



PÓSTURINN

Iceland Post Annual Report 2022

Sustainability Report



Address of the CEO and the Chairman of the Board

Connecting persons, companies and societies

Iceland Post connects people, companies and communities through the dissemination of goods, data and information around the country and worldwide. The pandemic clearly demonstrated the importance of the company for our countrymen. Through the years, the company has played the role of delivering mail everywhere within the country and during times of uncertainty, safely receiving one's goods becomes crucial.

In the beginning of the year, Iceland Post again had to apply to the Ministry of Health for an exemption from the pandemic rules limiting the number of people. The operation was conducted in compartments well into the spring. At the end of February, war broke out in Europe and Iceland Post has modelled its actions on European postal companies because of it. The Nordic countries decided to stop making post deliveries to Russia for a while, and that affected post deliveries to and from Russia.

In Icelandic society in 2022 there was no quietude. Inflation ravaged the population, in part imported and in part homemade. It's been long since it has been this high, but the Central bank raised short-term interest rates each month during the latter part of the year. Collective agreements expired on the 1st of November after a 11.2% rise in basic wages in the earlier part of the year. A temporary agreement was reached with the Postal Workers' Union in the beginning of 2023. These rises lead to a basic wage rise of just under 19% for workers within the Postal Workers' Union in 2022. Higher prices and a great wanderlust within the population may have effected the number of packages, domestic as well as abroad, which dropped from the previous year.

Iceland Post has now operated exclusively within a competitive market for three years as the exclusive right to deliver letters that weigh 0-50 g was abolished with an Act which took effect on 1 January 2020. A clause stipulating the same price for letters of this weight in the entire country remained unchanged, however.

At the end of 2020, Iceland Post was designated a universal service provider for up to ten years with the decision of the PTA no. 13/2020. The decision imposed an obligation on the company to fulfil the global services promises of the new law, in the whole country, in all categories of universal services. This applies to letters, bulk mail, domestic packages weighing from 10 kg and packages from abroad weighing from 20 kg, registered mail and deliveries for the blind of up to 2 kg. There's no need to be coy about Iceland Post'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 requirements made to the universal service provider.

The employees of Iceland Post are the basis of our entire operation. It is important to bring out the best in each one of them. We focus on empowering employees and authorising them to act. It is the sincere belief of management that this increases job satisfaction which is reflected in the satisfaction of customers. Management and experts at Iceland Post have received leadership training during the year which is based on each and everyone taking responsibility for themselves and exploiting the strengths and diverse composition of the group to obtain the best results in each project.

Equality is very important to Iceland Post and this year we commit ourselves to continuing along the path towards equality. The gender ratio within management is quite even, as is the case among other employees. During the hiring process, an effort is made to see whether the gender ratio is uneven and if so, to balance it out. Iceland Post was awarded an acknowledgement from Jafnvægisvogin (the Scales of Equilibrium) this year, as well as last year, for success in matters of equality.

We concern ourselves greatly with the health and well-being of our staff. This year we made an effort to strengthen security and set for ourselves the goal that all employees should get home in one piece at the end of the day. At the beginning of the year, employees for the first time had the option to sign a travel agreement and commit themselves to travel to and from work in an environment-friendly way. About 16% of the employees have signed such an agreement, and the hope is that that number will gradually grow.

At the end of the year we entered into negotiations with the company Greenfit about conducting health research and encouraging and educating employees regarding healthy lifestyles. Thus, we intend to contribute to the mental and physical health of the employees, in accordance with Sustainable Development Goal no. 5 regarding health and well-being, which is one of the main goals of Iceland Post. Pósthlaupið took place for the first time during the year, in which an old postal route from Hrótafjörður in the North of Iceland all the way to Búðardalur in the West was the running track.

As Iceland Post sees it, sustainability is inextricable from the culture and a key-factor in extensive projects such as the renewal of the vehicle-fleet and the introduction of parcel lockers. All decisions, great or small, are made in the spirit of sustainability, whether they are related to purchases, reduced waste in a wide sense, the sorting and recycling of waste, the selection of packaging and various technological developments. We also focus on making employees more aware of environmental issues and tending to their health and well-being, as well as sound management practices. The year saw the finalisation of the last green step of five set forth by the Environmental Agency, the steps being a framework which is intended for institutions and companies owned by the state to get them to focus effectively on environmental matters.

The number of parcel lockers went from 47 to 62 during the year. The parcel lockers have been useful for people, both for sending and receiving registered mail. Also, a system was set up to enable sending mail using electronic identification, with both parcel lockers and home deliveries. This was popular during the delivery of delicate mail and age-restricted mail. The number of manned delivery-and reception-stations was reduced, replaced with more post vehicles, parcel lockers and package ports. The number of letter deliveries changed in the beginning of May and letters are now delivered twice each week. The number of letters has gone down by just under 80% since 2010 and that trend continues.

A tender for vehicles was launched during the year. Participation was sparse, as the supply of environmentally friendly vehicles is limited. However, Iceland Post invested in ten new electric and methane-fuelled vans, replaced two 26 tonne trucks and purchased a 20 tonne electric truck from Volvo. Electric vehicles of this size have now finally become available to Iceland Post, whose requirements for range and various other features are great, as the routes are long and the highways often plagued with adverse conditions.

In the following years, the aim is to renew the entire vehicle fleet of Iceland Post and participate fully in the energy transition in Iceland. The idea is to have an entire fleet of environment-friendly vehicles in 2030 or sooner if possible. Gradually, all deliveries by Iceland Post will become environment-friendly and the entire country will become a green distribution area. Delivery of mail is already mostly environment-friendly as electronic postal scooters are used for deliveries in urban areas. They drive around 350 thousand kilometres per year.

The quality control system of Iceland Post is certified and effective with internal and external project assessments, constant improvement efforts and solutions sought in order to make the process more efficient. Which type of quality is measured, for instance, the delivery speed of letters and packages and customer satisfaction. Implementation of a new quality manual is well underway, however, Iceland Post has long operated according to a quality standard. New systems are being implemented which support sales, services, and marketing strategies by keeping track of all communication and areas of contact with the clients. Risk assessment is regularly conducted and mitigating measures are taken to respond to anything where there is room for improvement.

As ever, the employees of Iceland Post have set goals for prioritising the customer in all decision making, in order to keep the company in the black. To get there, everyone must work together and approach the day guided by a problem-solving orientation and positive thinking. Various external occurrences have effected our operation in the previous years, a global pandemic, war in Ukraine, rising prices, a decrease in the number of letters for one more year by 20% and the population's wanderlust, to name a few.

This year, much work has been put into developing the operations of Iceland Post in accordance with the wishes of customers. The company's employees are to be commended for their contributions and constant professionalism on the job. As we look forward to the diverse work ahead in the coming year we expect that it will be for the benefit of our employees, customers, owners and other stakeholders.

Pórhildur Ólöf Helgadóttir, CEO
Halldóra Lóa Porvaldsdóttir, Chairman of the Board

Board of Iceland Post



Halldóra Lóa Þorvaldsdóttir,
Chairman of the Board



Auður Björk Guðmundsdóttir,
Vice-Chairman of the Board



Baldvin Örn Ólason,
Board Member



Gísli Sigurjón Brynjólfsson,
Board Member



Guðný Hrund Karlsdóttir,
Board Member

Key Executives of Iceland Post



Þórhildur Ólöf Helgadóttir
CEO



Gunnar Þór Tómasson,
Chief Financial Officer



Dagmar Viðarsdóttir,
Head of Human Resources



Guðjón Ingi Ágústsson,
Head of Digital Solutions and IT



Héðinn Gunnarsson,
Head of Reform and Logistics



Hörður Jónsson,
Director of Operations



Ósk Heiða Sveinsdóttir,
Head of Service and Marketing

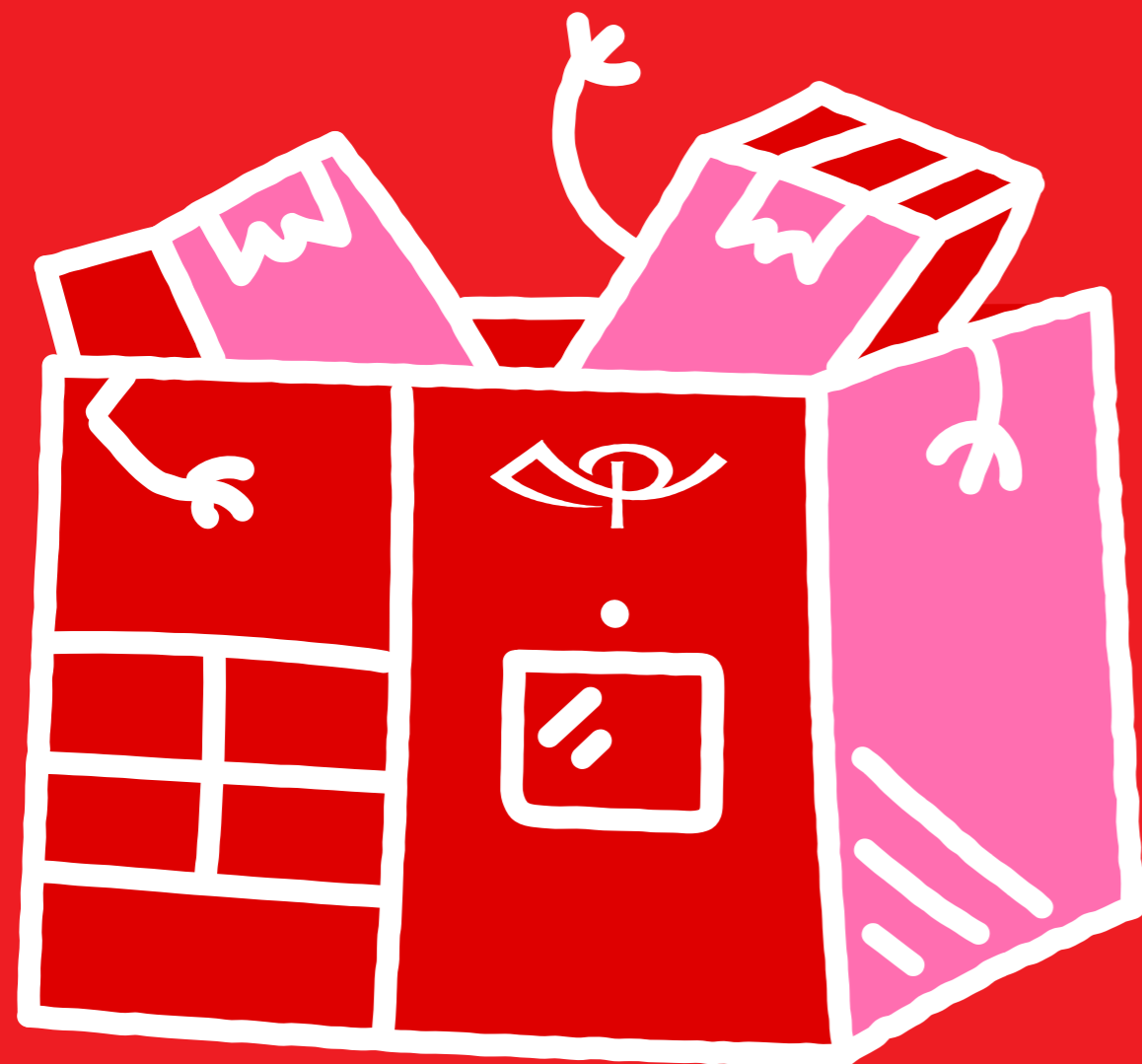
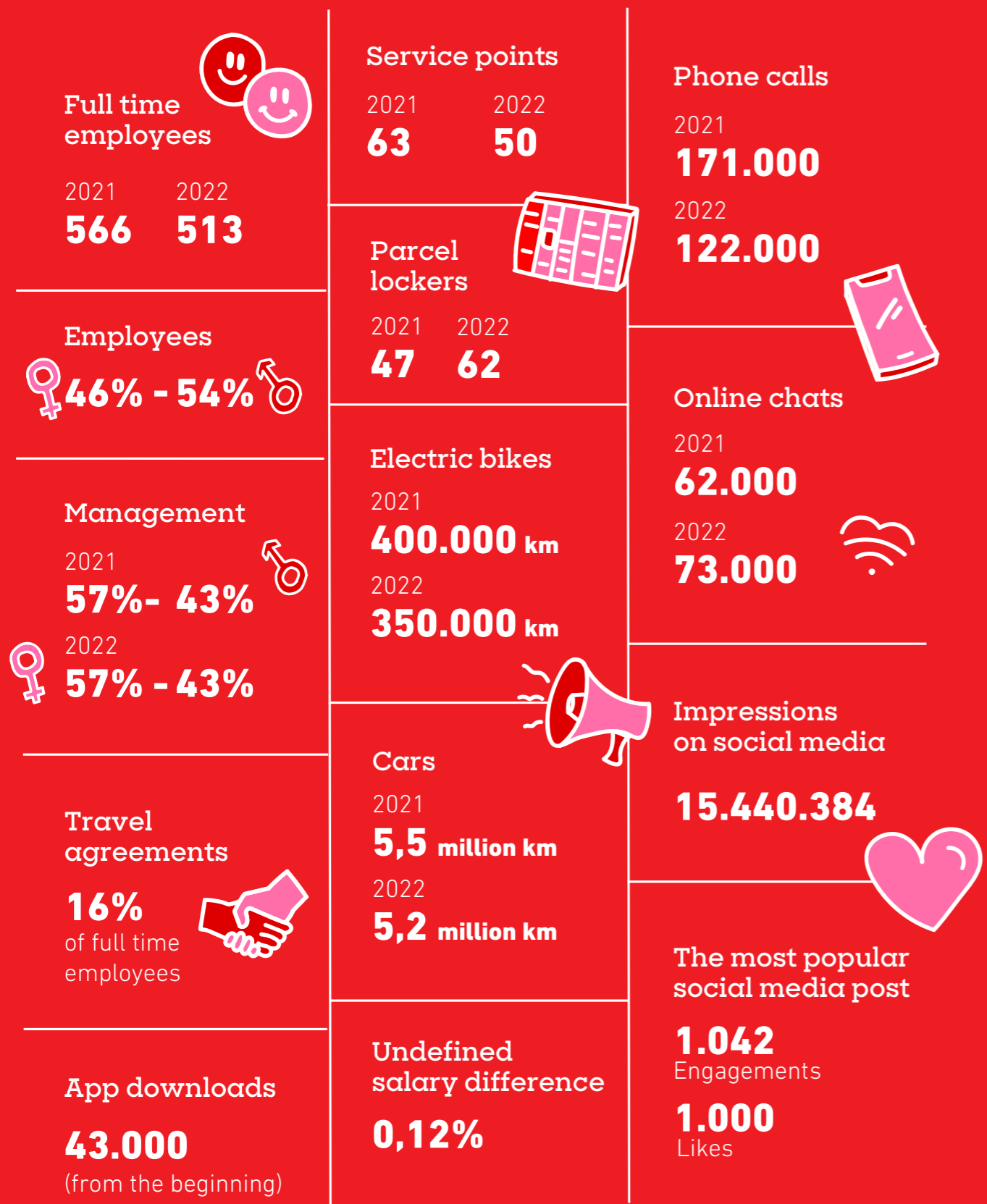
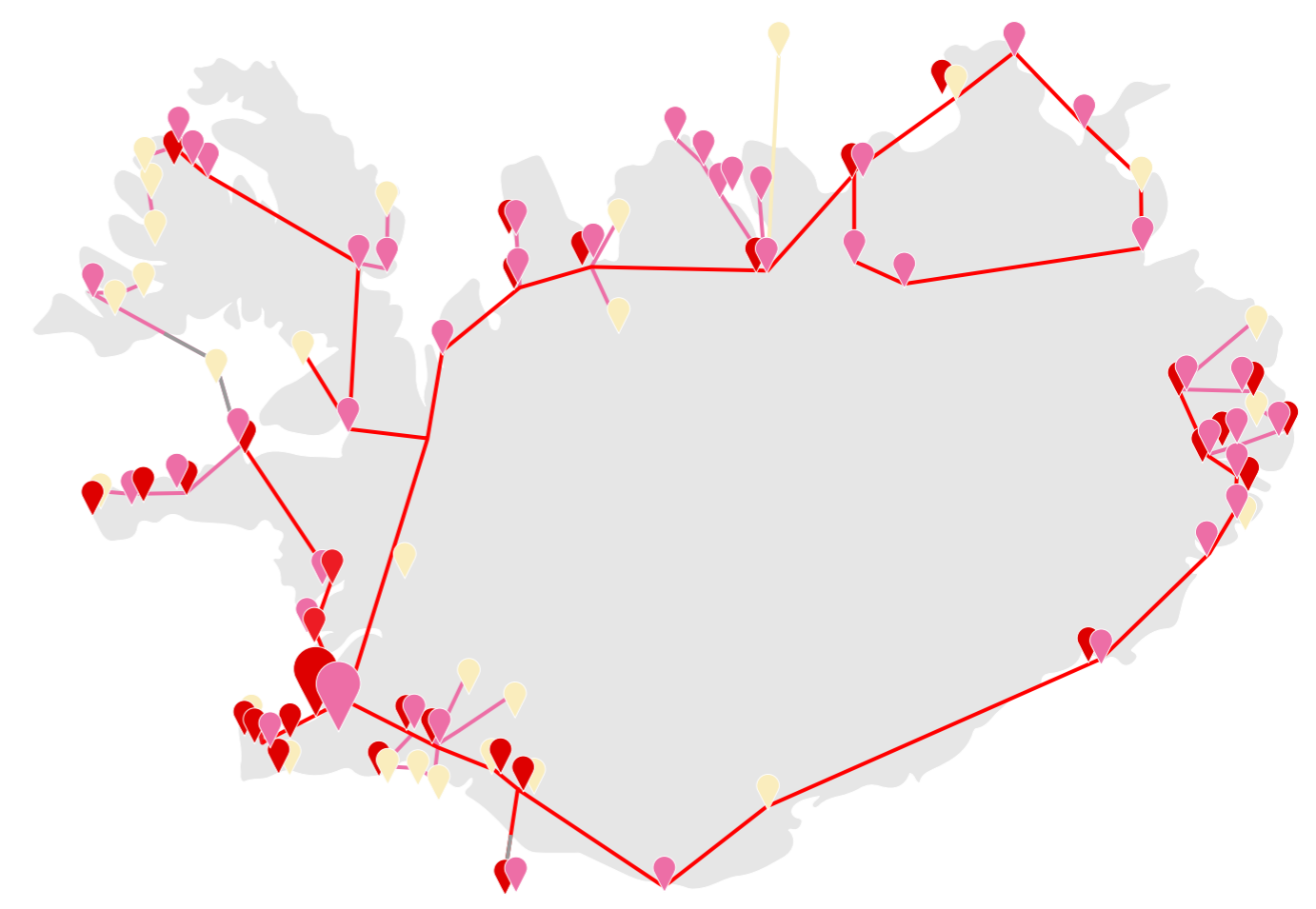









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Distribution Network



-  **Post office**
-  **Parcel lockers/Parcel point**
-  **Postal van**
-  **Main distribution**
-  **Postal van**
-  **Flight**
-  **Boat**

Key figures

	2022	2021
Wages and related expenses	(4,568,476)	(4,522,703)
Other operating expenses	(1,978,578)	(1,926,157)
Costs due to restructuring	(128,092)	(34,471)
Operating results before depreciation, financial items and taxes (EBITDA)	493,159	969,589
Corrected EBITDA*	621,251	1,004,060
Net financial expenses	23,584	(107,910)
Depreciation	(482,746)	(524,803)
Profits/(loss) before taxes	33,997	336,876
Share of subsidiaries earnings	(27)	(16,315)
Income tax	2,726	(64,721)
Profit/(loss) from continuing operations	36,696	255,840
Discontinued operations		
Profit/(loss) of the year	36,696	255,840

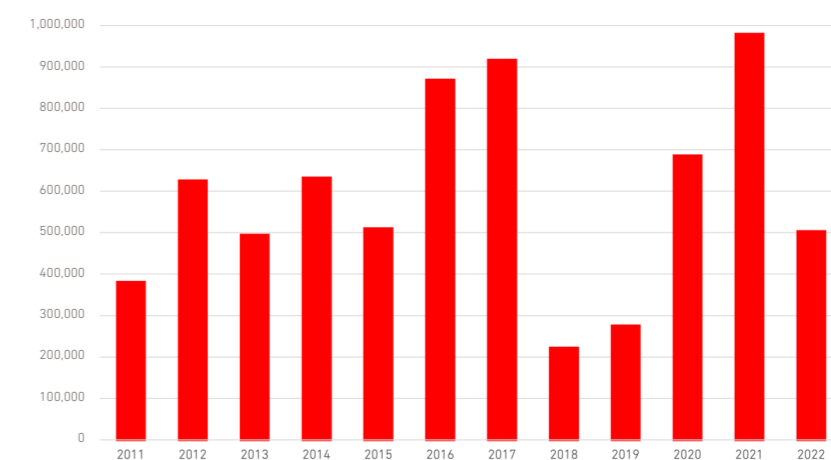
Financial ratios

	2022	2021
Change in income between years	-3.8%	-0.1%
Payroll proportion	63.7%	60.7%
EBITDA proportion	6.9%	13.0%
EBIT proportion	0.2%	4.3%
Corrected EBITDA #	8.7%	13.5%
Corrected EBIT #	1.9%	4.8%
Profit margin	0.5%	3.4%
Current ratio	1.16	1.61
Equity ratio	57%	55%
Book value per share	1.2	1.2
Return on equity	1.0%	7.2%

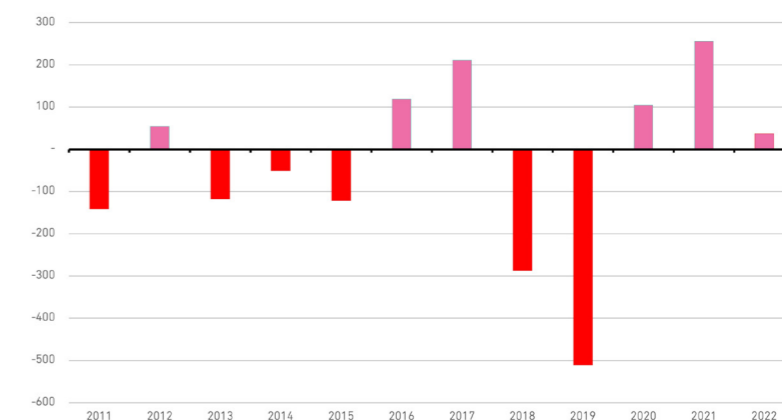
* Financial ratios calculated on the basis of the approved consolidated financial statements
Correction for restructuring costs



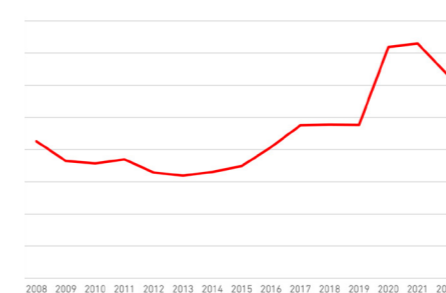
EBITDAR 2011-2022 ISK millions



Performance 2011-2022 ISK millions



Bulk development - parcels



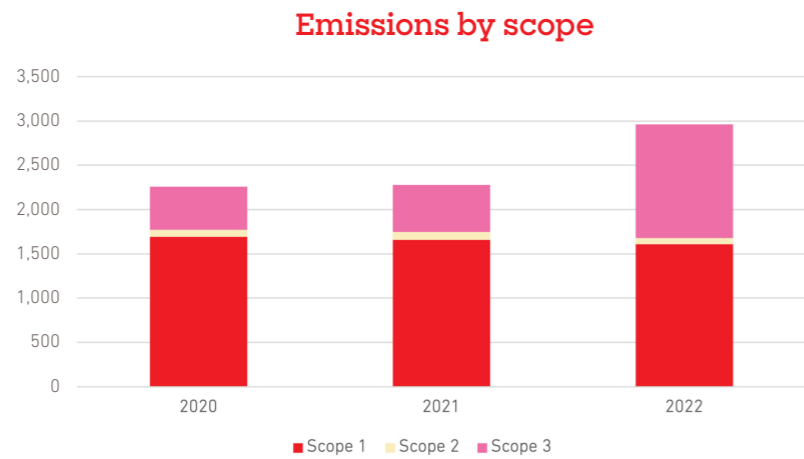
Bulk development - letters



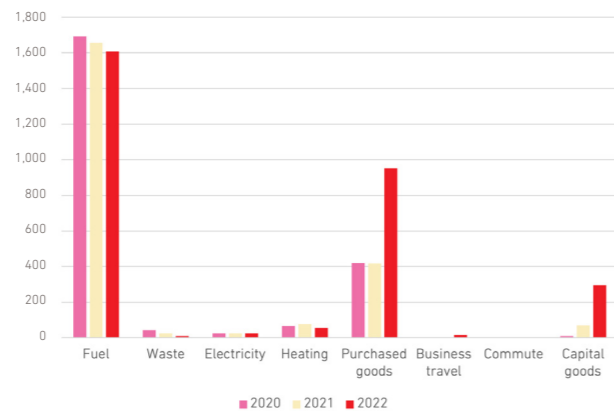
Key Factors of ESG Report

Environmental factors

E1 Total emissions of Iceland Post 2022 amounted to 2,960.4 tCO₂e. Thereof, scope 1 (fuel-consumption of vehicles) had the biggest effect, 1,607.09 tCO₂e in total, scope 2 69.4 tCO₂e in total and scope 3 1,283.9 tCO₂e in total. The settlement for 2022 covers many more factors in scope 3 (purchased products and services) than in recent years.



Source of greenhouse gas emissions (comparative division by years)

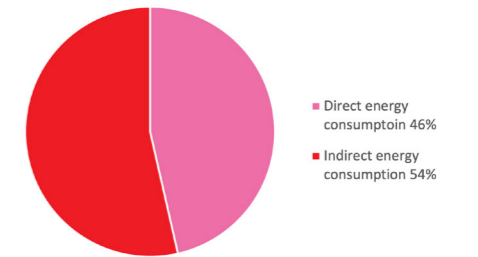


In 2022, for the first time, emissions for purchased food stuffs and vehicles was filed, as well as emissions for the driving of district postal workers (contractors). Emissions from operational waste have been reduced significantly in the previous years, however, emissions for flights was multiplied compared with the previous two years when the pandemic prevented travel. Emissions from travel by employees was reduced by 20% from 2021 to 2022, as demonstrated by a survey of travel habits.

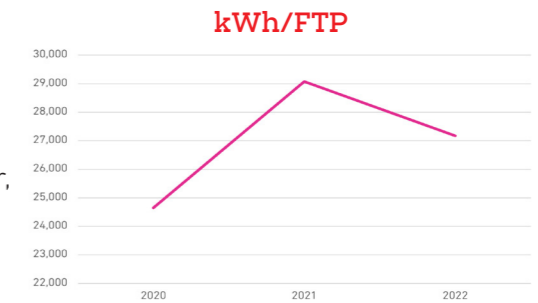
E2 As the settlement for 2022 covers more factors in scope 3 than in previous years and the number of employees has dropped during the year emissions per employee have increased.



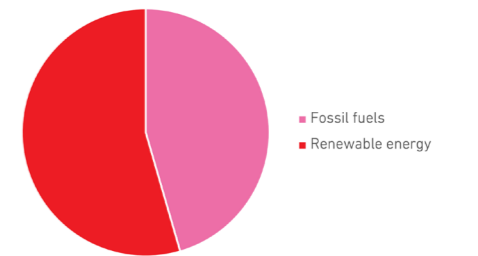
E3 Total energy use in 2022 amounted to 13,941,984 kWh and is distributed quite evenly between direct consumption (of fossil fuels) and indirect consumption (of electricity and hot water).



E4 Energy intensity of employees (kWh/full-time positions) 2022 decreased from the previous year. Total energy use was significantly less, especially because of heating reductions, however, this coincided with a decrease in the number of employees.



E5 Energy Composition: Fossil fuels accounts for less than half of the energy while renewable energy sources account for more than half.



E6 Total water consumption in 2022 amounted to 94,416.6 m³.

E7 Iceland Post has set an policy with regard to the environment and the climate, including a policy regarding waste, water, energy and recycling, but does not use a certified energy control system.

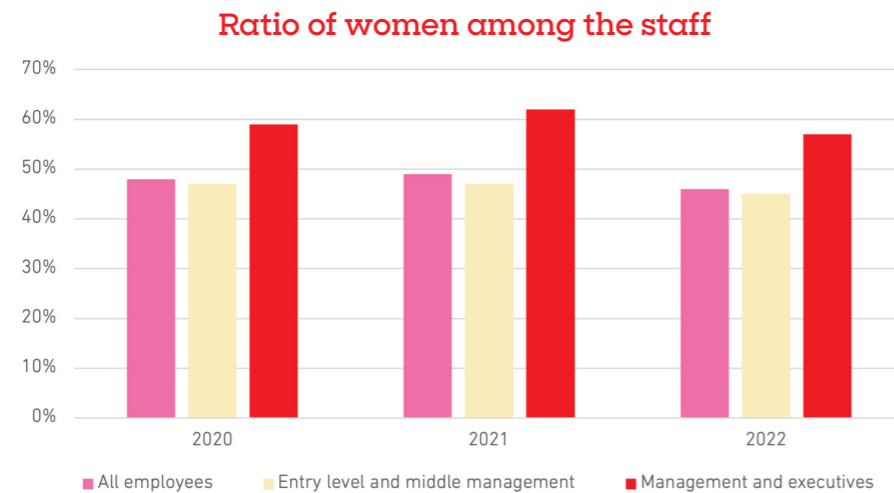
E8, E9 The board conducts surveillance of climate-related risk and the key executives provide oversight thereof.

E10 Total investment in climate-related infrastructure, resilience and product development 150,633,117 ISK (investment in vehicles run by electricity and methane and charging stations).

Key Factors of ESG Report

Social aspects

- S1** The wage ratio of the CEO is 4.80 and fell from 5.20 in 2021.
- S2** The median wages of men as a ratio of the median wages of women is 1.07 and the equal pay certification revealed an unaccounted for wage-disparity of 0.12% in favour of women.
- S3** Personnel turnover in 2022 was 20.2% and decreased from 23.2% in 2021.
- S4** The ratio of women among the staff was 46% but women number 57% of department heads and executives.

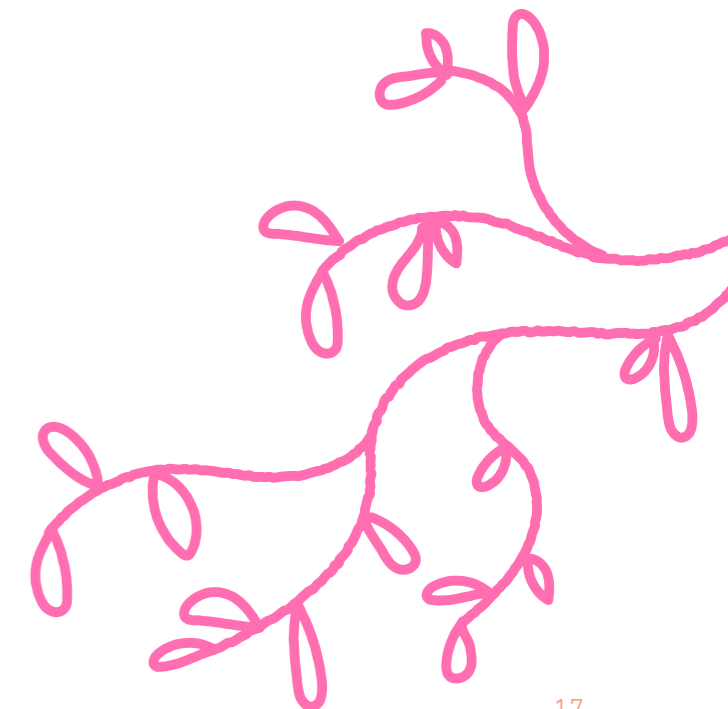


- S5** The ratio of temporary hires was 0.8 in 2022 and has decreased in recent years, was 3% in 2020.
- S6** Iceland Post has an equality policy and strategy related to sexual harassment.
- F7** The Company's frequency of work-related accidents at the end of 2022 was 4.1%, as compared to 4.9% in 2021 and 3.1% in 2020.
- S8** Iceland Post has a comprehensive health- and security policy. Total absence from work as a ratio of the working hours of all employees in 2022 was 5.87%, up from 1.5% in the previous year.
- S9** Iceland Post has a policy against child-labour and enforced labour, however, it does not include suppliers.
- S10** Iceland Post has not set a particular human rights policy.

Key Factors of ESG Report

Governance

- G1** The ratio of women within the board of Iceland Post is 60%.
- G2** The CEO is barred from sitting as the chairman of the board and the ratio of independent board members is 100%.
- G3** Directors do not receive bonuses for success in the field of sustainability.
- G4** 100% of employees are covered by collective agreements.
- G5** Iceland Post has a code of ethics for suppliers, however, suppliers have not formally approved it.
- G6** Iceland Post has an anti-corruption and -bribery code of ethics, however, employees are not made to sign it.
- G7** Iceland Post has a personal data protection policy and is GDPR-compliant.
- G8** Iceland Post publishes a sustainability report where issues related to the environment, social factors, governance and reporting to the authorities is covered, and which contains data regarding sustainability.
- G9** Iceland Post provides authorised parties with information regarding sustainability and emphasises in particular five of the UN Sustainable Development Goal, but does not report on their progress.
- G10** Data and information regarding sustainability are not verified by a third party.



Milestones 2022



2022

January

- Travel agreements
- More environmentally friendly packaging

March

- The First Sustainability Report and ESG Report
- Service measurements

May

- Plucking by post offices

July

- Simplification of product selection - Good, Better, Best
- Green light

September

- Leadership training
- European mobility week

November

- Directly through - new service
- Njáll one year old
- Electronic customs-data

February

- Introduction to Equality Issues
- Love-letters on Valentine's Day

April

- Cycling to Work

June

- A new visual identity and brand manual

August

- Iceland Post Trail Run 2023
- Security policy
- Food waste analysis

October

- Jafnvægisvogin (The Scales of Equilibrium)
- Risk assessment in the Distribution Centre
- Market event in Harpa Concert Hall
- Business port launched

December

- New CRM systems
- Eleven new, more environment-friendly vehicles
- Five Green Steps concluded

2023

The year 2022





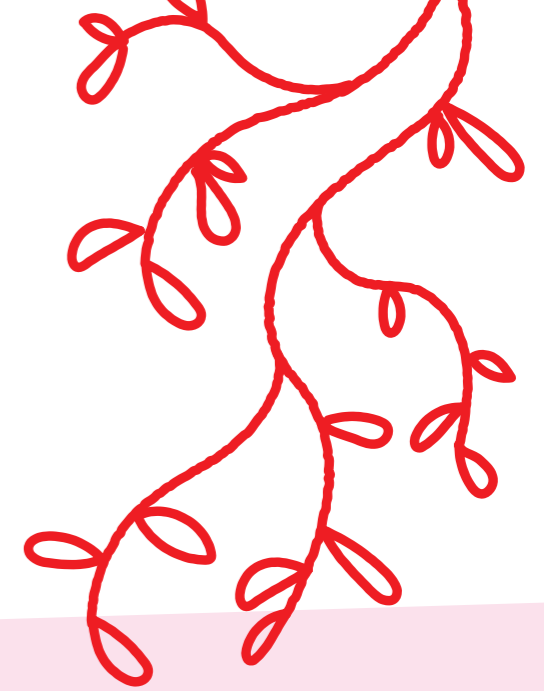
Sustainability Report

Iceland Post is now issuing a sustainability report and ESG report as part of their annual statement for the second time. During the year we worked on diverse projects related to sustainability, which will be detailed here below. The success was adequate but we realise that this is the first stepping stone in a long path. The main sustainability goals of Iceland Post in 2023 are then addressed. This is followed by coverage of the main sustainability projects of the previous year. They are directly and indirectly related to five of the UN Sustainable Development Goals which Iceland Post has selected especially to work on. The projects are related to both environmental and social factors. The report then includes a declaration of governance by the board of Iceland Post and the financial statement for 2022.

In the near future, we will have to expend a lot of effort into deepening our understanding of sustainability, selecting the right framework and projects and order our activities in such a way as to reduce the negative effects which Iceland Post has on the environment and society. With more knowledge and projects, a clearer view of sustainability projects emerges. The vision is that sustainability become inextricable from the culture of Iceland Post and that it will be borne in mind as large and small decisions are made. 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 Iceland Post will contribute to, rather than deplete, resources.

Sustainability Goals 2022

Iceland Post set 12 sustainability goals for itself by 2022, which we reach in part or totally. We celebrate this success, although these are only the first stepping stones in a long journey.



Prepare a Roadmap for Energy Transition within the Vehicle Fleet

We prepared a roadmap for an energy transition within the vehicle fleet and how we envision making urban areas and distribution areas green. Our plan is for an energy transition in 2030 or sooner.



Conclude Green Steps

We finished implementing the five Green Steps of the Environmental Agency in two years, with about 170 diverse actions. Next on the agenda is maintaining the steps for the assessment after two years.



Facilitate carbon footprint calculations for companies with regard to transportation

We are working on creating a web service for data transfers within the system of Klappir so that companies can calculate the carbon footprint of transportation with Iceland Post. The solution will be ready for the sustainability settlement of 2023, later than anticipated.



Support staff to travel in a more environment-friendly fashion

We implemented travel agreements (which 16% of our employees use), reached the fourth place of 25 in the challenge Hjólað í vinnuna (Cycling to work), celebrated the European Mobility Week and conducted a survey of travel habits among the staff.



Minimise waste and increase recycling

The volume of waste decreased by 15 tonnes from the previous year and has decreased by a total of 140 tonnes since 2018, that is 65%. The recycling ratio increased by 9% from the previous year and reached 68% in 2022.



Reduce the use of plastic and paper

We have selected a more environment-friendly, thinner, plastic film to wrap our pallets in plastic and now we use 47% less plastic film to wrap pallets. We've reduced printing by almost 500,000 pages since 2020.



Sell more environmentally friendly packaging

We began selling plastic bags made of 100% recycled and recyclable plastic and envelopes with rifled paper instead of bubble plastic which is hard to recycle.



Earn an equal pay certification and maintain an equal gender ratio

We earned an equal pay certification as unexplained wage disparity proved to be 0.12% in women's favour and we were awarded the acknowledgement of Jafnvægisvögin (the Scales of Equilibrium). The gender ratio within the board and among the highest superiors is equal and in favour of women in the case of middle management.



Offer more healthful meals in canteen

We made changes to increase the supply, ratio and consumption of vegetables, plant-proteins and organic food in the canteen, analysed food waste for the first time and made arrangements to reduce it, for instance, we gave employees the option of taking home leftovers on Fridays.



Set a framework for responsible purchases

We came up with a purchasing process and instituted an annual purchase analysis, supplier assessment and regular education regarding ecological purchases for employees. The framework is ready and implementation is next on the agenda.



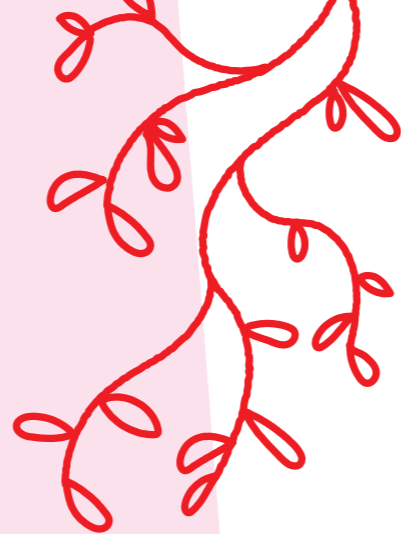
Issue a More Detailed ESG Report

The sustainability settlement of Iceland Post for 2022 covers more categories in scope 3 than before and now covers purchases of food and vehicles, overnight stays, the travel of staff and transportation and distribution in latter stages, in part.



Increase the Number of Parcel lockers

We set up 15 new parcel lockers, significantly fewer than we had planned (60 was the initial goal) but we are nowhere near finished and in the autumn of 2023, the parcel lockers will number over one hundred.



Sustainability Goals 2023

Iceland Post has set for itself the following sustainability goals for the year 2023. Additionally, we work on other diverse projects related to sustainability.

110 parcel lockers

Set up parcel lockers in the greater Reykjavík area and in the countryside so that their total number will be 110. Collect data about how high the ratio is of customers travelling in an eco-friendly manner to collect the deliveries from the boxes.

Green Routes

500 km

Increase the number of green areas and routes and use there only electric bikes, electric cars and/or methane-cars. In 2023, the total distance between green routes is to be 500 km. The sum of kilometres driven by environment-friendly vehicles will then amount to a total of 145.000. Currently, no routes are considered green in this sense because environment-friendly cars must drive the same routes as other cars.

200 tCO₂e

reduce vehicle emissions

Reduce the direct greenhouse gas emissions from the fuel consumption of vehicles (scope 1) by at least 200 tCO₂e.

9 tonne

reduction in waste

Reduce waste from one year to the next from 84 tonnes to 75 tonnes and raise the recycling ratio from 68% to 75%.

5%

illness ratio

Lower the illness ratio from one year to the next from just under 6% to 5% by a diversified health program among employees.

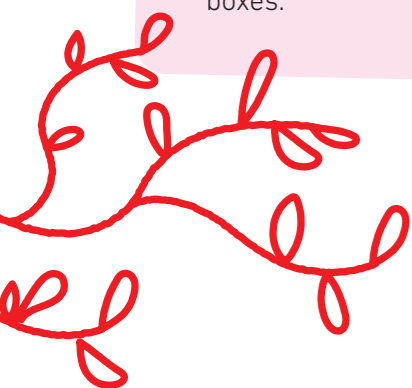
20%

with travel agreements

Raise the ratio of employees with travel agreements from 16% to 20% by encouraging and supporting staff in using more eco-friendly means of travel, for instance with better facilities in the work areas.

Meetings held with 25 suppliers

Implement a new responsible purchasing procedure which is based on purchase process, supplier assessment, annual purchasing analysis, conversations with suppliers and instructions regarding eco-friendly purchasing. Cover sustainability during meetings with 25 of the largest suppliers.



Roadmap for Energy Transition



Vehicles from Iceland Post drove a total of 5.2 million km in 2022 and emitted the equivalent of over 1600 tonnes of carbon dioxide equivalents. Renovation of the vehicle fleet in the aim of energy transition is one of the most powerful ways to reduce the emission of greenhouse gases within the operation. Being at the forefront of transport companies in environmental and climate issues is the aim.

Green stages

Roadmap for energy transition also serves as a sort of green manual. During the next years, the plan is to add to the number of routes and urban locations where deliveries make their way to their destination with environment-friendly vehicles. Currently, in March 2023, two legs are considered green in this sense, between Akureyri and Siglufjörður on the one hand and between Keflavík and Grindavík on the other hand. All deliveries via those routes are handled with electric- and methane-cars. Little by little, postal deliveries in Reykjanes will be handled entirely by electric vehicles. This includes the route between Keflavík and Reykjavík. The last patch of letter distribution in urban areas around the country is green, as distribution takes place with electric scooters or on foot. The year 2025 may be the homestretch where all deliveries in urban areas around the country become green.

Energy Transition by 2030

One of the largest projects of Iceland Post in climate matters is the energy transition of the vehicle fleet. During the year we put together a manual about energy transition and the replacement of the vehicle fleet, i.e., how and when the vehicles of Iceland Post of all sizes and makes will be powered by renewable, domestic energy sources. If the electric scooters of Iceland Post are figured in, almost half of the fleet ran on electricity or methane in 2022, the ratio increased by 7%, went from 42% to 49%. Although our large transportation trucks travel a much longer way than vans and bikes. Next year, we will focus on replacing transportation trucks and thus attempt to reduce the total

emissions of the fleet. Work on the manual is still in progress, as there are many factors which have an effect, such as available funds, supply and technology. The final goal is unclear, though. The energy transition will be finalised before 2030.

Vehicle Purchases in the Year

The vehicle fleet of Iceland Post includes over a hundred vehicles, as well as about 60 electric scooters. A high ratio of the fleet runs on fossil fuels but the aim of Iceland Post is to expedite its renewal and energy transition to the extent possible. Those are the most effective measures aimed at reducing greenhouse gas emissions in the operation. The plan was to purchase about 20 electric vans in 2022. Therefore, a tender process for vehicles for Iceland Post was launched this summer. The pickings were slim, mostly because there is little supply of electric cars in the country. All electric cars which met the standards of the tender were purchased, and more, a total of ten vans. Also, two 26 tonne trucks were replaced. The most environment-friendly options were selected in the category of long range transportation trucks which pollute much less than their predecessors. Finally, a 20 tonne electric truck from Volvo was added to the collection. Concurrently with the replenishment of the vehicle fleet, we are working on the building of infrastructure, electric charging stations and new supply services, as needed.

In a blinding storm on Reykjanesbraut

The driver Ingólfur Karl Þrastarson has worked at Iceland Post for a long time and done various jobs in distribution, the parcel department, and as a service director in corporate services. "I have recently begun a route here inside the city which mostly involves services for pharmaceutical companies. For several years, I drove to the post office in Keflavík and picked up foreign deliveries from the airport. Although the daily route is fun and time flies, what I like best is to take unexpected trips to places I have not seen before.

Just prior to the storm before Christmas and the closure of Reykjanesbraut I was en route to the post office in Keflavík. I got stuck in the parking lot in a large Scania but luckily a hero in an enormous truck came along and helped me dislodge the truck. He told me not to try getting to the airport but to just get home. The road to Reykjavík was utterly terrifying, so much blinding snow and cold that the wipers became covered in ice and I could hardly see anything. As the Reykjanesbraut was reopened, cars by the side of the road were completely covered in snow in the wake of the snow plow. It took them many days to dislodge the cars from the snow banks," says Ingólfur, adding: "Actually, the night drivers at Iceland Post who drive to Húsavík, Egilsstaðir and Stykkishólmur are quite used to these conditions."



Sustainable society and automation



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 parcel lockers, but in the future, we hope that the majority of Icelanders will be within walking distance of a parcel lockers. The aim of Iceland Post is to meet their customers where they are, fulfilling their requirements and offer environment-friendly products and services.

Parcel lockers - never far away

The vision of Iceland Post is for all neighborhoods and municipalities to have parcel lockers so that customers don't have to travel far to pick up or send packages, whatever the time of day, in most places. During the year, 15 new parcel lockers were set up, including five in the greater Reykjavík area and ten in the countryside. Boxes of the older type were swapped out and therefore, deliveries can be mailed in all parcel lockers. Thus, there are 66 parcel lockers and package ports all around the country, including 38 in the countryside and 28 within the greater Reykjavík area. The plan in 2023 is to add 40 boxes in various places around the country. Their total number will then exceed 100. A tight grid of parcel lockers makes it easier for customers to use environment-friendly means of travel to use the services of Iceland Post, for instance, walking or cycling. Parcel lockers near to one's home, workplace or other popular places such as shops and sports facilities can be selected. Thus, many errands may be attended to during the same trip. The customers of Iceland Post have celebrated the arrival of the new parcel lockers. The most used parcel lockers are in Keflavík, Spöngin, Mjódd, Smáralind and by Kaplakriki.

Carbon footprint of post deliveries

During the year, Iceland Post began work on a web service in collaboration with Klappir, who are experts in various kinds of environmental monitoring of the operations of companies, including carbon footprint calculations. The customers of Iceland Post who use the system of Klappir will in the future be able to request post deliveries as part of their sustainability settlement. Regular automated processing within the computer system of Iceland Post identifies data which belongs to the customer in question and submits a digital summary to the server at Klappir. The calculations rely on an emissions standard from the British State but in the future we aim to replace it with our own standard.

The parcel lockers are popular in Sudurnes

Three parcel lockers have been set up in Reykjanesbær and recently boxes were added in Vogar and Sandgerði. "Much use is made of the parcel lockers. We saw that during the Christmas rush when less was being delivered by car and more went into the parcel lockers. The staff took great pains to clear the way to the boxes as the snow started coming down," says Elín Björg Guðmundssóttir, head of the post office in Keflavík.



The townspeople find it convenient and according to Elín they have praised the parcel lockers greatly: "Here we have many shift workers who like to be able to pick up their packages outside opening hours, but usually people are picking things up from the parcel lockers on their way from or to work or on their way to the store. People also arrive on foot or on bikes, some use the opportunity while they are out walking their dog."



Small victories for the masses

During the year, an effort was made to improve the webspace of Iceland Post in response to the results of service surveys and feedback from customers and front office staff. The goal was to update the webspace in accordance with the new image and tone of the brand, simplify postal transactions, coordinate information across all media and thereby add to the trust of customers. Customers should be able to find the pertinent information in a rapid and safe manner. By simplifying the web tree and the interface and sharpening the search we can better serve the needs of individuals and businesses. Thus, we move the content of the web closer to the users who don't need to dive deep to find information and gather it from multiple sites. Actions such as registering and locating deliveries will be made simpler and more efficient.

Sandra Ósk Sigurðardóttir, webmaster of Iceland Post: "We enter 2023 with a good action plan to better the web and aim for important and decisive "little victories". All the changes are made from the point of view of the expectations of customers and we hope that those who visit posturinn.is will soon see changes for the better."

Automatic customs clearance

Electronic customs data has increasingly become a obligatory requirement as deliveries are made between countries, as it is necessary for customs clearance. It contains information about the sender, the recipient and the content of the delivery. In the previous years, the quality of this data has improved greatly and in November Iceland Post begin to make efficient use of electronic customs data in clearing deliveries from abroad. We used to rely on information which came with the deliveries and if it was insufficient we asked the recipients to provide us with the pertinent data, with all the accompanying delays. Currently, the customs clearance is more efficient than before, software apprehends all the necessary data and customs officers verify and correct according to needs and customs categories. Efficiency and enhanced procedure prevents waste, expedites service and markedly improves customer services.



The Christmas pyjamas have stopped piling up

Erla Sigfúsdóttir, head of imports: "In the previous years, Icelanders have bought matching Christmas pyjamas for entire families. These deliveries have taken up a lot of space in our shelves in December while they are being cleared by customs. This was totally different this year because although the deliveries are marked with little information, they come with detailed electronic customs data which we now use to expedite the process. The Christmas pyjamas therefore no longer linger in the Post Centre but quickly make their way to the customers."

Responsible consumption and less waste

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



We are part of the consumer society, whether we like it or not, but Iceland Post wants to contribute to responsible consumption and production. We accomplish this by making the operation more efficient, reducing consumption, selecting environmentally certified products and direct our business towards businesses who take environmental issues seriously.

Less plastic

This year the parcel department implemented a plastic film for wrapping pallets, one third of which is made from recycled plastic. Also, we changed processes in such a way that we currently use 47% less plastic to wrap pallets. We also substituted the plastic bags which are sold in post offices for bags made of recycled plastic. Recycled plastic has a carbon footprint up to 79% lower than plastic which is manufactured from scratch. We also stopped selling envelopes lined with bubble plastic which is almost impossible to recycle because the bubble plastic is glued to the inside of the paper envelope. Each kilogram of such plastic entails 2.6 kilograms of carbon dioxide. In its place we now sell paper envelopes lined with rifled paper and is therefore recycled with along with other paper.

Responsible ecological procurement

One of the most efficient tools to reduce the environmental effect of the operation of companies is ecological procurement. It can also contribute directly and indirectly to a better selection of environment-friendly products and services and encourage innovation. This year, we refined our procurement process, updated supplier evaluations, and issued guidelines for ecological procurement. The guidelines pertain to all types of purchases, such as electrical appliances, cleaning products and vehicles. This policy was the guiding principle of the tender of Iceland Post for the year's vehicle purchases and that was positively regarded. We place great emphasis on making good use of furniture and items, in the spirit of the circular economy, along with turning down, reusing, fixing or giving away and making useful elsewhere. For example, the Red Cross accepts used articles of clothing from Iceland Post and recirculates them abroad.



Impressive capacity

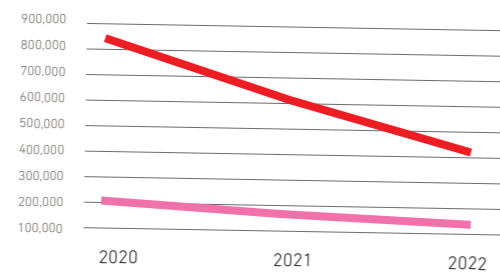
Unnar Þór Harðarson, assistant head of the parcel division: "Implementation of Magni, our new package sorter, was a challenge because it was installed immediately before our busiest season. We had to learn how to operate a new machine and train employees in record time. Everything was upended in the Post Centre to fit Magni and lighting in the processing area was improved with LED-lights. All categorisation, with the exception of letters, now takes place in one location, instead of three as before, and we see the future ripe with various opportunities. We are still learning how to operate Magni, refining and changing, but the capacity is significantly greater and better use is made of the time of employees. Changes in procedure also result in better traceability of deliveries and quicker handling."

Less paper

Each year, Iceland Post issues about 20,000 complex bills of entry (of the type E1). Each bill of entry is at least 2-3 pages and often a lot longer, besides the fact that the bills are attached to various documents. So far the bills of entry have been printed out and the papers have followed the deliveries. In the middle of the year the Directorate of Customs changed the system for bills of entry in such a way as to make the bills even longer. Luckily, the changes also enabled us to vastly reduce our printing. Since October, vast amounts of paper have been saved, i.e. the equivalent of tens of thousands of pages each year. The customers of Iceland Post have celebrated these changes and do not mind referring entirely to electronic bills of entry.

Printing 2020-2022 Tonnes

■ Black and white
■ Colour printed



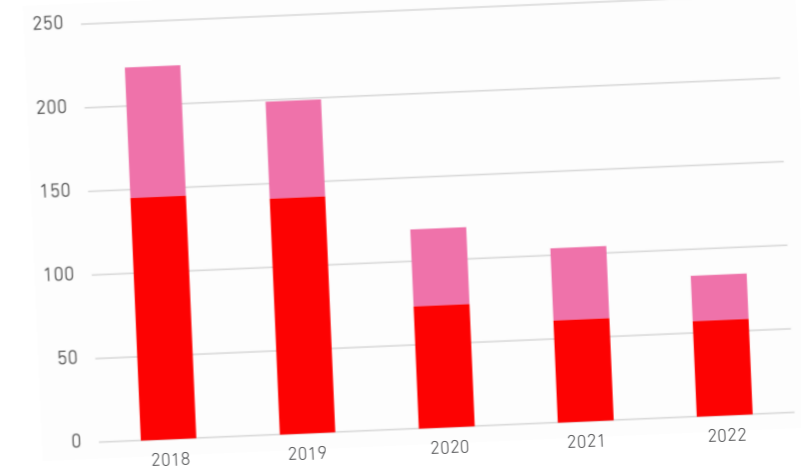
Negligible waste

There has been a great reduction of waste from the operations of Iceland Post during the past five years. This was caused in most part by the decision to stop distributing bulk mail in the greater Reykjavík area and in other places in 2019. The practice was to print an excess number of pamphlets and other leaflets which Iceland Post was stuck with after deliveries and recycled.

In 2018, waste from the operation of Iceland Post amounted to 223 tonnes (thereof, 78 tonnes of general waste) but in 2022 it had been reduced by 65%, amounted to "only" 81 tonnes (thereof, 26 tonnes of general waste). The recycling ratio was 68% in 2022 but after processing by the waste management companies, up to about 76% of the waste was recycled or reused. General waste was reduced by 60 tonnes if one compares the years 2018 and 2022. Greenhouse gas emissions from waste last year only amounted to about one fifth of the emissions of 2018, about 10 tCO₂e as opposed to 49 tCO₂e before.

Waste 2018-2022 Tonnes

■ Sorted
■ General waste



Better architecture within the cloud

In the operation of computer systems there are many opportunities to prevent waste, especially with the arrival of cloud-based solutions which the users can share as needed. The traditional arrangement was based on having sufficiently many web servers operational from day to day to bear the greatest burden of running software, development and tests. In recent years, Iceland Post has worked on changes to the architecture and now we buy access to web servers as needed at each time. Web servers are set up according to specifications in a few moments and software started up as soon as they are operational. As employees show up for work everything is ready and work can begin. If there is great strain, the system itself orders extra web servers. The new arrangement saves up to 880 hours each week - time in which the web servers can be useful to other businesses anywhere in the world. It should be noted that Iceland Post only engages in business with green data centres.

Thinking outside the box in branding cars

Anna Jónsdóttir, designer: "Last year we changed the design on the cars of Iceland Post to fit the updated brand. Our vehicles are driving ads and it's important to make good use of the space. Car films can be both expensive and bad for the environment, however. After looking into these matters we came to the conclusion that it was best to simply cover a smaller area of the car. Thereby, we save on materials and labour and use much less plastic, as well as selecting durable plastic, which of course is better for the environment.

Many no doubt feel that the cars of Iceland Post should be red but shades of red differ and don't necessarily match the brand colours. We would therefore need to think outside the box. By purchasing white cars and using white as the base colour we manage to coordinate the look. Many may wonder how big of an effect the car branding will have on the environment the operation of the company, but considering that our vehicle fleet is enormous these changes can certainly have an effect.



Green steps and well-being of employees

3 GOOD HEALTH AND WELL-BEING



Good health and well-being are one of the main goals of Iceland Post. Caring for employees is a priority, and the goal is to find ways to promote their health and well-being. Also, we wish to make the employees more aware of environmental issues and encourage them to contribute what they can. That is the idea behind the Green steps

Five green steps - 170 actions

This year, Iceland Post finished implementing all five of the Green steps of the Environmental Agency, which involve 170 small and large actions. They are divided into seven categories, from transportation to purchasing, sorting and reduced waste. One aspect of Green steps relates to the management of the issue, e.g. with the dissemination of information and education. Policy regarding the environment and climate, sustainability settlement and annual report are therefore items in the fulfillment of the Green steps. The Environmental Agency finished its assessment of the final step in the beginning of the year 2023. Now is the time to maintain action and conduct another assessment in two years.

Delectable vegetables

The canteen in the Post Centre has been instrumental in the implementation of the Green Steps in the aim of reducing the carbon footprint of its operation. The benefits are worth the effort because an ecological diet is both healthful for people and optimal for nature. Now as ever the canteen offers both healthful and delicious food which the staff appreciates. We have for some time been working on increasing the ratio of vegetables with several simple measures such as placing them in front and using vegetables and beans in meat dishes. We try to increase the weight of more environment-friendly protein-sources, such as light meat, eggs and beans, while lowering that of red meat. The salad-bar and vegan dishes are always on offer, as well as several types of organic foods. Menus tend to come with images of delectable vegetables, fruits and herbs. On Fridays there is usually soup and various kinds of leftovers and employees are given the option of bringing containers and taking home whatever is left at the end of the week. This year we finally conducted the first food waste analysis which we will repeat every year.

The Human Resources Readings of Moodup

This year we implemented a new system, Moodup, to measure the well-being of the staff. Each month everyone receives a short survey in a text message and afterwards each manager goes over the results with his group. The same factors are measured each time and therefore it's easy to see the results of actions taken from one month to the next. The new system has increased the response ratio and went up to just over 80% at it's highest. The total satisfaction of employees was measured at 7.9 of 10 (which is 0.3 over the average in the comparative group of companies) and satisfaction with management 8.3. A total of 68% of the staff would recommend the workplace, 15% are neutral and 16% dissatisfied. Many pointers have been received through employee feedback and they have been resolved. For instance, we've provided employees with training after receiving comments, provided clearer information regarding vehicle matters and what's ahead in those respects, made changes to procedure related to birthday presents to employees, to name only a few things.

Safety matters made a priority

During the year we focused especially on fostering a culture of safety within the company and preventing work-related accidents. In May, we celebrated the annual week of health and safety and asked employees to be mindful of safety in their working environment. We prepared presentations regarding hazardous cargo, a video regarding correct posture and various other material related to safety, all of which is available on the educational web of Iceland Post. A new safety policy was approved in August, along with a safety plan. Concurrently, work processes were updated, including how to deal with a dangerous situation such as threats to employees, or if they suffer violence or injuries. We also improved the procedure of analysing the causes of work-related accidents with, for instance, a root analysis of all accidents, and we used the results to improve work processes. In October, a new risk assessment was conducted for the whole operation within the Post Centre, i.e. processing, driven deliveries and distribution and all comments which emerged there were responded to. We do all we can to ensure that our people return home in one piece at the end of each working day.

Active travel to work

On 1 January 2022 Iceland Post implemented travel agreements to encourage and support staff in the use of eco-friendly means of travel to and from work. About 16% of the staff on average have an agreement in place in 2022. The level of participation in Hjólað í vinnuna exceeded our wildest hopes and Iceland Post won fourth place among the most populous companies in a contest for the highest ratio of employees who travelled to work in an active manner. We are of course going to do even better this year. Travels of staff to and from work are now for the first time part of the sustainability settlement of Iceland Post and the data is based on travel habit surveys among the employees which were conducted in 2021 and 2022.

“Only the snow can stop me”

Maciej Szwagrzyk, interior designer from Poland, began working as a driver for Iceland Post earlier in the year.

Travel grant provided by Iceland Post helped me to make the decision to bike to and from work every day. I use it to buy Strætó tickets, as a backup if the weather is really bad or I don't feel like cycling. Honestly, so far, only snow has been able to stop me, when it's -14° C outside. The ultimate advantage of a bike is that you don't have to clean your car's windows.

My freshly developed passion for cycling made me come up with a big plan for the summer. I want to make a traverse of Iceland, starting in Húsavík and bike through the remote interior, all the way to Vík in Mýrdalur. I will accomplish that in a “zero waste” spirit, on an old, second hand bike I got for free. I want to show others (and myself) that we already have more than we need.”



Equality and leadership training



Equality is a point of focus for Iceland Post and we have also made an effort to guard equality in the case of people of different origins. With us the sexes are given equal opportunities for advancement at work and the managers and experts undergo special leadership training where the emphasis is on taking responsibility for oneself.

Processes and presentations regarding equality

Matters of equality are a point of focus at Iceland Post. During the year, all processes related to the equality programme were revised, i.e. processes related to reports for bullying, sexual harassment, gender-based harassment and violence. We also prepared new educational material regarding the equal pay certification on the one hand and the equality programme on the other hand. The courses were presented to all employees at Iceland Post and can be found on our educational web.

Equal pay certification and equal gender ratio

This year, the equal pay system was examined and wages were analysed, revealing that unexplained wage disparity proved to be 0.12%. Iceland Post once more received an acknowledgement from Jafnvægisvogin (the Scales of Equilibrium). The gender ratio within the board and among the highest superiors is equal and in favour of women in the case of middle management. However, men outnumber women among the entire group of employees, 54% against 46%.

Equal pay for people of different origins

Iceland Post is a multicultural workplace and feedback in the human resources readings included a question as to whether people of foreign origin were possibly discriminated against with regard to wages. As information regarding the ethnicity of employees were not available we began gathering data regarding all foreign employees at Iceland Post. Then we subjected the wage data to a so-called regression analysis. The analysis revealed that there is no wage disparity at Iceland Post between employees of Icelandic and foreign origin.

Encouraging leaders

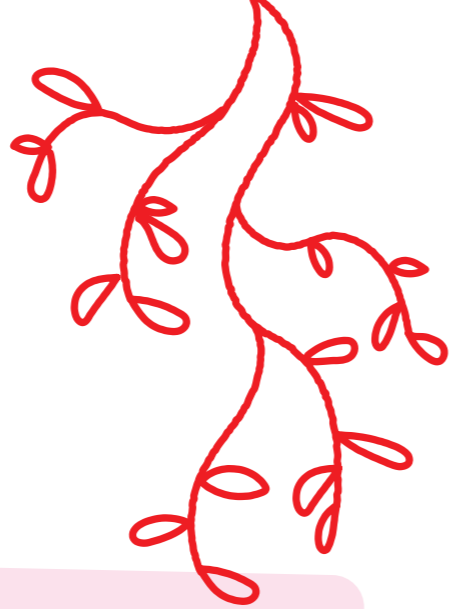
In the autumn, extensive leadership training for all managers and experts at Iceland Post took place, which was based on tried and tested material from Stephen R. Covey, "7 Habits of Highly Effective People". It emphasised empowerment and communication and covered how we are all responsible for ourselves and how we present ourselves. By showing consideration and genuine interest by active listening, we build trust in communication. The leadership training programme is meant to provide managers and experts with powerful tools for positive communication with their staff.



Listen first, then speak

Ísak Már Aðalsteinsson, head of the post office in Húsavík: "The leadership training programme encouraged me to continue working on peer management and getting everyone to bring their opinions to the table. I especially related to the importance of active listening. You want to get your views across and there is a possibility that you won't listen to what the other person has to say. The energy goes into thinking about how you're going to respond. The message about listening first and speaking second is therefore a healthy reminder. Much more can be obtained from a conversation with that attitude, i.e. to understand the views of others and then present your own opinion.

We do well to consider all views instead of seeing things as polar opposites. What's good for me or the company must also be good for those with whom I am negotiating. That thought seems to me to be paramount at Iceland Post. We are always thinking of the customer. If he is happy then we also benefit from that."



Open questions to get people to think

Faney Bergrós Pétursdóttir, director of service: "I've used what I've learned in leadership training, both as a director and as a mother. Many of the things which the training covered you know deep down inside but don't use systematically enough. After the course, you can remember the stories that you heard and learn from them in daily life, such as the parable regarding active listening.

It can be complicated to make a habit of listening and answering with questions to get a more detailed explanation and added understanding. You also tend to ask leading questions and accept what the person in question says or even to start immediately doling out advice from your own reality. That's where the conversation really closes off and it never reaches its proper depth. In these circumstances, it's important to ask open questions which get people to think and decide from their own perception and life and not from the ideas of the person with whom they are speaking.



Iceland Post Trail Run 2022

On a lovely summer day in the beginning of August in 2022, the Iceland Post Trail Run 2022 was run for the first time. An old post route from Hrúta-fjörður was run, by Haukadalur and into Búðardalur, a total of 50 km. Another option was to run half of the distance, 26 km, or 7 km. The race was organised by a few runners and people interested in history who work at Iceland Post, in close cooperation with the inhabitants in the area. The proceeds of the entrance fees all went to the local Rescue Team Ósk and Ungmennafélagið Ólafur pá in Búðardalur. We hope that the race becomes a fixture and a popular event in the future.

Landpóstar were the artery of communication

Ragnar Kritinsson, historian and salesman at Iceland Post: "Landpóstar (postal workers in ages past) were the artery of communication in Iceland for centuries. Many were known around the country for their diligence and perseverance and often braved dangers in difficult situations to get the letters and packages to people in rural areas all around the country. It is therefore fitting that their memory be honored with a race between those known postal locations."



Day of Joy in Búðardalur

Valgerður Ásta Emilsdóttir, local director, greeted the runners with delicious local refreshments. "We managed to get townspeople and neighbors to participate by running, by volunteering or simply by showing up, encouraging the runners and rejoice with us."



Iceland Post Trail Run 2022



Corporate governance statement

The Board of Directors of Iceland Post ohf. ("the company") places great emphasis on maintaining good corporate governance, and the company's corporate governance is based on the Act respecting Public Limited Companies, No. 2/1995 on Public Limited Companies, the Act on Annual Accounts, No. 3/2006 and the Corporate Governance Guidelines (6th ed.), issued by Iceland's Chamber of Commerce, Nasdaq 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. Iceland Post'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 on October 13th 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 2022, 13 Board meetings were held, but many demanding projects required long meetings, sometimes through teleconferencing equipment. The board meetings were generally well attended and they were all fully attended except two. During meeting no. 305, 18 March 2022, three main members were missing, and one alternate attended in their stead, rendering the meeting valid. During meeting no. 308 on 30 May of 2022, one of the board members was absent and it was agreed that the meeting should be recorded for his benefit.

The Ministry of Finance manages the state's holding in Iceland Post ohf. Communications between shareholders and the Board of Directors take place at shareholders' meetings and as requested by a shareholder or the Board 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.

Pórhildur 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 is responsible for ensuring that the accounts of the company are in accordance with the law and that its finances are secure. Further information on the company's CEO can be found on the company's website.

Iceland Post's Board consists of five Board members, all elected at the company's Annual General Meeting. They are:

- Halldóra Lóa Þorvaldsdóttir, Chairman of the Board, first elected to the board in 2021
- Auður Björk Guðmundsdóttir, Vice-Chairman of the Board, first elected to the board in 2019
- Baldvin Ólason, first elected to the board in 2021
- Gísli S. Brynjólfsson, first elected to the board in 2021
- Guðný Hrund Karlsdóttir, 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 independent of its shareholders, cf. Section 2.3 of the Corporate Governance Guidelines. The company's Board consists of three women and two men. 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 Iceland Post's Board members is extensive. More information about the Board members can be found on the company's website.