off lights in unused spaces and take the stairs instead of a lift. We focused on the central utilisation of printers, computer equipment and other electronic devices and verified that devices were set so that they automatically enter power saving mode if not used for a certain period of time.

Review of temperature settings, ventilation and snow melting related to the statutory fire protection, which is in a special process at Íslandspóstur. The manager of each operating unit is responsible for the supervision, and it is documented in a central database. Gradually, LED lighting will replace traditional light bulbs.

Íslandspóstur now uses a sustainability solution from Klappir to monitor and analyse electricity and heat consumption at operating units from month to month.

IN DARKNESS BEFORE THE NEW LIGHTS CAME ON

During the year, we started to renew the lighting in the ceiling of the older part of Póstmiðstöðin, Ískandspóstur's largest workspace. LED lights then replaced old-fashioned light bulbs on the corporate service platform, with associated energy savings. There is LED lighting in an extension that was taken into use in 2019, and it is intended that the older building will be fully LED lighted by the year 2022. In post offices, LED lighting is also gradually gaining ground, e.g. in the Westman Islands.



"The new LED lights are much better than the ones that we had before. The lighting is much better here now, which makes our work easier. As you can see in the pictures, it is like night and day."

*Erlingur Guðbjörnsson,
Station Manager the post office
in the Westman Islands*



The post office in the Westman Islands with the old-fashioned lighting.



In the processing hall, the old bulbs have been replaced by LED lights.



HEADING TOWARDS MORE ECO-FRIENDLY TRANSPORT

During the year, Íslandspóstur set a Transport Policy that has the aim to reduce greenhouse gas emissions, e.g. by supporting staff to use eco-friendly transport to and from work. The benefits of this are also a better awareness of employees about environmental issues, increased job satisfaction and improved health.

Eco-friendly means of transport means that staff walk, jog, cycle or take a bus to and from work. Electric bikes, scooters and electric scooters are also considered environmentally friendly.

In order to promote the use of environmentally friendly means of transport, employees are now offered a transport agreement with the company, which is an agreement that in return for using environmentally friendly transport to and from work two or four days a week, either all year round or during the summer, the employee receives a monthly tax-free payment. With this incentive, Íslandspóstur hopes that more employees will take up environmentally friendly transport to and from work.

CYCLING TO WORK IS A LIFESTYLE

Íris Halla Sigurðardóttir works in Íslandspóstur's corporate services in Akureyri. She has been cycling to work all year round for 15 years.

*Íris Halla Sigurðardóttir
on her way to work.*



Do you have any advice for those who want to start cycling to and from work as you do?

"Just get on your bike. I started cycling after I stopped delivering mail. I need exercise but can't be bothered to go to the gym. I decided to cycle to work, and after I bought a winter bike, there was no turning back. Now I cycle in all kinds of weather."

*Íris Halla Sigurðardóttir,
Service Representative*

SURVEY OF STAFF TRAVEL HABITS

In September, a travel habits survey was submitted to Íslandspóstur's staff for the first time, and data from the survey will be used in green accounting. It revealed that the year before, about 70% of employees had usually taken a private car to and from work, but that about 22.5% usually used environmentally friendly means of transport. Other respondents either worked at home or took advantage of a combination of stated options. About 60% of respondents said they could consider a different mode of transport than they used before. It gives cause for optimism that employees may be ready to change their habits.

Sveinbjörn Rúnar Svavarsson, Head of the Parcel Department, on a field trip to Akureyri.





ECO-DRIVING THE ONLY THING THAT MAKES SENSE

Eco-driving is about making the best use of the kinetic energy of a car, driving agilely but not accelerating or braking excessively, reading the traffic and trying to avoid having to change gears. It is estimated that with eco-driving, it is possible to reduce fuel consumption by 10% or more. If our drivers use eco-driving methods, it is therefore both economical for the company and a key factor in environmental protection, as Íslandspóstur's operations are first and foremost about transport.

All commercial license drivers are required by law to educate themselves on eco-driving every few years, but in connection with the Green Steps, all of Íslandspóstur's permanent drivers will now take eco-driving courses, both theoretical and practical. All other employees attend similar courses on our training website.



"A course in eco-driving is to everyone's advantage, as eco-driving reduces energy consumption and emissions as well as saving money. I'm in the process of adopting eco-driving methods, but it's natural that it takes time for a driver of almost 40 years to change driving behaviour."

*Ólafur Finnbogason,
Training Manager*





EATING GREEN IS GOOD

The introduction of Green Steps called for various actions in Íslands-póstur's canteen in Póstmiðstöðin and in the cafeterias of our operating units around the country. The measures are aimed at reducing food waste, lightening the emission footprint of food served and ensuring that all organic waste is sorted from general waste and used in composting. As with other environmental measures, the measures are also cost effective for the company.

The canteen now offers a vegan dish instead of a vegetarian dish on a daily basis, and we try to increase vegetable consumption with simple measures such as using more vegetables in the cooking, changing the layout of the menu and arranging the canteen so that the environmentally friendly option is always at the forefront, i.e. the salad bar, vegan dish and finally a fish or meat dish which usually has a heavier carbon footprint.

We always buy large units of groceries for the canteen, as it has to cook for a large number of people with great thrift, and when shopping for break rooms, the same arrangement is kept in mind. Further more, the innovation was introduced to offer organically certified and/or ethically certified coffee and tea as well as other organic products. The analysis of food waste was to take place one week in November 2021, but due to the pandemic, with associated restrictions on gatherings and displacements, it will await a better time.



WALKED TO WORK AND REDUCED FOOD WASTE

"At the beginning of 2021, I decided to walk to work, although it wasn't a long walk, just under two kilometres back and forth. Soon I started to take my backpack with me so that I could buy groceries on the way home. The purchases were modest, which meant that I bought fewer unnecessary items and food waste was greatly reduced.

Although it was tempting to drive in storms and rain, I kept walking, because why own good outdoor clothing if you don't use it in exactly these situations? Now I live further away from work, but I have set myself the goal of cycling to work in the spring, and I plan to put a basket on the bike for shopping."

*Guðrún Hulda Waage,
Station Manager at the post office in Selfoss*

HOMEMADE RECYCLING BOXES

"We reviewed things in the canteen with the Green Steps in mind and made various changes. Many things were in good shape, but other things we had to fix. We have always focused on making good use of food, but now we are, for example, collecting all organic waste and working on sorting and recycling."

I am pleased with the increased emphasis on sustainability at Íslandspóstur and am also considering these issues at home. For example, I made boxes that I have on the balcony, and there I collect what is generated in the home and can be recycled."

*Bjarni Arnarson,
Chef*



The homemade recycling boxes on Bjarni's balcony.

The recycling boxes can be used as a bench when closed.

WASTE REDUCTION





NEW ENVIRONMENTALLY FRIENDLY PACKAGING

Post offices have packaging of various sizes and types for sale, whether envelopes, bags or cardboard boxes. Last year, Íslandspóstur began to choose more environmentally friendly packaging than before. At first glance, paper and cardboard packaging may seem to always have a lighter carbon footprint than plastic. But if you look closer, however, recycled plastic can be a good option if you compare resource use and carbon emissions with the production of recycled plastic, conventional plastic and paper or cardboard.

This year, we therefore phased out traditional plastic bags and are now implementing bags made from 100% recycled plastic. In consultation with experts, the bags are mostly gray and not black, which is an unsuitable colour when recycling plastic. In addition, we chose envelopes lined with corrugated paper to protect the contents instead of bubble wrap as before. These new packaging forms are gradually appearing in our post offices as the old stock runs out.

It is, of course, up to the recipients of parcels to bring the packaging for recycling. On the new plastic bags is printed information about what material are made of, to facilitate sorting and encourage people to recycle. Some post offices actually sell used packaging at a discount, which should please many.

The new plastic bags and envelopes are only the first step in a long journey, and we will continue to strive to find the best and most environmentally friendly solutions. In the circular economy of the future, packaging will no doubt not be disposable but reusable, like the carrier bags that everyone now naturally takes with them to the store.



"It was long overdue to find more environmentally friendly plastic bags that are sold to customers. It was not difficult to find manufacturers who sell environmentally friendly packaging, but we wanted to find the right one. It is most important for us to find a manufacturer who sells environmentally certified products. In addition, the manufacturer's experience, location and knowledge of environmentally friendly solutions mattered a great deal."

*Eymar Plédel Jónsson,
Product Manager*



SAVING PLASTIC

When mail arrives from abroad in disposable mail bags, we try our best to continue using them. Fortunately, parcels and letters from abroad are usually received in reusable bags. Normally, the bags are immediately sent back to the country of origin. One of the challenges of the year was to return mailbags that had accumulated in Póstmiðstöðin on a large scale when the pandemic was at its height and international flights were greatly reduced. This was successful with good follow-up.

Another task related to distribution and transport was to analyse the use of plastic and look for ways to reduce it. To protect the valuables we are entrusted with delivering, cages and pallets are often plastered before being exported. We have now analysed the use of pallet plastic and subsequently chosen a lighter plastic film without reducing the stability of pallets.

It has long been customary to glue plastic pockets on packages and insert a sheet of paper with printed information about the shipment into the pocket. During the year, work was done to retire the plastic pockets and instead print directly onto stickers. The implementation of this new arrangement will be completed in 2022, resulting in significant savings on plastics and paper.





SYSTEMATIC REDUCTION OF THE ENVIRONMENTAL IMPACT OF MARKETING

"We have systematically reduced the printing of marketing and promotional materials. We assess the assumptions and future needs well before embarking on the production of printed materials and labels, e.g. for post offices. With sustainability thinking at the forefront, we work with timeless designs and only create labels that have a long lifespan.

We focus on digital marketing in line with changing customer needs and the development of digital media. We also emphasise the socially responsible choice of media, which is determined by environmental and cost considerations.

Utilisation of capital where it is best spent and maximisation of success is the guiding principle here. It is very important to us to show responsibility in action."

*Kristín Inga Jónsdóttir,
Head of Marketing*



LESS PAPER AND PRINTING

With the technological advancements of recent years, the number of forms and printouts in Íslandspóstur's operations has declined sharply. This applies both to the work of office workers and to the sorting and distribution of mail. Changes in work processes have supported the trend towards reduced paper use. For example, attempts have been made to print fewer stickers in back-office processing and to convert paper into self-service stickers. Printing information about recipients and senders directly on stickers instead of paper, which is slipped into a plastic pocket, will save a huge amount of paper in the future. The introduction of sticker printers is well underway.

The introduction of a new quality control system and the updating of processes revealed various opportunities to reduce data printing. During audits and analyses, the procedure was often that documents were printed out and filled in on paper. To save paper, connections between the quality control and documentation systems have been established. At the same time, all kinds of duplications are prevented.

The service and marketing division has also stepped up its efforts in the field of sustainability and, among other things, reduced the use of paper in the production of promotional material.



CHANGES LED TO MORE ENVIRONMENTALLY FRIENDLY POSTAL SERVICES IN AKUREYRI

The merger of the two post offices in Akureyri had a considerable environmental impact, but now all of Íslandspóstur's operations in Akureyri are under one roof in Norðurtangi. Íslandspóstur's customers in the capital of the North can now choose between the post office at Norðurtangi, three mailboxes, an Internet hatch and a parcel portal.



"After the post office at Strandgata was closed, we no longer had to move parcels between the post office in Norðurtangi and the town centre. This simplifies all processing, facilitates communication and of course reduces the environmental impact. A growing number of people take advantage of having shipments delivered to parcel portals or mailboxes, and there has been great satisfaction with that service. In addition, it should be mentioned that increased services in the local area can also have a positive effect on the environment."

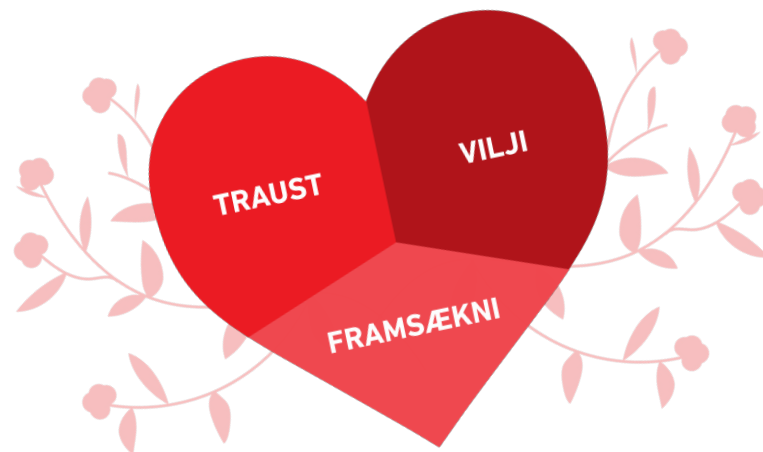
*Skúli Rúnar Árnason,
Station Manager at Íslandspóstur in Akureyri*



THE QUALITY CONTROL SYSTEM IS THE VASCULAR SYSTEM

At Íslandspóstur, we often talk about the postal heart, and now we say that the quality control system is the vascular system of the postal heart. Íslandspóstur's quality control system is certified according to the ISO 9001 quality standard, but we place the greatest emphasis on the system's functionality, that the system is not just theoretical but in full use in day-to-day operations.

The quality control system involves that work is carried out according to harmonised processes, deviations are analysed, improvements are made and the system is reviewed regularly. We are always trying to identify weaknesses in the operations and respond to them, reduce any kind of waste and thus promote the sustainability of the operations. This also results in more efficient operations.



ÍSLANDSPÓSTUR SET THE FOLLOWING QUALITY GOALS THIS YEAR

95% quality of registered shipments

Processes at the forefront

Active and certified quality control system

Powerful information system for all documents

Electronic documents and data instead of paper

Deviations are an exception



STOP TRANSPORTING AIR AND REDUCE WASTE

Selma Grétarsdóttir, Lilja Gísladóttir and Agnes Ellý Elvarsdóttir lead a sustainability project aimed at reducing claims at Íslandspóstur. The purpose of the project is to reduce waste.

BETTER ARRANGEMENT SO THAT THERE IS LESS RISK OF DAMAGE

Selma, who is the Head of Quality Control at Íslandspóstur, says that in a nutshell, the project is about finding out why damage occurs and creating processes to prevent it. "This has resulted in, among other things, a change in procedures regarding arrangement in cages that are used to transport shipments between locations," says Selma.

PACKAGING PROTECTION AGAINST DAMAGE

Lilja is a Service Manager at Íslandspóstur. She has led the effort in training staff. Emphasis is also placed on the importance of customers packaging their parcels well and labelling fragile shipments. This has resulted in fewer losses and increased customer satisfaction.

LESS WASTE

Agnes, who is Íslandspóstur's claims representative, says that claims have decreased in line with the increased awareness of employees and customers about the importance of careful packaging. "Reducing losses means less waste. When a shipment arrives safely at its destination, we prevent the need to pack another shipment and dispose of a useless product, not to mention the carbon footprint of transporting another shipment unnecessarily."

STOP TRANSPORTING AIR

Selma says the project has also improved transport utilisation. "Changes in work processes have led to better packaging and sorting of shipments. Both prevent us from transporting air. It all makes a difference," Selma concludes.



"When we looked into the matter, it turned out that we were transporting a lot of 'air'. Packages were arranged in cages in such a manner that in many places, there was a large gap between them. We took a close look at how this could be improved by better arrangement in the cages, both to prevent mistakes from recurring and to reduce air transport during the distribution of shipments. Subsequently, we updated the process and prepared an educational video for the staff. This way, we kill two birds with one stone, reducing the likelihood of damage to valuables and, at the same time, general waste."

*Selma Grétarsdóttir,
Quality Control Manager*

THE GLOBAL GOALS MATRIX



SUSTAINABILITY REPORT SECTIONS

	1 ENNI FÉLÖKT	2 ERKERT HINGUR	3 HEILSA OG VEIÐAN	4 MENNTUN FYRIR ALLA	5 JAFNRETTI KYNJAMANA	6 HREINT VATA OG HREINLEIÐSÖSTUR	7 SÁLFRÆÐI OG ORGÁN	8 ORGÁNUNNAN OG HAGAÐVÖÐUR	9 HESKÖFFUN OG UPPVEIÐING	10 JAFNRÉTTI OG JAFNLEIÐ	11 HANDELÐAGAR HÖRÐUR OG SAMVEIÐI	12 AÐYRKI NEYLA OG FRAMFÉRÐI	13 AÐYRKI OG LÖFTRÁÐSALING	14 LÍF OG VATA	15 LÍF Á LANDI	16 FÉÐUR OG NETIÐ LÍF	17 SAMVINGA OG MARKMÖN
Sustainability Is Integrated Into Íslandspóstur's Culture																	
Sustainability as a Guiding Principle																	
Convention on Climate Action																	
Green Accounting for the First Time																	
The Global Goals and Íslandspóstur																	
Sustainable Operations																	
Renewal of the Car Fleet																	
Fewer Trips and Less Waste																	
Amazing Parcel Sorter																	
Sustainable and Diverse Service with More Postboxes																	
Automation in Customer Service																	
The Mail in Your Pocket																	
The Chatbot Njáll Chats Constantly																	
Human Resources																	
Human Resources Policy, Measurements and Job Satisfaction																	
Public Health Is an Important Factor in Life and Work																	
Compliments and Encouragement from a Surprising Direction																	
Life Coaching a Part of Sustainable Culture																	
Grateful for the Diversity																	
Jafnvægisvögin																	
Green Steps																	
Green Steps Towards Sustainability																	
Ecological Procurement																	
Sort Like the Wind																	
We Fix and Reuse Rather Than Buy New																	
Energy Savings																	
Heading Towards More Eco-Friendly Transport																	
Survey of Staff Travel Habits																	
Eco-Driving the Only Thing That Makes Sense																	
Eating Green Is Good																	
Waste Reduction																	
New Environmentally Friendly Packaging																	
Saving Plastic																	
Less Paper and Printing																	
The Quality Control System Is the Vascular System																	
Stop Transporting Air and Reduce Waste																	
Other																	
Environmental and Climate Policy																	
Sustainability Settlement																	

2021 CORPORATE GOVERNANCE STATEMENT

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

The Board of Directors of Íslandspóstur ohf. (“Íslandspóstur”, “Pósturinn” or “the company”) places great emphasis on maintaining good corporate governance, and the company’s corporate governance is based on Act No. 2/1995 on Public Limited Companies, Act No. 3/2006 on Annual Accounts and the Guidelines on Corporate Governance (6th ed.) published by the Iceland Chamber of Commerce, Nasdaq OMX Iceland hf. and the Confederation of Icelandic Employers. The Board operates in accordance with the state’s ownership policy, the company’s Articles of Association and the rules of procedure it has established. Íslandspóstur’s Articles of Association and the Board’s Rules of Procedure can be accessed on the company’s website. No violations of the law and regulations have been ruled on by the relevant supervisory and/or adjudicating entities.

The role and obligations of the Board are governed by the company’s Articles of Association. In addition, the Board has established detailed Rules of Procedure, which define the main tasks and scope of the Board, the Chairman of the Board and the CEO. The current Rules of Procedure were approved at a meeting of the Board of Directors on 13 October 2021.

The Board is responsible for ensuring that an effective system of internal control is in place and that it is formal, documented and regularly verified. Internal control should be conducive to:

- a. ensuring that the company achieves success and efficiency in operations, in accordance with the company’s goals,
- b. providing dependable and legitimate financial information to external parties and
- c. complying with laws and regulations that apply to the operations.

Annually, the Board shall perform an audit of the company’s internal controls and risk management and take action to remedy any defects, if necessary.

The CEO, on behalf of and under the responsibility of the Board, supervises risk factors and performs risk assessment. The CEO also prepares risk management reports that are submitted to the Board.

The Board and management work to minimise the risk factors that the company faces at any given time through active risk analysis and risk assessment. Every six months or more frequently, if requested by the Board, the CEO reports on the status of the company’s risk factors according to the risk assessment, changes that have occurred since the previous measurement and other issues that concern the assessment and are relevant. In parallel with the discussion on the status of risk factors, special consideration shall be given to what risk the Board is prepared to take in individual risk factors and what measures or precautions are taken to minimise the risk in each factor.

The Board and management govern the company according to key criteria approved by the Board. At the company’s regular Board meetings, the key criteria are reviewed and intervened with Action Plans, as appropriate. The CEO’s proposals for Action Plans are generally available and are submitted to the Board for review, decision and approval.

The only sub-committee of the Board is the Remuneration Council, which consists of the Chairman and Vice-Chairman of the Board. The Remuneration Council submits a Remuneration Policy to the Board regarding remuneration and other payments to the company’s senior executives, as well as its Board members.

Annually, the Remuneration Council submits a proposal to the Board for a review of the Remuneration Policy, which is submitted to the company's Annual General Meeting for approval each year. The Board of Directors evaluates its work, procedures and working methods, the performance of the CEO and Chairman, the development of the company, the independence of the Board of Directors and the effectiveness of the sub-committee each year in the run-up to the Annual General Meeting.

In 2021, 18 Board meetings were held, but many demanding projects required frequent meetings, sometimes through teleconferencing equipment. All Board members participated in all Board meetings during the period.

The Ministry of Finance manages the state's holding in Íslandspóstur ohf. Communications between shareholders and the Board of Directors take place at shareholders' meetings and as requested by a shareholder or the Board of Directors deems it necessary to inform shareholders. The Chairman of the Board is responsible for communications between the Board and the shareholders of the company. All formal communication with the owners of the company is in consultation with the Chairman of the Board. Board members are independent in the execution of their work and do not accept instructions directly from the company's shareholders or other stakeholders. Board members maintain strict confidentiality in their work and do not provide shareholders with information on the company unless such information is presented by the Board.

Þórhildur Ólöf Helgadóttir is the company's CEO and manages its day-to-day operations on behalf of the Board. The CEO represents the company in all matters pertaining to its day-to-day operations. The CEO attends Board meetings and must implement the decisions made by the Board. The CEO ensures that the company's accounting is in accordance with the law and that its finances are secure.

Íslandspóstur's Board consists of five Board members, all elected at the company's Annual General Meeting. They are Bjarni Jónsson, Chairman of the Board, first elected to the Board in 2017; Auður Björk Guðmundsdóttir, Vice-Chairman of the Board, first elected to the Board in 2019; Eiríkur Haukur Hauksson, re-elected to the Board in 2018; Jónína Björk Óskarsdóttir, first elected to the Board in 2019; and Guðmundur Axel Hansen, first elected to the Board in 2021.

Board members are appointed on the basis of proposals from political parties in Parliament at any given time. All Board members are independent of the company and the majority are independent of its shareholders, cf. Section 2.3 of the Corporate Governance Guidelines. Guðmundur Axel Hansen is an employee of the Ministry of Finance. The Ministry is the only shareholder in the company. The company's Board consists of three men and two women. The company therefore meets the provisions of the Act on Gender Ratio of the Board Members of Public Limited Companies. Education, experience and knowledge of Íslandspóstur's Board members is extensive. More information about the Board members can be found on the company's website.

