



KLAPPIR

Smart Software Solutions for the Environment

Corporate Social Responsibility Progress Report

2017

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Letter from the CEO

We provide environmental consulting services and environmental management software to individuals, households, corporations in all industries and governments at all levels. Klappir services and solutions enable our clients to reduce their environmental footprints, guide processes of legal compliance, increase environmental transparency and create environmental accounting and transparency in a robust way. Our services and solutions also enable authorities to monitor environmental progress at local, national and international levels.

The Iceland people form a cohesive, educated community with a modern economy which relies on harnessing natural resources. This framework offers unique opportunities to develop comprehensive solutions for environmental management. Iceland is a perfect location for Klappir to develop its solutions. It offers numerous opportunities to bring together skills and know-how, companies, international corporations, individual users, households, local authorities, national government and other stakeholders to develop and implement solid methodologies and software solutions for all the complex environmental tasks that lie ahead. In this scenario, Klappir has the capability to apply robust methodologies using cost-effective software solutions that it has in its portfolio, making the company highly attractive in a world that is moving away from the carbon economy.

Our customers and partners will need environmental services and software to help fulfil their undertakings, as will other companies which join this group in the coming months and years. The services and software provided by the group enable those companies to honor their commitments laid out in the declaration. Klappir plans to reach out to international markets in 2018 in close cooperation with Icelandic companies that operate internationally. We support the UN Global Compact and its ten principles




Jon Agust Thorsteinsson
Klappir CEO

Klappir has a strong local network of collaborators and partners in Iceland. We cooperate closely with Festa, the Icelandic Centre for Corporate Social Responsibility and The City of Reykjavik to provide extended services to 104 companies that are signatories of the above-mentioned declaration containing the commitment to the objectives of the Paris Agreement. Klappir also cooperates with The Environmental Agency of Iceland and Icelandic Transport Authorities in developing software to support shipping and fishing companies as they focus on legal compliance. Our environmental platform is used by more than 200 entities in Iceland, and that number is growing.

Scope of Report


This report contains an overview of the company’s approach to CSR, as well as key measurements and an assessment of progress (see also Klappir ESG statement). It discusses various aspects of social responsibility and how we approach the subject. Critical focus areas are identified; related projects, scope and initiatives are addressed. The report and especially the ESG statement include data to demonstrate the progress Klappir has made in addressing CSR. Klappir aims to incorporate the Global Compact principles into its strategies, policies and procedures, and to establish a culture of integrity.

Nasdaq ESG guidelines

This report is based on Nasdaq Nordic Stock Exchange’s ESG Reporting Guide, which contains voluntary guidelines for environmental, social and corporate governance (ESG) disclosure to support companies listed on these exchanges. The guidelines were published in March 2017. They build on United Nations recommendations from 2015 which focus on the 33 ESG metrics that the World Federation of Exchanges (WFE) has recommended to stock exchanges around the world. The metrics are divided into three main categories of corporate responsibility along with subcategories.

UN Global Compact

In October 2017 Klappir became a participant in the UN Global Compact corporate responsibility initiative. The company has thereby declared that it will, along with other companies, home and abroad, work against pollution, improve governance skills and protect human rights. As a member of the UNGC, Klappir is obliged to deliver a yearly CoP report to the UN (Communication on progress). This Corporate Social Responsibility Progress Report is published together with an ESG Statement which together give a comprehensive numerical overview of Klappir’s progress in various fields of operation. The report and the ESG Statement serve as a COP report for Klappir Green Solutions.

 Environmental (E)	 Social (S)	 Corporate Governance (G)
E1. Direct & Indirect GhG Emissions	S1. CEO Pay Ratio	G1 Board -Separation of Powers
E2. carbon Intensity	S2. Gender Pay Ratio	G2. Board -Transparent Practices
E3. Direct & Indirect Energy Consumption	S3. Employee Turnover Ratio	G3. Incentivized Pay
E4. Energy Intensity	S4. Gender Diversity	G4. Fair Labor Practices
E5. Primary Energy Source	S5. Temporary Worker Ratio	G5. Supplier Code of Conduct
E6. Renewable Energy Intensity	S6. Non-Discrimination Policy	G6. Ethics Code of Conduct
E7. Water Management	S7. Injury Rate	G7. Bribery/ Anti-Corruption Code
E8. Waste Management	S8. Global Health Policy	G8. Tax Transparency
E9. Environmental Policy	S9. Child & Forced Labor Policy	G9. Sustainability Report
E10. Environmental Impacts	S10. Human Rights Policy	G10. Other Framework Disclosures
	S11. Human Rights Violations	G11. External Validation Assurance
	S12. Board - Diversity	



Environmental responsibility
is one of the foremost premises
for a sustainable future

Iceland participates in various international agreements on the protection of the environment, and the national government has signed conventions that put obligations on legal entities.

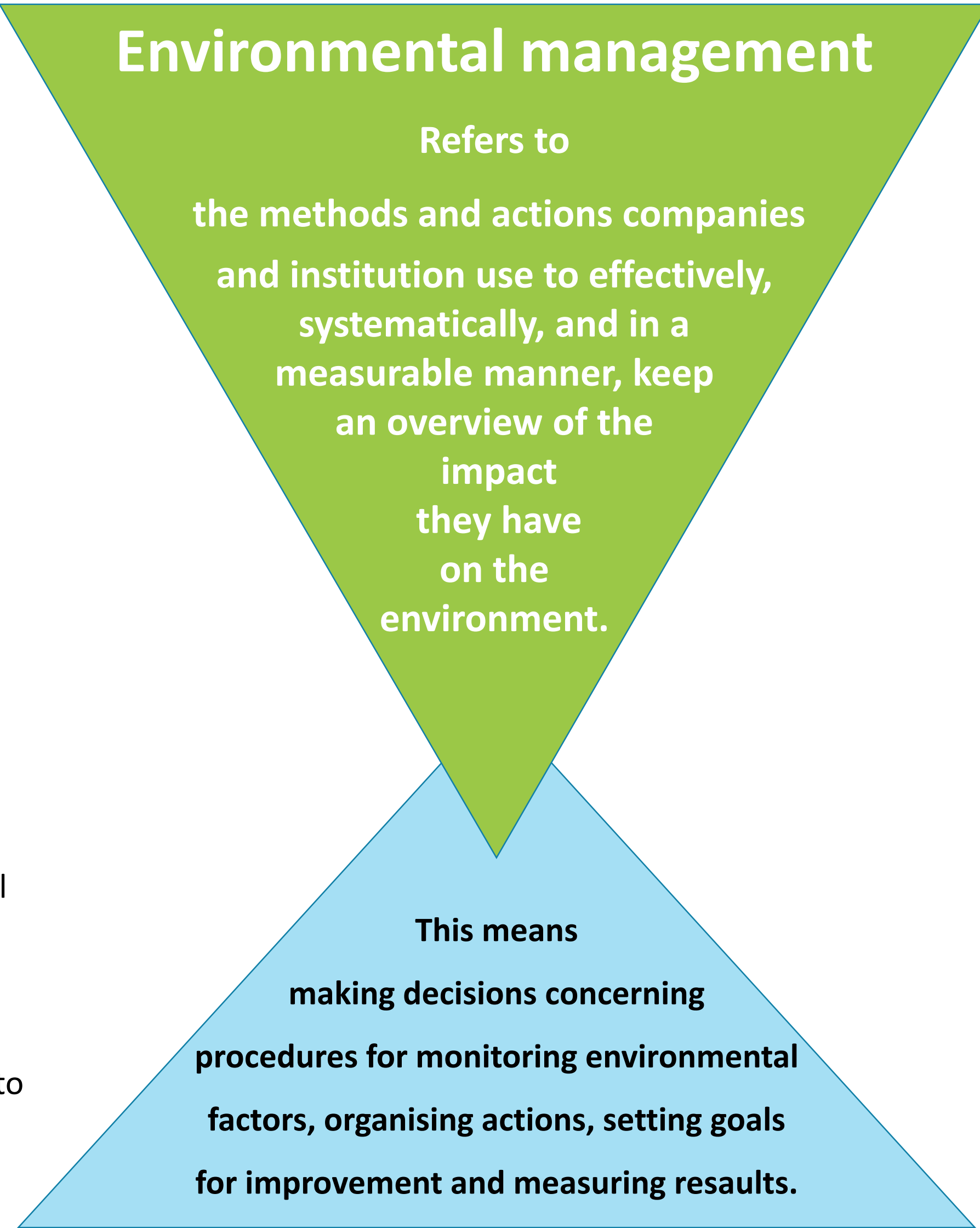
The core function of the company is to assist business operators who are subject to environmental laws to successfully meet their environmental responsibilities and obligations. Furthermore, Klappir aims to assist operators who will become subject to these laws in the future.

Thereby, Klappir is a direct participant and contributor to Iceland's drive to achieve its goal of reducing greenhouse gas emission.

Klappir's principal activity is **environmental management**.

The collection and management of data and the provision of comprehensive information to stakeholders creates the foundation for successful environmental management.

This is the goal for many companies and institutions today.



Klappir's contribution to the field of Environmental Management

- We develop environmental management software solutions for private and public companies and institutions that simplify the monitoring of emitting factors in their operation and increase information transparency.
- We build strong, long-term relationships with our customers and other stakeholders.
- We offer courses to enhance knowledge and understanding of environmental issues.
- We participate actively in discussions on environmental issues in Iceland.
- We encourage and initiate communication and collaboration between our customers regarding environmental management.
- Our products and services are based on internationally accepted procedures and methodologies.

Corporate Environmental Responsibility

Although Klappir's operation is not subject to the Icelandic Law no. 55/2012 on Corporate Environmental Responsibility, the company nevertheless fulfils all the requirements of the legislation as it seeks to be pioneers in the field.

Klappir's impact on the environment is small compared to manufacturing and transport companies.

The company's carbon footprint is mainly the result of waste, the employees' transport along with electricity and heating of office space.

Environmental Policy

Klappir has written an thorough Environmental Policy which will be introduced and published on the homepage in the winter 2018 - 2019.

Some of the highlights in the policy



Reduce
the use of
plastic

Meeting all
applicable
environmental
compliance
obligations
and
commitments
for our
brand activities.



Use environmentally friendly
transport, el-cars, busses and
bicyckles



SAFE
heating water
and electricity
in the office

Use suppliers who are working on their own
environmental management and who are offering
environmentally friendly goods, f.ex. cleaning
products.

WASTE

Preventing, Reducing and Controlling
the waste.

Use the printer as little as possible and use paper wisely

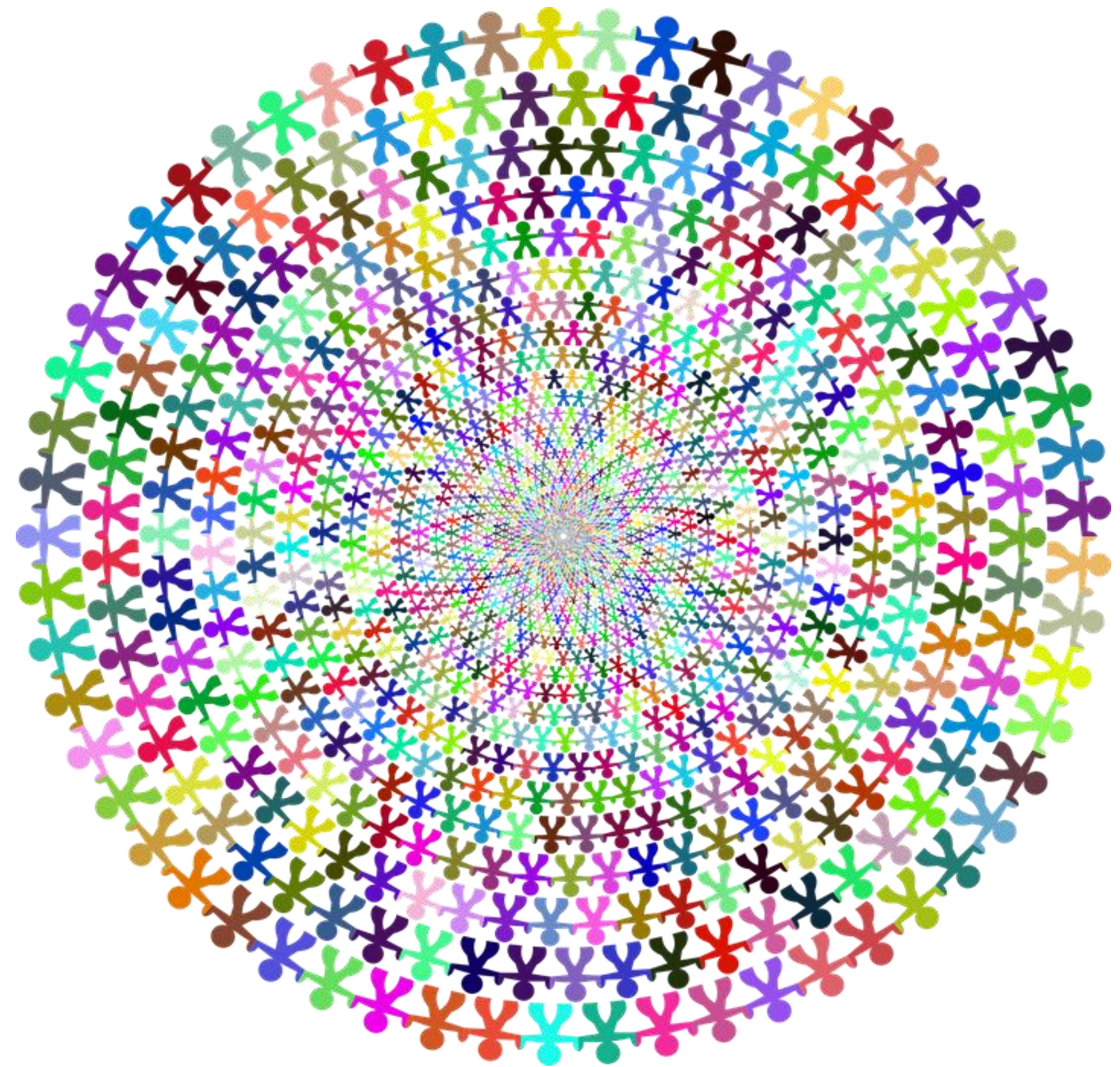


Support and encourage each other

to keep the environment in mind in all
our actions, to participate in waste
management in the office and practice
waste classification at home, consider
buying sustainable cars and use
environmentally friendly transport.

Use Phone-Meeting-equipment
and Skype as much as possible
rather than
driving to the customers/partners or
travel by airplaines

Social factors



The Klappir Team

- Strong team of three generations combines modern approach and solid experience of business success
- Solid knowledge base with software, finance, engineering, policy, law and computing and proven experience in building up global company
- Entrepreneurs with up to 30 years of experience in the technology sector



Health and safety at Klappir

Klappir complies with Icelandic law no. 46/1980 on working condition, hygiene and safety in the workplace and has written an elaborate health policy with a plan of health care as is laid down in the act.

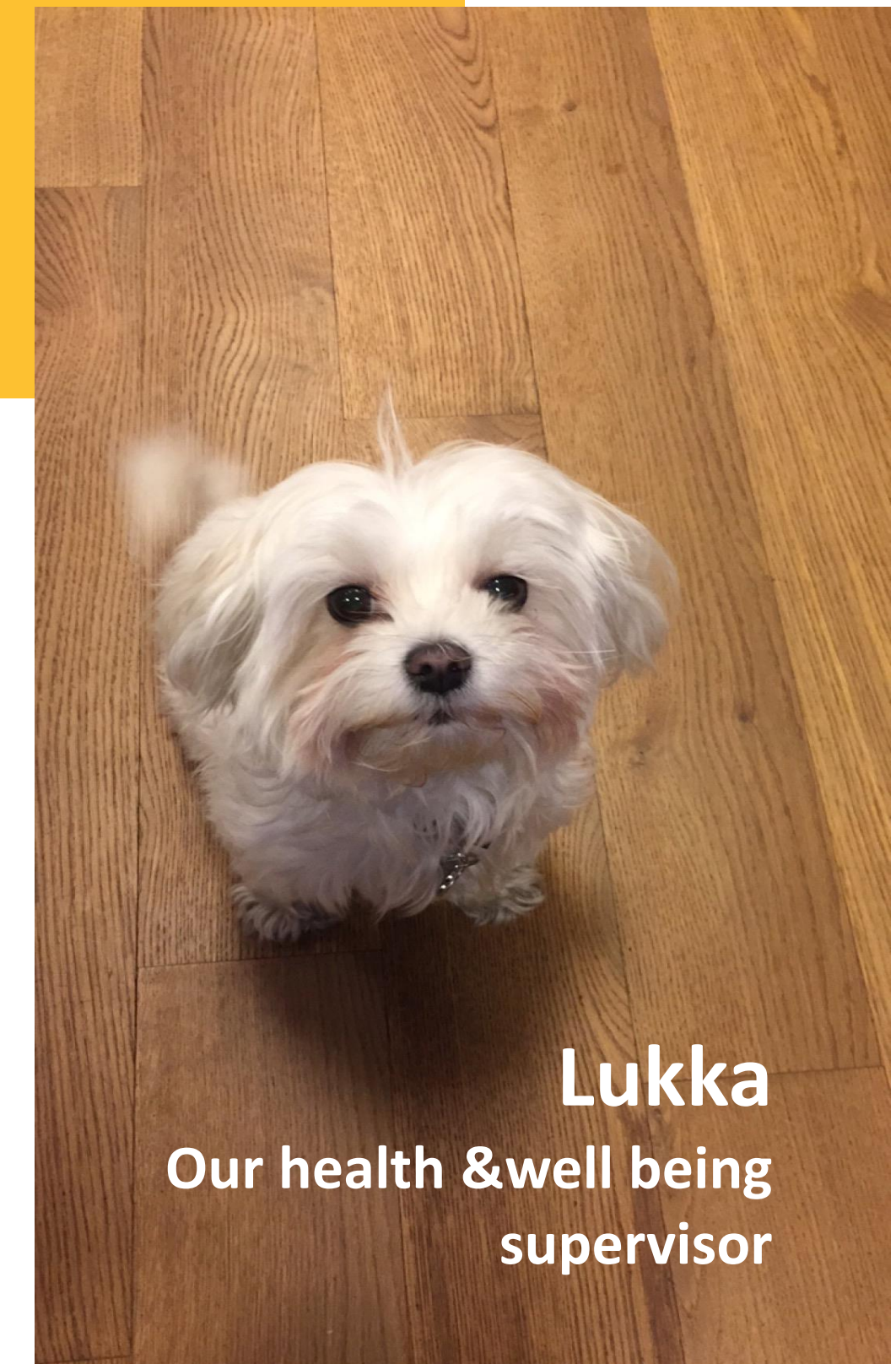
This policy will be introduced to the employees in 2018 and published on the company's website.

No work-related illnesses or injuries were recorded in 2017 (nor in 2016) such as in inflammation, headaches, back injuries or stress related mental illness.

The company respects the family perspective and offers support for employees' family lives. A family policy has been written which will be presented and published in early 2019. Klappir complies with legislation (Law no. 95/2000 on birth and parental leave/vacation), which is incorporated in both the health and family policies.

The company's code of conduct is work in progress which will be published in 2019.

At Klappir, we emphasize relaxed and casual working environment and take a range of measures to care for our employees and guests.



Lukka
Our health & well being
supervisor

Human rights and labor practices

Klappír respects human rights and freedom of association in accordance with Icelandic law and supports peoples' pursuit of physical and psychological health, fair treatment, acceptable and favorable working conditions and equal rights.

We support the fight against all discrimination, violence against women, children and old people and we will fight against degrading and inhuman treatment of people everywhere.

Klappír has not violated human rights and does not know of any violations in its value chain. The company expects general respect for human rights in its value chain and will react appropriately if any violation is discovered.

No children work directly or indirectly for Klappír. If the company becomes aware of the possibility that forced labor can be found in its value chain, then it will look closely into any such occurrences, especially when entering foreign markets.

In 2017, the number of board members increased from three at the beginning of the year to seven during the middle of the year. All board members are shareholders and three of them are women.

**The company's human rights policy
will be introduced and published in
early 2019**

Governance



- Klappir Green Solutions is an Icelandic company listed on Nasdaq, First North Iceland.
- As a listed company, Klappir communicates with its shareholders and other stakeholders about the company's financial and business development in an open and honest manner.
- Klappir provides investors, analysts and other stakeholders with timely and accurate information. Every year, Klappir holds a shareholder's meeting.
- As a listed company, Klappir complies with all relevant rules and regulations, and follows the Icelandic legislation (Law no. 2/1995 on corporations), the articles of association of the company and the board's rules of procedure.

The CEO is a member of the board. He is a founder of the company along with three other board members.

Three new members joined the board in 2017, and they are all related parties (shareholders). Information on voting is not made public. The results of voting are recorded in the board's minutes, which are accessible for inspectors should they request information.

Klappir complies with Icelandic financial legislation (Laws no. 19/1940) and with international standards on bribery and corruption. Klappir has zero tolerance for corrupt activities and has begun incorporating formal policies into the company's code of conduct related to anti-bribery and anti-corruption expectations for company employees and representatives.

Furthermore, an evaluation of suppliers will take place in early 2019; a suppliers' code of conduct will follow in 2019.

The company is aware of the importance of responsible and ethical procurement and is writing its procurement policy.

These policies will be implemented during 2019 along with various related procedures. They will be published on Klappir's website



Klappir has not paid incentive payments to directors to encourage them to perform on ESG. This subject has never been discussed by the board.

Klappir supports Icelandic legislation (Law no.80/1938 on Unions and collective organization of workers).

According to paragraph 74 of the Icelandic Constitution, people have the right to establish companionship for every legal purpose as well as unions. However, according to article 2 of the paragraph 74, no person is obliged to join a union. The company's employees may freely join unions. Approximately one third of the employees are members of unions.

Klappir is an Icelandic corporation and is liable for Icelandic taxes only, (Law no. 90/2003 on Income tax, Article 2).

Annual and interim financial statements are made by Klappir in accordance with legislation (Law no. 3/2006 on annual reports) and published on the company's website.

Klappir entered the Nasdaq First North market in September 2017. Transparency and access to information for authorities, stakeholders and inspectors is secured if requested.

Information on Klappir's financial matters can be found on the company's website.

This Corporate Social Responsibility Progress Report and the ESG statement together form a standalone report published on the company's website.

The ESG statement shows numbers taken directly from the software along with general information gathered from the various sources during company operations.

The reports and the ESG statement are accessible for everybody on the company's website.

A description of the software and the methodology is accessible on the company's website. Reports based on the software can create a foundation for other, extensive reports on corporate sustainability, such as COP reports for UNGC and GRI reports.



KLAPPIR