

UN Global Compact
Communication on Progress 2013



Iceland Post

Company name	Iceland Post	Date	21 June 2013
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Brief description of nature of business

Iceland Post is a profit stateowned limited company. Postal laws in Iceland, and the rules built on them, are based on European Union postal service directives.

Iceland Post offers service in the fields of delivery, communications and logistics solutions. For example Iceland Post can deliver items from small letters to heavy pallets, billing services from telegrams to registered delivery, and publicity and advertising services from targeted mail shots to mass marketing campaigns.

In 2012, the implementation of a new letter distribution system brought forth considerable changes at Iceland Post; new terms and conditions for mail items, the development of new business solutions, increased economisation through investment in new machinery and improvements to housing, were amongst the highlights in the company's operation during 2012. The overall results were positive, a turnaround from the loss-making operations of 2011.

Iceland Post now faces challenging changes and interesting opportunities. We can assume that the volume of written letters will continue to decrease over the next few years, whilst electronic mail will continue to increase significantly. In addition to the 37% decrease in mail items from 2006, when the number of letters sent was at its peak, to the end of 2012, we can assume a further decrease of 22% until the year 2018. With the removal of exclusive rights, we can assume an even more reduction in Iceland Post's deliveries. If we are unable to adapt the postal service to such different circumstances, we will face increased problems in operations and a forced retreat in all fields of the service.

Postal companies worldwide are undergoing changes inherent in falling letter delivery volumes. However, there are substantial increases in package deliveries and electronic solutions. Within just a few years we may expect income from package deliveries to be greater than that of letter deliveries in Iceland. This will call for a fundamental change in services offered by Iceland Post., i.e. who must be serviced, what services will be on offer and what guidelines will the legislature establish as regards the operating conditions; such as those involving universal services, scope of services, frequency of delivery, delivery areas and prices.

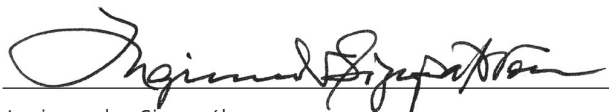
A correct and timely reaction, resulting in necessary and reasonable profits, together with laying the foundations of constructive business developments, can benefit us all, both the customers of Iceland Post and its owners.

Statement of continued support

As one of Iceland's largest employees the scale of Iceland Post operations provides opportunities to make a positive impact on the society in general. As such Iceland Post commits to the ten principles of the United Nations Global Compact.

Iceland Post signed the United Nations Global Compact in 2009 and has since then embraced the ten principles and used them to move the company forward regarding human rights, environment, labour standards and anti-corruption. Our intention is that Corporate Social Responsibility will be a living part of Iceland Post's overall strategy and the ten principles of the UNGC will be as guidelines in our day to day business. This will be one of the keys to our future business strategy where we strive continuously to contribute to society in a responsible manner.

Iceland Post

A handwritten signature in black ink, appearing to read 'Ingimundur Sigurpálsson', written over a horizontal line.

Ingimundur Sigurpálsson

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Our Commitment or Policy

Iceland Post respects and emphasizes human rights where equality and good ethics are the foundation. A positive working environment is considered important with focus on safety, good health and general wellbeing of employees. Furthermore Iceland Post wants to be a popular and progressive workplace where employees have the opportunity to develop and fully use their talents.

A brief description of our Processes or Systems

In the 2011 employee survey, 6% of employees considered them to have been bullied in the workplace in the last 6 months, a surprisingly high number of employees. In 2011/12 extra attention was raised on this serious problem. An answering machine employees can call anonymously, was introduced where a team of experts on bullying are presented and you can choose whom you talk to if you suspect bullying in your workplace. A new poster on bullying was sent to all workplaces as well as a new brochure. In the 2013 employee survey (participation 78%) 3,5% of employees considered them to have been bullied in the workplace in the last 6 months. A considerable drop from 2011.

The annual Health and Safety Week was held for the seventh year, in mid November 2012. As always there was a certain focus on something special concerning health and safety of employees. This year it was on accident prevention as there has been a rise in the accident rate from 2011 to 2012 from being declining the years before. As large part of employees (letter carriers and drivers) work majority of the time outside of the workplace and majority of employee accidents take place on lawns and near home entrances, effort was made with leaflets to get inhabitants to think better of the access to their homes, e.g. shovel snow away and be on the lookout for things that might cause accidents. As 16% of employee accidents were dogbites in 2012 and dogbites have been increasing in the last few years, people were also encouraged to keep their dogs safe.

Under the name Health Post there are various programs concerning employee health and each year there is special emphasis on specific things. In 2012/2013 emphasis was on the use of humor in the workplace, the importance of positive thinking and correct bodily posture at work. Beside this, employees were offered an annual health check where various health related factors were measured.

In all Iceland Post workplaces where there are more than 10 employees, there is one safety representative appointed by Iceland Post and one safety representative elected by the employees. According to Regulation on the organization and implementation of the health and safety at workplaces no. 920/2006, their role is to work towards better working environment, health and safety at the workplace and observe that measures in this field serve their purpose. The employer shall see to it that the safety representatives are allowed suitable time based on the extent of their task to carry out their duties.

In recent years we have been developing performance appraisals where supervisors take formal interviews with their employees and together they go through the employees' performance, attainment of work goals and his feelings towards the workplace in general. In the above mentioned employee survey from May 2013, we asked if employees had gone through a performance appraisal with their supervisor. Unfortunately only 51% replied they had taken this performance appraisal. Increased effort will be put on performance appraisals in coming years.

Actions implemented in the last year / planned for next year

2012	2013
Health and Safety Week	Health and Safety Week
New brochure and poster on bullying and new methods to report suspected bullying	
Further reactions to outcome of Employee Survey 2011	Employee Survey among all employees and reactions
Risk assessment for the main sorting center	Continuous work on risk assessment
Evacuation plans for larger workplaces	Evacuation plans for larger workplaces
Performance Appraisals	Increased effort on Performance Appraisals

Measurable Results or Outcomes

Occupational health and safety	2010	2011	2012
Number of accidents with more than one day off	55	51	63
Rate of accidents per 100 employees	5,1	4,6	5,8
Sickness rate in %	5,4	5,7	5,4

Employee survey (participation 2011, 74%)	2007	2009	2011	2013
Overall I am happy at my work at Iceland Post (% that agree)	83	85	84	86
I am happy with my current working conditions (% that agree)	74	77	79	78
At my workplace, rules and regulations on health and safety are followed (% that agree)	NA	NA	NA	6
I have been bullied at my workplace in the last 6 months (% that agree)	NA	NA	6	3,5
This year I have taken a performance appraisal with my supervisor (% that agree)	NA	NA	NA	51

Labour Standards

- Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4:** the elimination of all forms of forced and compulsory labour;
- Principle 5:** the effective abolition of child labour; and
- Principle 6:** the elimination of discrimination in respect to employment and occupation.

Our Commitment or Policy

Almost 98% of Iceland Post employees are members of a trade union and large majority are members of the Icelandic Postal Union. The Icelandic Postal Union bargains directly with Iceland Post and recently the validation of the current bargaining agreement was shortened from January 31, 2014 to October 31, 2013 in accordance with other bargaining agreements on the general Icelandic labour market.

Iceland Post respects the basic principles of ILO's declaration on Fundamental Principles and Rights at Work.

A brief description of our Processes or Systems

In recent bargaining agreements, one of the main focuses has been on raising overall minimum wages at Iceland Post. From the year 2004 until 2011 the general Wage index has risen by 64% but minimum wages at Iceland Post have risen by 99%. In the coming bargaining agreement in the autumn, presumably the same emphasis will be on raising minimum wages. Iceland Post representatives have regular meetings with representatives of the Icelandic Postal Union to discuss matters that are at hand and matters concerning the bargaining agreement.

Wages based on gender are not accepted and every kind of discrimination is fought against with preventive measures in the form of information and training. Iceland Post offers extensive education and training for all employees for them to mature and grow in their work.

Shop stewards are authorized to hold two meetings with all employees pr. year that last up to an hour, during working hours, without paydeduction. Shop stewards are also allowed to attend a seminar once a year that lasts up to a week without paydeduction.

In 2013 a new database will be open on the Iceland Post official website, to make it easier for applicants, current employees as well as others, to apply for a job at Iceland Post and for supervisors to find the right candidate. The database will make all work in relation to hiring, easier and more efficient.

The current Iceland Post intranet is out of date and unattractive to users. Its main fault is that employees can only access it through a computer in their workplace. As only a part of employees work on a computer on daily basis, a large part of employees very rarely or even never see the intranet. In the coming weeks a completely new intranet will be introduced and all employees can log on to it wherever they are. This will change dramatically employees access to necessary information concerning their job, job advertisements within the company, news of the company and colleagues and miscellaneous useful as well as social events. The new intranet will be very useful in training new employees as well as getting training material to rural areas e.g. through the PostTV.

There is a good balance between the number of male and female employees within Iceland Post as well as the ratio between male and female managers. The ratio of male employees has risen in recent years from 33% in 2010 to 38% in 2012.

Communication within Iceland Post is characterized by respect and trust and emphasis is on family values and flexible working hours where it is possible as well as equality at all levels. In a recent employee survey, 78% of employees agreed to the statement: At my workplace there is good flexibility e.g. concerning working hours and working procedure.

Actions implemented in the last year / planned for next year

2012	2013
	Current bargaining agreement valid to end of October 2013.
A new database on the Iceland Post website, to make it easier for applicants to apply for a job at Iceland Post and supervisors to find the right candidate for a certain job (was delayed until 2013).	A new database for job applications on the Iceland Post website.
A new Intranet with e.g. extensive information for employees on their rights and duties (was delayed until 2013).	Launch of a new Intranet.

Measurable Results or Outcomes

At Iceland Post	2010	2011	2012
Employees			
men (%)	33,4	38,7	38,0
women (%)	66,6	61,3	62,0
Managers			
men (%)	36,5	38,0	39,0
women (%)	63,5	62,0	61,0
Unionized employees (%)	95,5	97,4	97,6

Employee survey (participation 2011, 74%)	2007	2009	2011	2013
Jobsecurity at Iceland Post is high (% that agree)	NA	60	70	69
I am satisfied with Iceland Post's reactions concerning the economic crisis (% that agree)	NA	51	62	NA

Environment

- Principle 7:** Businesses should support a precautionary approach to environmental challenges;
- Principle 8:** undertake initiatives to promote greater environmental responsibility; and
- Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

Our Commitment or Policy

Iceland Post makes environmental demands according to laws and regulations. It recognizes its duty to take precautionary approach to environmental issues as one of Iceland's biggest companies with operations around the country.

A brief description of our Processes or Systems

In recent years there have been experiments with different kinds of environmentally friendly methods in letter delivery. These methods have involved Segways, electric scooters and electric bicycles. The use of e-bikes has been successful and it is now planned to buy 10 more bikes in 2013/14 in addition to the 3 bikes already in use. This means that instead of using their polluting cars on their delivery route, letter carriers can use the non-polluting bikes for the good of the environment. Experiments with Segways and e-scooters have led to the conclusion that they are too expensive for this purpose and there will not be any further investments in that direction.

The Iceland Post Environmental Committee has been initiating in small steps, different schemes concerning environmental issues, like more use of environmentally friendly supplies and recycling. Small measures will be initiated in small steps in the near future, like for instance that at each workstation there is a box to put paper in for recycling and having more facilities for sorting glass, plastic and tin cans.

The release of carbon dioxide of Iceland Post cars is continuously being reduced although not very fast or from 229 gr. pr. km in 2011 to 225 gr. pr. km in 2012. This is because of increased number of methane cars as well as more responsible driving due to an efficient carfleet management by using information from tachographs that have been installed in all cars. In addition to better carfleet management a motivational system with the purpose to encourage drivers to drive responsibly has been implemented and this combined has led to better fuel efficiency and lower car maintenance costs. To support this, in 2006 there were 105 cars in use at Iceland Post and 147 damages on cars, but in 2012 there were 110 cars in use and only 84 damages on cars.

In 2013 the objective is to increase the ratio of methane cars in Iceland Post's carfleet from 19% up to 21%. This will decrease the proportion of emissions of greenhouse gases caused by Iceland Post and is considered an important part of the company's CSR.

Actions implemented in the last year / planned for next year

2012	2013
Ratio of methane cars in Iceland Post's carfleet from 14% to 19%	Ratio of methane cars in Iceland Post's carfleet from 19% to 21%
Continuation of the initiation of Post Europe's GHG measuring methods	
More concrete ideas, projects and goals concerning what Iceland Post can do in relation to environmental issues	Initiate different schemes concerning environmental issues, like more use of environmentally friendly supplies and recycling
Implement a motivational system to encourage drivers to drive responsibly	Develop further a motivational system to encourage drivers to drive responsibly
Continuous trials of alternative more eco-friendly vehicles in letter delivery	Experiments with electric bicycles in letter delivery. Now there are 3 e-bikes and buying 10 more bikes is planned in 2013/14.
Monthly measurements of carbon dioxide, and part of top management KPI	Monthly measurements of carbon dioxide, and part of top management KPI

Measurable Results or Outcomes

At Iceland Post	2010	2011	2012
Methane cars (%)	14	14	19
Cars on studded wintertyres (%)	84	83	84
CO2 pr. km (gr.) - average	NA	229	225
Electric bicycles in letter delivery	NA	NA	3

Anti-Corruption

Principle 10: Businesses should work against corruption in all forms, including extortion and bribery.

Our Commitment or Policy

Iceland Post does not tolerate any form of corruption or other punishable behavior in relation to the company. It is considered highly serious if an employee misuses his position in relation to a customer in an impeachable/punishable manner. Corruption or other punishable behavior is dealt with, with resignation or expulsion.

A brief description of our Processes or Systems

Employees or customers of Iceland Post who have suspicion of corruption in any form, misuse of position or that other punishable behavior has taken place in the company, can direct their suspicion to the Code of Ethics Committee that looks into the matter.

The new intranet that will be introduced this year, will make it easier for all employees to access miscellaneous information. Among these are the Iceland Post Code of Ethics that will be more accessible for current as well as new employees. This will make the Code of Ethics in general more relevant in daily work.

All employees are bound to secrecy concerning all information on the company and their customers and are obliged to sign a document thereof when they are hired. This is essential when Iceland Post's type of operation is taken into account and among other things an important part of anti-corruption where employees could use sensitive information for even illegal purposes.

Iceland Post has a certified quality management system that complies with the requirements of the ISO 9001:2008 standard. All employees have access to Iceland Post's quality management manual and in the manual there are e.g. guidelines on how to purchase goods or services. Furthermore in connection to ISO 9001:2008 there are regular reviews of procedures, problem analysis and work towards improvement with the objective to constantly improve the company's performance.

In accordance with Iceland Post's purchase policy, when purchasing goods or services of any kind, it shall be done with open invitation to submit tenders. All agreements concerning the company's operations are documented in written signed contracts.

Strict rules are in place concerning the processing of invoices and making payments where different individuals are responsible. A clear differentiation is between financial management and account services where the personnel of account services book invoices and the personnel of financial management pay the invoices. This is to insure transparency and to rule out any kind of misconduct.