

Corporate Responsibility Report 2017

BANK**NORDIK**

Corporate Responsibility Report

Corporate social responsibility remains an integral part of BankNordik's strategy and efforts to create value for its stakeholders. In addition to long-term economic value creation through responsible business conduct; through the benefits that our products bring our customers; and through our banking expertise, the Group aims to create social value through community involvement. It is our assertion that CSR initiatives will yield the best results if there is a natural connection between such activities and the Group's business strategy and core competences. Therefore, our initiatives are strategically rooted in our vision, strategy, and values.

Given the Group's historically strong commitment to community involvement and the desire to make a positive difference for our customers and employees, BankNordik's approach rests on these three pillars:

- Customers
- Employees
- Local community

It is important that the Group's CSR-initiatives are to-the-point effective and relevant for our role as a financial institution in the North Atlantic region. This translates into measurable aspects that take into consideration the social and cultural structures embedded within the communities where BankNordik is present.

Engaging in long-term customer relationships

The Group's core values and vision evolve around the aspiration to retain our existing customers for the long term and to attract new customers by being proactive, competent, and fully committed. Our Group's corporate responsibility efforts converge naturally with our customer-centered approach to support and further strengthen confidence in our way of conducting business. As such, the customer is one of the three main pillars of our CSR-programme.

Improved customer experience

In 2017, BankNordik was determined to step up its efforts to strengthen the quality of our customer relationships. One of the means of achieving that was to reach out to our customer base and establish closer more frequent personal contact to get a better understanding of our customers' needs through direct engagement. We measure the results of these efforts through a Net Promoter Score system, which on an ongoing basis provides information on our customers' inclination to recommend BankNordik to friends and relatives. The feedback from customers is used to gain critical insights into how BankNordik is perceived and to identify potential weak areas of service. The scores – broken down by geography and branches – are communicated to all employees. The Group's aggregate NPS score has improved by 5 index points on a scale from -100 to +100 from the first measurement in February 2017 until December 2017. In particular, the Group has been intent on raising its NPS score in Denmark. We are therefore pleased to observe a notable improvement of 10 index points in Denmark since February 2017.

In addition to the Net Promoter Score system, the Group performs an annual customer satisfaction survey, which measures customer loyalty towards BankNordik. The survey was performed by Danish Financial Sector's Training Centre and comprises responses from 701 personal and 52 corporate customers. On a scale from 0-100, BankNordik scored a customer loyalty rating of 75 in 2017 compared to 67 in 2016 in the personal segment, while our corporate segment loyalty score was 76, flat compared to the previous year.

Moreover, the Group monitors customer surveys on service and satisfaction carried out by third parties, and we make an effort to address areas of possible subpar performance. On the user review platform Trustpilot, our customers frequently review BankNordik, which gives us the opportunity to directly engage with customers on their banking experience with us. See BankNordik's reviews on Trustpilot [here](#) (in Danish).

Financial advice that everyone understands

BankNordik's promise to its customers is to provide individualised consultation that makes it easier to make the right financial decisions. Delivering on this promise requires a high level of competence and we therefore strive to continuously train and certify our advisers to be able to provide easy-to-understand, tailored advice that is of value to our customers.

Encouraging healthy finances

BankNordik promotes responsible financial behaviour and decision-making because we know that healthy personal finances are important to an individual's well-being. When our customers take responsibility for their own finances, both parties benefit. This motivation is extended through the Group's communication channels and forms a specific part of the Bank's social media strategy to produce valuable information and know-how that all our customers and followers understand. Click to see our [Faroese](#), [Danish](#), and [Greenlandic](#) Facebook pages.

Employee development and satisfaction

Our employees are our strongest asset and it is essential for us to attract and develop a qualified workforce in order to strengthen the Group's competitiveness. We recognise the importance of building a working environment that aligns to the need of the individual and for our employees to maintain a healthy work-life balance. In addition, the Group seeks to arrange employee development programmes, social events, and other initiatives on a regular basis that will contribute to strengthening our corporate culture and nurturing better business performance.

Employee development is critical to continually achieving successful business results

At the BankNordik Group, we understand that employee development is critical to achieving and repeating successful business results. We therefore constantly work to develop our human resources and improve the future potential of our employees. Each year, BankNordik invests in trainee programmes, enrolls employees in academic business courses, and arranges on-site training and team-building activities. In addition to strengthening the skills and creating a more dynamic workforce, our experience shows that these development efforts have a positive effect on our employee retention rate.

At year-end 2017, we had:

- 16 bank and insurance trainees
- 25 employees enrolled in academic business programmes

Moreover, all of the Group's 46 managers completed a company-wide management course in 2017 intended to enhance leadership skills and cultivate better team performance.

Employee satisfaction on the rise

An important part of this process to attract and retain a highly motivated and skilled workforce is to build a high level of overall job satisfaction amongst our employees. BankNordik's annual employee engagement survey, which encourages respondents to provide feedback on a series of organisational parameters, indicated that overall satisfaction has improved from 2016 to 2017.

The survey, which was carried out by an independent third party, provides meaningful insights into the strength of our corporate culture and values. It also points to areas within the organisation that should be prioritised in the future. In 2017, BankNordik scored 4.15 on a scale of 1 (lowest) to 5 (highest) compared to a score of 3.9 in 2016 – a satisfactory year-on-year improvement.

Nurturing an inclusive workplace culture

The Group's main consideration in relation to appointments to management positions is to ensure by people who possess the best qualifications within their respective fields. It is therefore paramount to uphold an open and inclusive workplace culture to fully utilise the entire talent pool and support a diverse workforce in the pursuit of better business performance. As such, each of BankNordik's employees, regardless of gender, is encouraged to leverage his or her skills and freely seek career advancements with equal opportunities. In an industry where gender balance is a general challenge, a total of 37% of the Group's leadership positions were held by women at year-end 2017. However, this is a minor step backwards compared to year-end 2016, when 40% of leadership positions were held by women. BankNordik's ambition is to not underrepresent either gender by a wider margin than 40% vs. 60%.

NordikCompetence

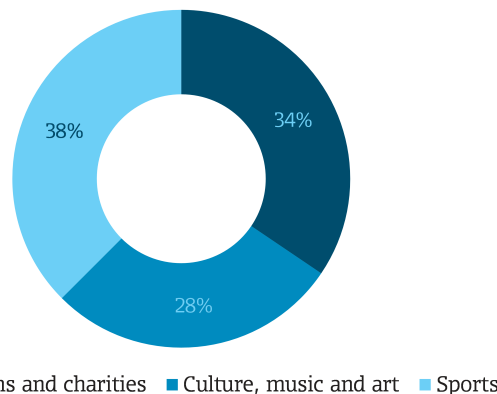
NordikCompetence is an internal employee programme that combines employee development and innovation to foster new ways of doing business. The program is created as a platform for talented employees to join forces and generate innovative solutions that may unlock value through efficiency enhancements or contributions to top-line growth. This could be everything from improved customer experience to product enhancements or process streamlining. Each year, new teams are established and employees from different areas and levels of the organisation become involved in activities that speak to their interests for the purpose of generating new ideas that can evolve into real solutions. The 2018 program extends over 12 months and comprises a quarterly tuition programme facilitated by external consultants in order to leverage the outcome of the project assignments.

Community development

BankNordik has been strongly anchored in our local communities throughout its more than 100-year history, contributing to the social, cultural and economic development. With the expansion of the Group's operations in the Nordic region, we are as committed today to continue our strong local presence across the regions in which the Group operates.

Contributions and local sponsorships

In recognition of the crucial role associations, sports institutions, and cultural activities play in a cohesive community, BankNordik has historically been a strong supporter of initiatives related to community development. BankNordik prefers to support and sponsor initiatives that have a broad appeal, include people of all ages, and that are beneficial to both parties. More importantly, the purpose must be compatible with our own values. In 2017, the Group contributed DKK 3.1m to local initiatives distributed as illustrated below.





In 2017, BankNordik signed a sponsorship agreement with Samvinnan, the association of Faroese students at Copenhagen Business School (CBS), to support their mission to strengthen the connection between the business community in the Faroe Islands and Faroese students at CBS.



In September 2017, BankNordik hosted an informative event for newly arrived Faroese students in Copenhagen to overcome uncertainties linked to their new cultural environment and handing out key takeaways for settling in efficiently.



BankNordik is the main sponsor of the Faroese handball federation and is particularly proud of the U21 men's historical achievements in the World Championship endgame in Algeria in July 2017. The picture shows the U21 team visiting BankNordik's head office before travelling to Algeria.

BankNordik supports centre for victims of sexual abuse

In 2017, BankNordik signed a sponsorship agreement with KRIS, a centre that provides support to victims of sexual abuse, informs the public on the subject and works towards the general prevention of sexual abuse. The sponsorship agreement has a value of DKK 0.5m, which contributes to providing housing for the support centre's activities. Individual counselling and self-help groups are the main services offered by KRIS; activities which mandate proper and safe circumstances to function professionally. BankNordik is therefore pleased to contribute to the important work being done by KRIS in improving the lives of those who are affected by sexual abuse.



Beinta M. Petersen, chairman of KRIS, Árni Ellefsen, CEO of BankNordik, and Gvøðbjørg West, board member of KRIS.

New BankNordik grant to Greenlandic students

The BankNordik-grant is a financial aid programme for Greenlandic students enrolled in higher education who have BankNordik as their primary bank connection. Grants of DKK 25,000 each are awarded to two students twice a year for a total of DKK 100,000 in annual grant contributions.

One of the main structural factors that could significantly improve long-term economic growth in Greenland would be to increase educational attainment and lift labour force qualifications. Moreover, education can help an individual attain financial security and creates opportunities for an exciting and challenging career. This is why we have established the BankNordik Grant, whose contributions will be supporting a handful of young students in making ends meet during their educational journey.



The condition of eligibility to receive the grant is enrolment in an academic or professional educational programme, either in Greenland or abroad. In return for the grant, the awardees are asked to contribute to the production of content for BankNordik on its webpage and on social media, for example by writing a blog post or filming a short video.

Business leaders joining forces with students to learn and compete



In November 2017, BankNordik organised an educational event for upper secondary students to join forces with local business leaders and compete in a business management simulation game. Students and professionals were organised in mixed groups and set to compete against each other to deliver the best results in a simulated business environment. This was a great opportunity for the students to get insight into the structure and development of a company, while simultaneously receiving extensive business knowledge. For the professionals, on the other hand, this was a chance to practice their business and decision-making skills in collaboration with young and aspiring students with widely differing perspectives. Feedback from both students and professionals was positive and the participants in general found the efficient learning set-up combined with the great social setting to be of great value.

Nordic House in partnership with BankNordik

Nordic House is a cultural institution under the auspices of the Nordic Council of Ministers, functioning as an open and vibrant venue that showcases all forms of Nordic art, music and cultural activities. In January 2017, BankNordik and The Nordic House in the Faroe Islands entered into a partnership agreement, which makes BankNordik an active participant in promoting Nordic culture and art.



Sif Gunnarsdóttir, director of Nordic House, and Árni Ellefsen, CEO of BankNordik, signing the partnership agreement

The agreement is consistent with BankNordik's efforts to be part of and support a thriving and diverse community characterised by a sense of attachment and mutual understanding with our Nordic neighbours. The partnership agreement runs until year-end 2018 and BankNordik is excited to be part of and to co-host a series of events together with Nordic House.

BankNordik Trust gains traction

In early 2017, BankNordik established an independent trust – the BankNordik Trust – to take ownership of over 600 works of art acquired by the Group during its more than 100-year history. The Trust's objectives are as follows:

- Take ownership and develop the art collection
- Arrange exhibitions and lend out artworks
- Partner with public and private institutions to promote Faroese art
- Develop the Faroese art scene

In addition to entrusting the Bank's art collection, which has an estimated value of DKK 5m, BankNordik has committed DKK 1m to fund the Trust in the period to 2020. The appointed board of directors is responsible for all of the Trust's operations, including for generating revenue from exhibits, lending out artworks, and through contributions.

The BankNordik Trust won the Best Social Initiative award in 2017, awarded by the Faroese Marketing Association.

Policies and standards

While though the BankNordik Group supports and abides by the intentions and principles of international initiatives and frameworks such as the UN Global Compact, the Group chooses not to formally comply with such standards due to our locally placed activities. For the same reason, the Group has not formally incorporated environmental or human rights policies as part of its CSR-program. These issues, nonetheless, remain an integral part of the Group's general business practices.