



HS ORKA

UN Global Compact communication on progress 2018



COMMUNICATION ON
PROGRESS

This is our **Communication on Progress**
in implementing the principles of the
United Nations Global Compact and
supporting broader UN goals.

We welcome feedback on its contents.

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Declaration of continued support

HS Orka became a participant of the ten principles outlined by the UN Global Compact in the areas of Human Rights, Labour, the Environment and Anti-Corruption at the beginning of 2018 and we are pleased to confirm HS Orka's continued support for the project.

We are committed to respecting and implementing these principles within the company and producing an annual Communication on Progress (COP). Attached is our first COP (published on our website www.hsorka.is).

Social responsibility has always been a component of HS Orka's corporate culture and our Resource Park is testimony to this. The motto of the park is "society without waste" where great care is taken to fully utilise the resources with which it is entrusted. Innovation and creativity are at the foundation of the Resource Park where they constantly strive to find new ways to effectively utilise these resources. The Resource Park and the utilisation of resource streams for companies, and Icelandic society, are unique in Iceland.

During implementation of the UN GC principles, we placed great emphasis on ensuring that all employees actively participated in projects supporting the initiative. Workshops were held where the principles were introduced and employees submitted proposals of projects for the year. The workshops were part of the principles' implementation process but they also served to raise awareness. Seminars were successful and many ideas came from the employees themselves, some were put into practice, while others were put aside to be implemented in 2019. We will continue to implement the principles and one of the projects for 2019 is to introduce a social responsibility policy with the principles laying the groundwork. Most of the planned projects for the year were very successful, others we will continue to work on in 2019.

Respectfully,



Ásgeir Margeirsson, CEO HS Orka



HS Orka

HS Orka is the third largest energy company in Iceland and the only one that is privately owned. The company has over 40 years of experience in producing renewable energy and owns and operates two geothermal plants one at Svartsengi and the other at Reykjanes. The company's first run of river hydro station, Brúarvirkjun in Biskupstungur, is currently under construction.

HS Orka's role is to provide both the business community and households with renewable resources that are utilised in a diverse and sustainable manner. The company produces and sells 100% renewable electricity all over the country, hot and cold water in the area of Suðurnes, as well as other products from the geothermal plants that benefit customers, society and the company. HS Orka places its main emphasis on utilising all resource streams that flow to and from the company in the most responsible manner possible and distributes these resources to other companies. HS Orka has won the Icelandic Satisfaction Poll in its category twelve times over a period of thirteen years.

HS Orka has a certified management system, according to ISO 9001, ISO 14001 and OHSAS 18001, which covers all its operations. This means that continuous improvement and professional work practices are always applied. A risk assessment has been carried out for the entire company and is reviewed three times each year. The assessment is carried out to monitor the safety of employees, the environment and the company's operations. Work on equal opportunities certification ended in December and an auditor recommended certification according to ÍST 85: 2012.



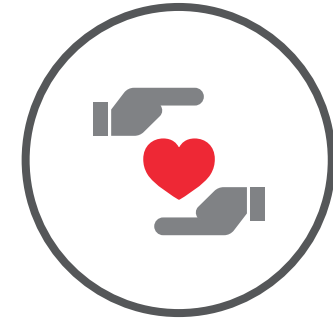
Human rights

The applicable UN Global Compact principles are as follows:

1. **Businesses should support and respect the protection of internationally proclaimed human rights**
2. **Businesses should ensure that they are not complicit in human rights abuses**

Everyone at HS Orka is entitled to the same respect and equal opportunities for career development, regardless of age, gender, religion, political view, nationality, sexual orientation or colour. The company places great emphasis on the continued education and training of employees, as well as providing excellent facilities. HS Orka does not have many employees but its operations have an impact on the local community, as well as the rest of the country. The company supports a variety of causes, e.g. sports clubs, the academic community and supporting operations which directly benefit those in need.

A number of subcontractors work on our behalf and we place emphasis on ensuring that labour rights, insurance and rights pertaining to sick leave are respected for contractors and subcontractors alike. Our agreements were altered to emphasise the importance of the chain of responsibility and the responsibility of contractors towards their own employees.

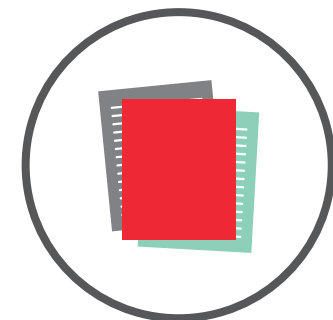


The labour market

The applicable UN Global Compact principles are as follows:

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

HS Orka places emphasis on being a sought after workplace with the most qualified people. The jobs are diverse and demanding and the levels of education are wide ranging.



Human resources

HS Orka's human resources policy is to ensure that the workplace is characterised by specialised expertise, practical know-how, customer service, job satisfaction and mutual respect. Our human resources policy focuses on safety, career development, continued education, family and healthcare. The company has also set up a gender equality policy, which works in accordance with Act no. 10/2008 on equal status and equal rights for women and men. Our staff and gender equality policy is designed to both attract, and keep, outstanding employees who share our values: Dedication, vision and integrity.

One of the tasks this year has involved preparation for employee interviews. The aim is to conduct interviews bi-annually which will help both management and employees alike. Our management team will undergo training to conduct employee interviews at the beginning of 2019 and the first interviews will take place in February. The process of receiving new recruits changed during the year, with a new emphasis on standardising the education that newcomers receive, regardless of their roles within the company.

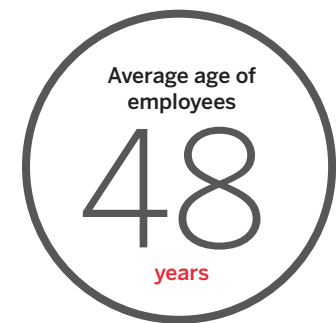
The range of jobs at HS Orka is diverse our employee needs in terms of continuous education are also vastly different. One of the things that had to be reviewed and refined this year was the process of retraining and the continued education of employees. Increased emphasis was placed on continuing education, and a number of courses were held both specialised and general. Among the general things reviewed were job applications, #Metoo and Christmas-related consumption and purchasing. Specialised courses included a welding course, skills training courses, fall protection courses and courses for safety representatives.

The company works in accordance with national laws, regulations and certified procedures ensuring that human rights are respected. HS Orka's employees come from various fields of education and backgrounds. The company negotiates with five labour unions, which is a considerable number in relation to the size of the company. Staff meetings are held regularly where the main projects are reviewed and feedback is requested.

Much effort is devoted to a family-friendly workplace and flexible working hours in jobs where this is feasible. All employees are entitled to access to a confidential physician free of charge, and a comprehensive medical examination is provided annually, which covers the general health of the employees. Employees are offered a detailed cardiac examination every three years.

An analysis of the workplace is performed regularly and job satisfaction has always scored rather highly, especially when compared with other companies in similar fields. The last survey was carried out in the autumn of 2017 and we measured 4.6 (out of 5), an increase of 0.3 points from 2015.

Fitness training is important for everyone and the company encourages its employees to participate in such activities. The company's headquarters in Svartsengi is equipped with fitness facilities where scheduled training is available on week days and the facilities are open to all employees 24 hours a day, 7 days a week. The company has also taken part in the Wow Cyclothron in recent years.



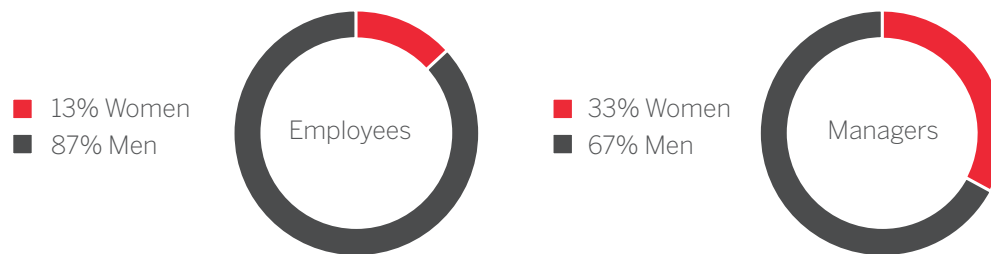
HS Orka works in collaboration with the VIRK Vocational Rehabilitation Fund in relation to participation in the development project "Increased employment connection" in vocational rehabilitation. The collaboration aims to help individuals who are in vocational rehabilitation to return to work.

Equality

The gender equality program was revised during the year, alongside work on equal pay certification according to Act no. 10/2008 on equal status and equal rights for women and men. HS Orka's goal is to promote gender equality within the company and to enable the individual to benefit from the procedures set forth by the initiative.

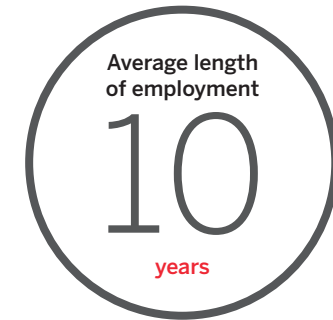
The company decided to enter into the process of equal pay certification during the year, despite the fact that the company is not required to do (it does not meet the company size requirements set out by the guidelines). Efforts are being made to ensure that all employees have the opportunity to balance work and family life.

Gender ratio

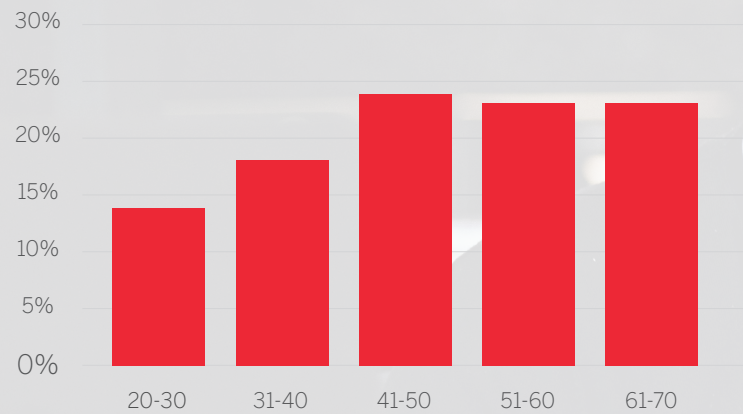


Safety

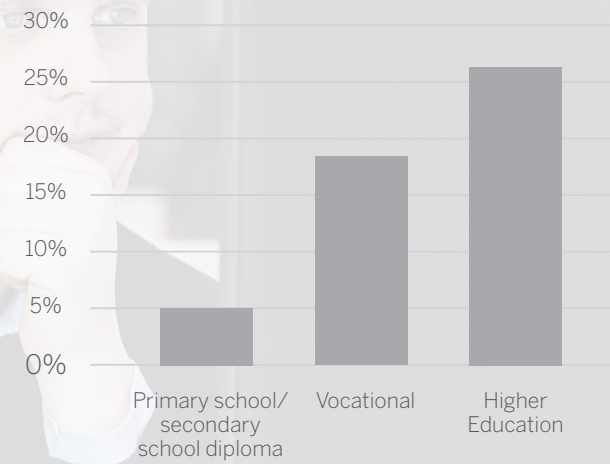
Safety issues are very important at HS Orka and great efforts have been made in recent months to increase safety awareness by increasing the relevant courses and reviewing procedures, with a focus on employees who work on diverse and demanding projects in sensitive environments. The company places great emphasis on preventive measures to prevent hazardous incidents, mishaps or accidents, through efficient organisation, systematic management, and continuous improvement. One of the goals this year was an accident-free workplace. Unfortunately, that goal was not achieved as three absence-related work incidents occurred during the year. Notifications of dangers and near-accidents have increased, and all notifications are processed accordingly, which leads to a safer workplace. HS Orka has an active safety system and operates according to the OHSAS 18001 Safety Management Standard. The company has an active safety committee and natural disaster team that meets regularly and works to improve and communicate information to employees.



Age distribution



Level of education



The environment

The applicable UN Global Compact principles are as follows:

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

HS Orka operates in accordance with applicable laws, regulations and other requirements, as well as certified work procedures. It is the company's policy to prevent, as far as possible, the occurrence of hazardous incidents, mishaps or accidents in the environment. In recent months, increased emphasis has been placed on educating employees and contractors on environmental issues and the dangers posed by our resources.

Construction work procedures have been changed in such a way that special care is taken to reverse any damage to vegetation during projects where there is a risk of disturbance resulting from any construction work. A risk assessment is carried out at the start of the project, as an important preventive measure, to assess safety issues and the environment. This prevents the risk of accidents, supports environmental awareness and increases the safety of everyone involved in the project. The company has always placed great emphasis on utilising resources in the most efficient way and making full use of resource flows in the most responsible way.

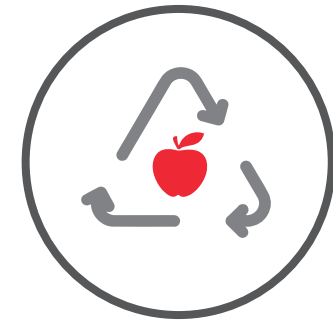
Certifications

This spring, HS Orka received certification for its environmental management system, according to ISO 14001, and its safety management system, according to OHSAS 18001, as well as an update of ISO 9001 from the 2015 version of the standard.

HS Orka has:

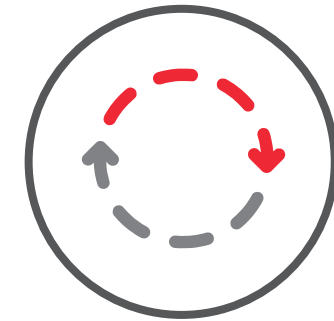
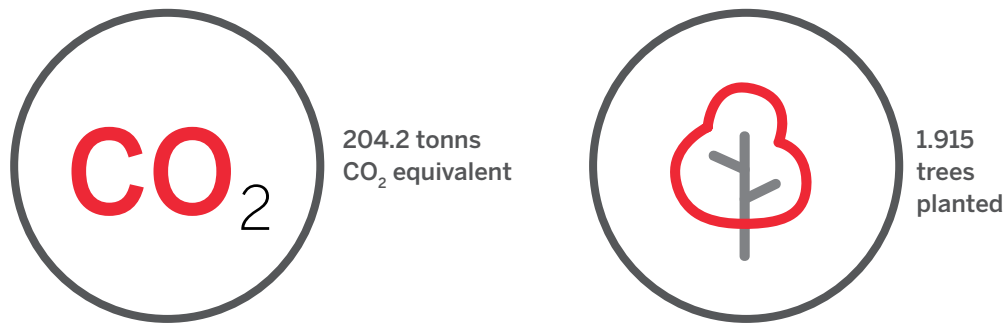
- Developed policies on environmental, safety, health, quality and equality issues
- Determined the criteria and methods necessary to ensure that processes and operational procedures are functioning
- Established work procedures where procedures are monitored, measured and analysed
- Implemented the actions necessary to achieve the desired results and continuous improvement of these procedures, including: risk analysis and analysis of environmental factors

The benefits of operating a management system are extensive. The certified environmental and safety management systems serve to monitor the requirements that HS Orka must meet regarding environmental, safety and occupational health issues. Environmental, safety and occupational safety performance requirements have increased substantially in recent years and general awareness is rising. HS Orka wants to achieve even better results in this area.



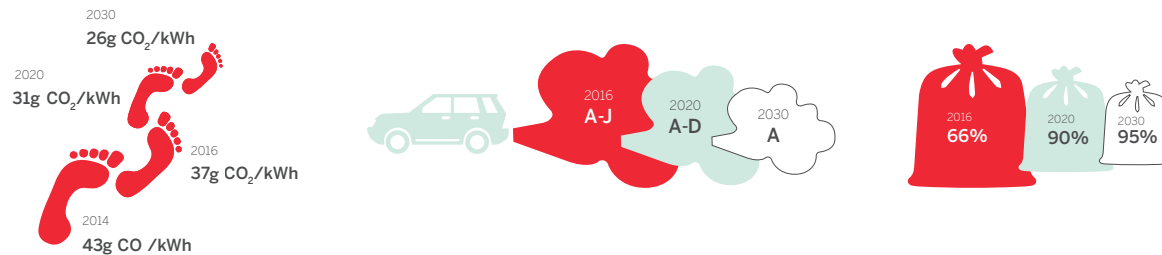
Carbon offsetting

The entire oil consumption of the company's car fleet, staff travel- financed by the company and waste disposal went through the process of carbon offsetting during the year. Carbon offsetting is carried out in collaboration with Kolviður via land reclamation and reforestation which binds the soil and reduces carbon dioxide concentrations in the atmosphere. These measures amounted to 204.2 tonnes CO₂ equivalent which is equal to 1.915 trees.



Climate objectives

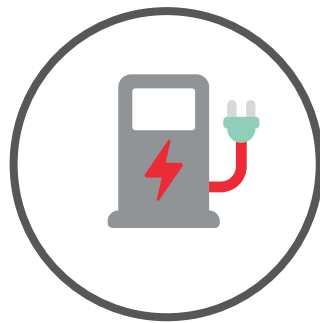
HS Orka has set the goal of reducing average carbon dioxide emissions per produced kWh by 40% by the year 2030. Various measures are in place to achieve this goal, e.g. creating value from carbon dioxide flows. The utilisation of geothermal energy is accompanied by the emission of non-condensable gases such as carbon dioxide and hydrogen sulphide. The company has worked on a remarkable innovation project in collaboration with the Danish company Haldor Topsoe. The goal is to be able to offer clean carbon dioxide to industries and / or for food production.



Our car fleet

At the beginning of 2018, 17% of the car fleet was in tax category A (a category of vehicles that emit 0-80 g per kilometre), which is an increase of 10% from the previous year. The company subsequently made the decision to only buy cars in category A, where possible. However, a hybrid or electric vehicle is not always suitable for operations within an energy company, but environmentally friendly cars are always the first choice when purchasing. Approximately 40% of the car fleet was in category A at year-end.

Electric charging stations have been set up at both the headquarters in Svartsengi and at the Reykjanes Power Station. The installation of this type of charging station began in 2017 and we are now able to charge 22 eco-friendly cars at the same time. We expect to install a further six charging stations in 2019.



10 charging
stations



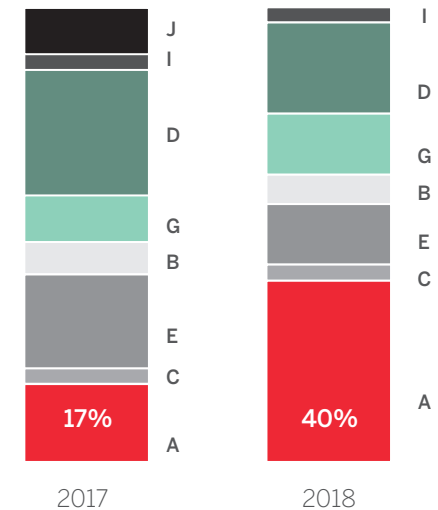
22 cars

Waste recycling

HS Orka intends to increase the proportion of recyclable waste to 95% by the year 2030. Work procedures need to be changed in order for this to be achieved, i.e. the classification of all waste from the company. The company currently requires the classification of all construction materials. This change in procedure has been successful and there are currently two major construction projects underway; the construction of a hydropower station in Biskupstungur, as well as renovations to the service building in Svartsengi. Waste classification has been very successful in both cases.

Education for employees regarding environmental issues is important. We invited consultants to visit the company this year to remind us how employees can contribute both at home and at work to reduce waste and minimise our carbon footprint. This drive will continue in 2019 and will include, among other things, workshops on the Life cycle economy.

HS Orka car fleet tax category



Anti-Corruption

The applicable UN Global Compact principles are as follows:

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

The company places great emphasis on responsible and honest operations. Work was carried out this year on drafting a code of ethics, the purpose of which is to set all employees ethical rules based on our values; foresight, honesty and ambition. The code will be completed in the next few weeks and will be clearly presented to employees.

The ISO 9001 quality management system used by the company, dictates that the methods and work procedures practiced by the company are always guided by the need to improve the company's performance. All work procedures are accessible to employees in the Operations Manual. All new employees receive an introduction to the system and courses have been held for other employees to guarantee their knowledge of procedures and to ensure easy access to the documents.

A review of the company's rules regarding procurement began during the year, all major purchases will be placed under tender and emphasis is placed on purchasing from known suppliers.



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