

Corporate Responsibility Report 2020

BANKNORDIK

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Dear reader,

This report on BankNordik's work on social responsibility and sustainability comes on the back of an extraordinary year when the coronavirus pandemic fundamentally transformed our everyday lives and left communities, businesses and individuals the world over facing unprecedented challenges.

For more than a century, we have evolved with the world around us, helping households and businesses alike to achieve their goals, grow and find financial security. We have always set great store by being an efficient and responsible business and creating value for the communities of which we are part. In 2020, the pandemic presented us with an opportunity to help customers in temporary financial difficulty, and we are glad that our customers, employees and communities generally made it safely through a turbulent year.

There is no doubt that sustainability is moving ever higher up the public agenda and increasingly attracting attention from a wide range of stakeholders. The financial sector has a key role to play as a catalyst in the transition to greater sustainability. As a financial institution, we have both an opportunity and a responsibility to contribute to this change. We therefore view work on social responsibility and sustainability as crucial to our future success as a modern and responsible business.

Previously, our work on social responsibility and the UN Sustainable Development Goals has concentrated particularly on making a positive difference for customers, employees and the local community. This will remain a priority, but our approach to social responsibility will be supplemented in future with a greater focus on sustainability and the green transition, since we as a Group are keen to be part of the solution to the challenges the world faces.

In this year's report, we have therefore started to publish a number of standardised environmental, social and governance (ESG) metrics to shed more light on our footprint as a business. We will be taking concrete action to improve our performance on these metrics and reduce our negative impacts on the world around us through to 2025.

Read on to learn more about our work on social responsibility and sustainability in a very unusual year, and gain an insight into our ESG performance and targets for a more sustainable future.

Árni Ellefsen
Chief Executive Officer
BankNordik





Introduction

Our business in 2020 figures

17

Branches across
3 countries

352

Full-time
employees

23

DKKbn in lending
and mortgage
lending

4

DKKbn in asset
management

Our key stakeholders

Corporate responsibility is an important part of our objective to create long-term value for all our stakeholders, as we strive to manage our business with proper attention to social, ethical and governance issues and to contribute to financial stability and growth across the regions in which we operate.

Our approach rests on these three pillars: our customers, our employees, and the local community.



Employees

Customers



Local community

INTRODUCTION

UN's Sustainable Development Goals

We support UN's Sustainable Development Goals (SDG's) as a natural part of our efforts to contribute to a better and more sustainable future. As governments, organisations, and individuals join forces to achieve the goals outlined by the United Nations, we are determined to contribute our fair share towards these commitments.

Having analysed and assessed the goals in regards to our own business model, we have chosen to focus our efforts and expertise on five selected goals: goals no. 4 (quality education), 5 (gender equality), 8 (decent work and economic growth), 11 (sustainable cities and communities) and 13 (climate action).

In this report, our CSR initiatives will be marked with the corresponding SDG(s) where applicable.





ESG

Integration of ESG data to support sustainable development

We are keen to use our role in society to promote sustainable development by making it attractive for customers to make green choices. At the same time, we want our own business to move in a more sustainable direction. We have therefore begun to publish environmental, social and governance (ESG) data in our CSR report to help bring about improvements in these areas.

As a responsible business, we want to ensure that we help move society in a more sustainable direction. We have therefore begun to measure how our activities impact on the world around us. We have previously announced plans to replace the Group's petrol and diesel cars with electric vehicles to reduce our carbon footprint, and we have now set a target of completing this process by 2025. We have also installed charging points at all of our branches in the Faroe Islands so that customers can recharge their cars while at the bank. Another measure to help cut carbon emissions from our activities is the use of ocean thermal energy conversion to provide renewable energy to heat our newest branch in Klaksvík.

These are just some of a wide range of measures that will form part of the Group's own green transition, and we will be working in the coming years to reduce further the negative impacts we have on the outside world, partly by using more renewable energy in our buildings.

Insight and overview with standardised data

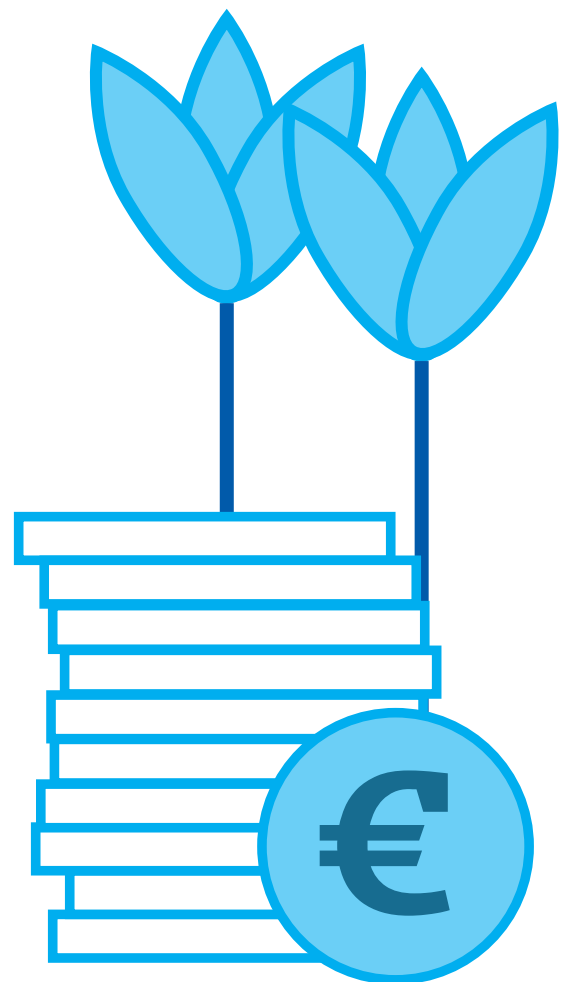
So that we can show how our business impacts on people and the environment, we have decided to use the standardised ESG metrics developed by the Danish Finance Society/CFA Society Denmark, FSR – Danish Auditors, and Nasdaq. The aim of these metrics is to make our performance easy to assess and monitor over time, and to enable comparisons with other businesses. We also view ESG data as a tool that can help us reach the right decisions in terms of sustainability, and gives us an opportunity to show how we are contributing to the UN Sustainable Development Goals and the sustainability agenda.

Our work on ESG reporting is still in its infancy, but we expect this area to become increasingly important over time as expectations and interest in ESG data grow. In this year's CSR report, we provide for the very first time an insight into BankNordik's historical ESG performance and our targets for the future. It is worth noting that although the social and governance data cover the whole Group, the environmental data in this year's report are for our Faroese activities alone. This is because collecting and processing environmental data has proved more challenging than originally anticipated. In future, however, our environmental data will span the entire Group.



ESG

Environmental, Social and Governance key figures

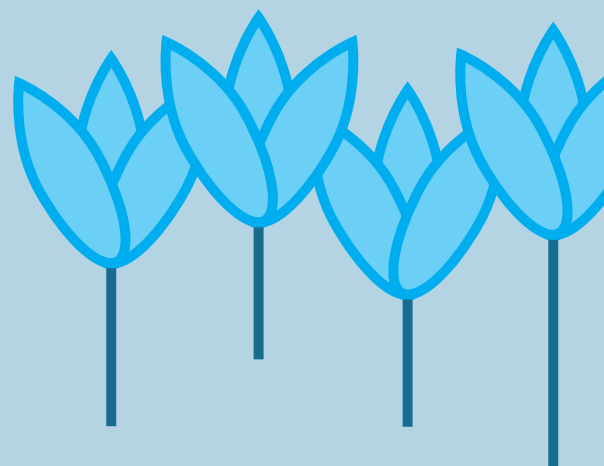


ESG KEY FIGURES

Environmental data¹

	Unit	Target (2025)	2020	2019	2018
Co2e, scope 1	Metric tonnes	50	131.2	130.9	153.9
Co2e, scope 2	Metric tonnes	75	112.3	110.1	99.8
Energy Consumption	GJ	4,200	4,881	4,776	5,182
Renewable Energy Share	%	50	29.6	31.0	33.0

Other	Unit	Target (2025)	2020	2019	2018
Documents signed digitally by customers	%	99	95.5	95.70	95.9

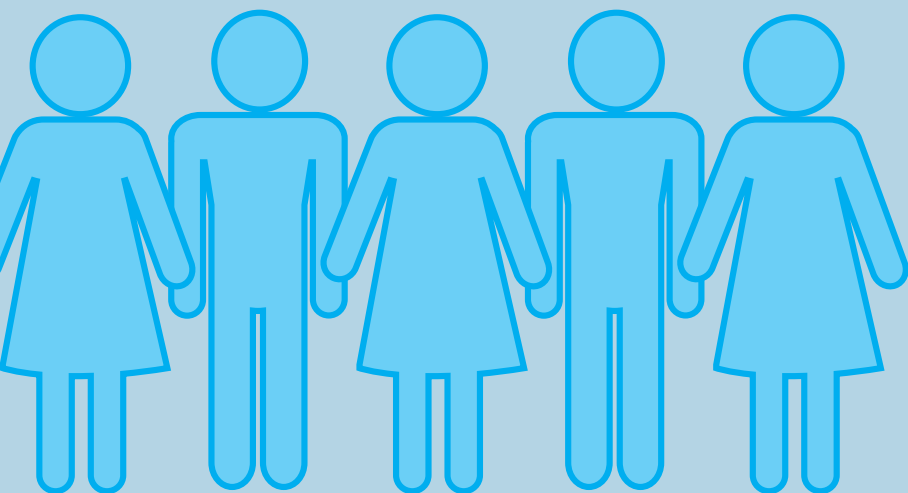


¹The environmental ESG key figures in this report only reflect the Group's Faroese activities while the Social and Governance key figures reflect the entire Group' activities in Denmark, Greenland and the Faroe Islands.

ESG KEY FIGURES

Social data

	Unit	Target (2025)	2020	2019	2018
Full-Time Workforce	FTE		377.7	392.7	422.3
Gender Diversity	%	40-60	60	59	57
Gender Diversity, Management	%	40-60	41	42	31
Employee Turnover Ratio	%	7	10.7	12.2	14.1
Sickness Absence	Days per FTE	5	7.8	8.7	6.8
Other	Unit	Target (2025)	2020	2019	2018
Net Promoter Score	Score	>40	21	24	



ESG KEY FIGURES

Governance data

	Unit	Target (2025)	2020	2019	2018
Gender Diversity, Board	%	40-60	16.7	33.3	40
Board Meeting Attendance Rate	%		98.9	95.7	95,8
CEO Pay Ratio Management	Times		6.4	5.7	5.8



Lower emissions and more renewables

Measurements provide starting point for change

We are committed to improving our environmental performance, and there are various steps we can take to move our business in a more sustainable direction, with a smaller carbon footprint and greater use of renewable energy. We have measured carbon emissions from the energy consumed by our buildings and vehicles, and we will be using this knowledge to take the necessary action to make them more energy efficient and environmentally friendly. While there are many ways in which we ourselves can help reduce our carbon footprint and increase our use of renewable energy, we are heavily dependent on the availability of green electricity, which is a particular challenge in the Faroe Islands.

Dependent on greener power production

The Faroe Islands' only power company, SEV, aims to make Faroese electricity production 100% green by 2030 by using renewable energy sources such as water, wind and sun. At present, however, SEV is a long way off its goal of being fossil-free. For example, only 38.7% of electricity produced in 2020 was from renewable sources, and this is reflected in the carbon emissions that BankNordik generates through its electricity consumption. Our environmental targets are based on SEV achieving its goal of 75% green electricity by 2025, and we hope that Faroese electricity production takes big steps in a more sustainable direction in the coming years. This year's report does not contain environmental data for our activities in Greenland, but these will be included next year in the numbers we report and the targets we set ourselves.





ESG KEY FIGURES

Sustainable energy provided by nature

The Gulf Stream sends warm water to the Faroes all year round and at 6–10 °C, the seawater around the islands contains energy that may be utilised. When we opened our newest branch in 2019, which is situated by the sea in the second largest town of the Faroes, Klaksvík, it was a major event in more ways than one. Customers and employees were able to enjoy the new, modern and attractive premises, and the opening also marked a milestone in the Group's sustainable profile. The bank's own heat pump is connected to the closed municipal brine system, thus using seawater for heating the building.

"We're very pleased to be able to reduce our use of fossil fuels with our new seawater heating system, and as electricity production in the Faroes is increasingly based on sustainable energy sources, this solution as a whole will also become even more sustainable," says Árni Ellefsen, BankNordik's CEO.





ESG KEY FIGURES

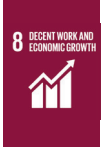
Staff enlisted in creating a more sustainable workplace

Switching to electric vehicles and renewable energy are a key part of our green toolkit, but small changes in our everyday working life can also make a big difference. We have therefore asked our employees for concrete ideas for new ways of working that can help bring about improvements in the workplace and make our working day more sustainable. We have received many good ideas which we will be working on and implementing in the time ahead – from small changes to everyday routines to much larger decisions and investments.

Customers

Our core values and vision evolve around the aspiration to retain our customers for the long term and to attract new customers by being competent, proactive and fully committed. The key customer focus is to deliver a best in class experience, where the needs of the individual customer are carefully assessed. Consumer behaviour is changing quickly as a result of the digital transformation, but we still believe that nurturing and strengthening the quality of the relationship with our customers remains key to our continued success. Therefore, we need to understand our customers' needs in addition to providing advice and easy access to financial services if we are to continue creating value for our customers.





CUSTOMERS

Helping customers through the pandemic

In spring 2020, the whole world suddenly found itself in an extraordinary situation due to the spread of the coronavirus. Given our important role in society, we were keen to lend a helping hand to customers affected by reduced earnings, redundancy or lost revenue. We therefore decided to introduce a number of special measures to help our customers through these financial challenges.

Overview of measures for household customers

- Repayment holidays: Customers were able to delay repayments or extend loans, e.g. for their homes and cars
- Customers were allowed to exceed their credit limits temporarily

Around **830** household customers made use of these facilities in the first half of 2020.

The aim was to enable customers to keep their household finances going, so that the consequences of the virus were not unmanageable.

Help for business customers

We were also able to provide assistance for business customers suffering or expecting the loss of all or part of their sales:

- Repayment holidays for up to six months
- Possibility of further help with cash flow needs

Around **75** business customers made use of these facilities in the first half of 2020.



CUSTOMERS

Encouraging customers to make sustainable choices

As an important financial institution, we have a real opportunity to make a difference by encouraging and helping our customers to make sustainable choices. We have therefore developed products in recent years which make it attractive and easy for customers to select more environmentally friendly options. For example, we offer loans for electric vehicles and home energy improvements with a lower interest rate than on conventional loans, and we can also help customers invest more sustainably. Going forward, we will be integrating sustainability even more closely into our advice and products, because this is how we can make a real difference in moving society in a more sustainable direction.



CUSTOMERS

Sustainable investing

A growing number of customers want their investments not only to give them a good return but also to be kinder to people and the environment. At BankNordik, we want to help our customers to invest responsibly.

We offer our customers investment products from partners that not only aim to deliver healthy risk-adjusted returns but also ensure that the investments meet various ethical standards. More specifically, our partners constantly monitor and screen individual companies and bond issuers to ensure that investing them is responsible.

Top for sustainability

Our most important investment partner is BankInvest, crowned Denmark's number one for responsible investment by the international financial journal CFI.co. The reasons include BankInvest's integrated environmental, social and governance (ESG) analysis and active ownership, along with sustainability reports which give customers an opportunity to see how different investment portfolios perform in terms of ESG, carbon emissions and contributions to the UN Sustainable Development Goals

Principles for Responsible Investment

BankInvest has endorsed the UN-backed Principles for Responsible Investment (UN PRI) and so complies with the following six principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes
2. We will be active owners and incorporate ESG issues into our ownership policies and practices
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest
4. We will promote acceptance and implementation of the Principles within the investment industry
5. We will work together to enhance our effectiveness in implementing the Principles
6. We will each report on our activities and progress towards implementing the Principles

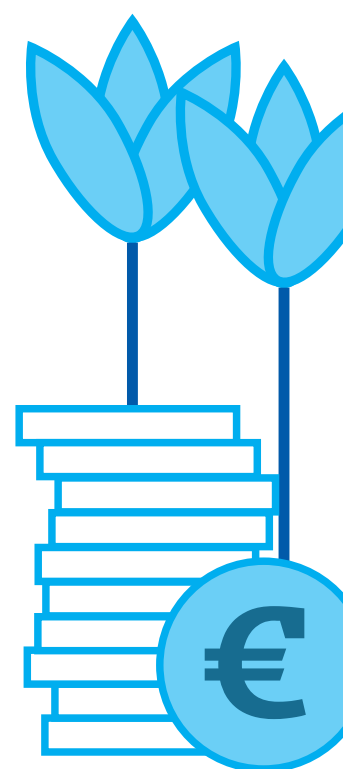
Compliance with international conventions

BankInvest checks all investments for breaches of the following international standards and conventions at least annually:

- UN Global Compact
- UN Universal Declaration of Human Rights
- OECD Guidelines for Multinational Enterprises
- ILO fundamental conventions on labour rights

New sustainable equity fund

In 2020, BankInvest launched a Nordic Swan eco-labelled sustainable equity fund to help meet the growing demand for responsible investment. The fund invests in companies that score particularly well on responsibility and carbon emissions. It does not invest in weapons, tobacco, nuclear power or fossil fuels, and must also meet other responsibility and sustainability criteria. The fund is included in all of our managed products and is carbon-neutral, which means that BankInvest buys carbon credits to offset emissions from the companies the fund invests in.



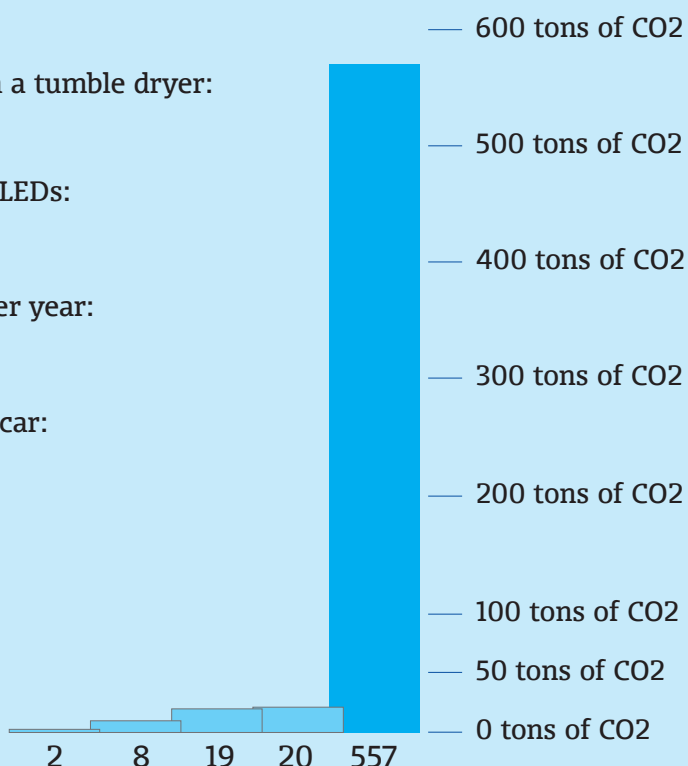


“For us, sustainability and returns are not opposites but two sides of the same coin” says Mads B. Søndergaard, Head of Responsible Investment at BankInvest.

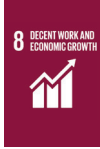
Investing sustainably helps cut carbon emissions

Assuming average savings of DKK 1.4 million over a working life of 42 years, a person in Denmark could contribute to the following reductions in carbon emissions¹:

- Using a clothesline rather than a tumble dryer:
2 tons of CO₂
- Replacing ten 60W bulbs with LEDs:
8 tons of CO₂
- Flying to Paris one less time per year:
19 tons of CO₂
- Cycling rather than taking the car:
20 tons of CO₂
- Investing sustainably:
557 tons of CO₂



¹Calculations from BankInvest based on a report by Professor Jesper Rangvid at Copenhagen Business School.



CUSTOMERS

Financing for innovative and sustainable projects

BankNordik was the first bank in Greenland and the Faroe Islands to team up with the European Investment Fund (EIF) to offer loans on favourable terms to businesses with plans to start up innovative or sustainable production.

The partnership with the EIF means that we can offer businesses new loans where InnovFin guarantees 50% of the amount borrowed – great news for business customers needing finance for innovative and sustainable projects to support their continued growth.

“We’ve seen considerable interest from business customers looking to move to more sustainable production, and we’ve paid out DKK 422.7 million through the InnovFin programme to date,” says BankNordik’s CEO, Árni Ellefsen.

Projects financed through InnovFin in 2020:

- DKK 52 million for the construction industry
- DKK 90 million for salmon farming
- DKK 140 million for the fisheries industry



CUSTOMERS

Cheaper green loans in 2020

To encourage customers to make sustainable choices, we decided in 2020 to cut the interest rate on loans for electric cars and home energy improvements. This means it is now even cheaper for customers to make environmentally friendly home improvements, such as replacing windows, retrofitting insulation, replacing oil boilers and switching to renewable energy. It is also now even more attractive to borrow for an electric vehicle rather than a petrol or diesel car.

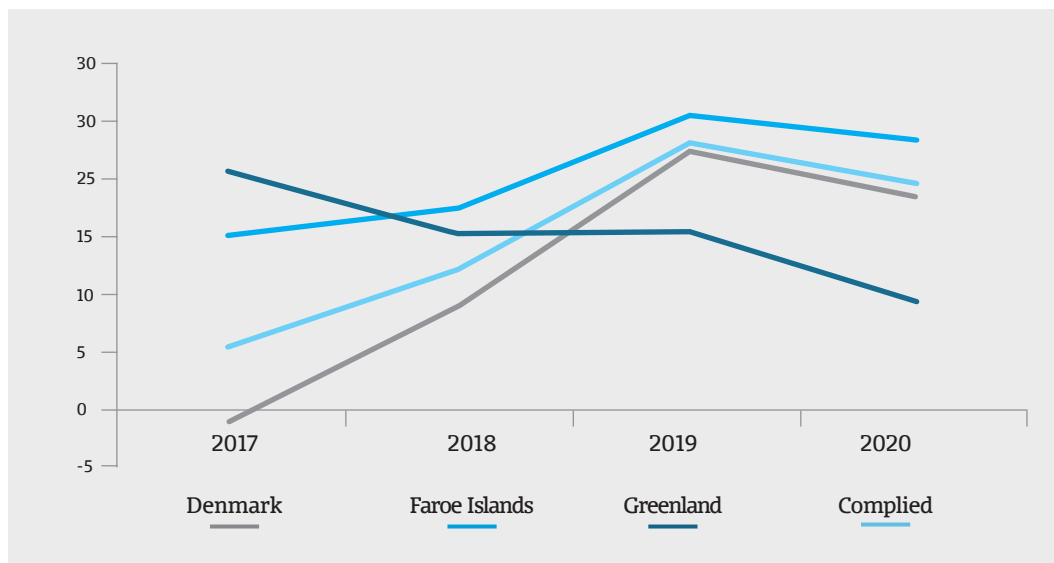


CUSTOMERS

Customers react to strategic initiatives

Within the Group, we focus consistently on providing our customers with comprehensive advice and a good experience with us. In this connection, we conduct regular customer satisfaction surveys and measure our Net Promoter Score (NPS) to gain insight into how satisfied our customers are and to what extent they feel inclined to recommend us to others.

Below is an illustration of the development in our branches during the period 2017–2020, where our customers' dissatisfaction with the strategic changes which we implemented towards the end of 2019 as well as the introduction of negative interest rates for personal customers in the spring of 2020 are likely to be the main reason for the negative trend during 2020. It is this trend that our customer philosophy (see page 30) is to be instrumental in changing during 2021 and the coming years.





CUSTOMERS

Webinars replacing physical events

At BankNordik, we regularly arrange events for our customers to provide information on financial topics, giving customers the benefit of our experience and expertise and helping them to make good personal finance decisions. However, in 2020, nothing was as it used to be, and the pandemic obviously also affected our ability to invite large groups of customers into our branches.

We therefore decided to adapt our way of doing things and the physical events were replaced with online webinars on financial topics such as pensions and investments. The webinars proved popular, and we have decided to continue to hold webinars in the future, as this is a good way of reaching many people with information and advice, and the participants also have the opportunity to ask questions to the panel.

“It’s an important aspect of our way of taking social responsibility that we use our expertise to inform other people about complex financial topics. Ultimately, the object is to make it easier for our customers to make informed financial decisions,” says Turið F. Arge, COO.



Employees

At BankNordik, we recognise that our employees are our most important resource, and their skills and well-being are crucial to our ability as a company to achieve our goal of creating value for all our stakeholders.

Therefore, we place great emphasis on providing a healthy and stimulating work environment, where all employees have the opportunity to develop both their professional and human potential. To this end, we endeavour to create a good setting for our employees' well-being and development, for example by investing in training and arranging internal and external courses for our employees as well as by maintaining a good social climate in the workplace.

We focus on promoting a culture that encourages our employees to share their views, and we also conduct regular satisfaction surveys, where we take the temperature of the members of the organisation in order to get feedback on various issues related to our workplace. The regular surveys are an important part of our work, as we use the data to continuously improve and develop our workplace and culture.





EMPLOYEES

A huge thank-you to our employees after a turbulent year

The pandemic led to a need to find new ways of working for many people, organisations and companies, and it was the same for us.

To protect our customers and employees from the spread of COVID-19, we closed the physical doors to our branches in March. At the same time, we moved our customer advice services and internal collaboration within the Group to the digital platforms, and video meetings in particular quickly became part of the new normal. The spread of the infection meant that many plans were put on pause, and our main focus was directed towards ensuring that all our employees had what they needed to be able to work from home and that their well-being was supported despite the difficult circumstances. Thus, our employees spent a large part of the year advising customers and collaborating with colleagues from home workstations that were set up in kitchens, children's rooms and basements.

"We're both very impressed and deeply grateful for the huge flexibility that our employees have mustered during these unprecedented times. Great demands were placed on our ability to collaborate and our sense of community, and despite the challenging circumstances, we've managed to assist our customers and at the same time achieved very good results. Our employees deserve great praise for that," says BankNordik's CEO Árni Ellefsen.



EMPLOYEES

Employee day to support the local community

To thank staff for their sterling efforts during the pandemic and make a small contribution to local businesses that have struggled as a result of the virus, we funded a local social activity day for staff at all of the Group's branches. The branches themselves decided where the money should be spent. The only condition was that the chosen activity must help support local businesses and suppliers.



EMPLOYEES

Experienced employees are a crucial resource

It is of great value to our organisation and business that we have so many committed employees who have been with the Group for many years. In 2020, it was 25 years ago that Johnny Mouritsen and Óli Hans Poulsen started their careers at BankNordik. We had the opportunity to celebrate the anniversary of these two loyal employees together with invited guests at the headquarters in Tórshavn.

“Experienced employees possess both knowledge and skills that make them very valuable to our business. Therefore, we prioritise being able to retain our highly skilled employees, and we do this by continuously focusing on their well-being and by offering them attractive opportunities for development,” says Rune Nørregaard, CFO.

Johnny Mouritsen and Óli Hans Poulsen



Rune Nørregaard, CFO





EMPLOYEES

Focus on promoting equal opportunities for all

As a financial group, we are part of an industry where the gender balance at management level has historically posed a major challenge, as the number of women in management positions is generally low within the sector. At BankNordik, we take this issue seriously, and this is one of the reasons why we decided to work with the UN's SDG no. 5, which aims to ensure gender equality.

We believe that we can create a better company and improve our results, if we take steps to increase the diversity of our organisation. It is therefore important to us that all employees irrespective of gender get the same opportunities for development and to take on management positions within the Group. Our goal is that no one gender makes up more than 60 per cent both in management positions and in our branches. It is also our ambition to ensure that there are candidates of both genders in the final pool when vacancies are filled.

The trend over the last few years shows that the proportion of female managers in the Group rose from 31 per cent in 2018 to 42 per cent in 2019 and fell again to 41 per cent in 2020. Even though we have experienced a positive trend in recent years, we are aware that it is an area that demands sustained effort and attention.

"We've still got work to do in strengthening the inclusive culture across the entire organisation, giving all employees irrespective of gender the opportunity to utilise their skills to the full, develop a career and be considered on their individual merit for management positions," explains Turið F. Arge, COO.



EMPLOYEES

New customer philosophy – our largest training investment to date

Our customer philosophy, which was implemented in all markets during 2020, demonstrates a new approach to customer consultation.

With our new approach, we have said goodbye to the conventional sales targets and sales campaigns, and we are now measuring our advisers' performance on their ability to provide comprehensive advice and on customer satisfaction data. This is to ensure that we always consider the full picture of a customer's finances, and that we base our advice on the individual's life situation and needs.

The new customer philosophy is also to date our largest training investment, as all our customer advisers have completed a training course and enhanced their skills to be able to implement our new approach to customer consultation. Thus, it is an initiative that benefit both our customers and employees.

"We've dropped all sales targets, as we want our advisers to focus solely on customers' needs, customer satisfaction and the quality of their advice," emphasises Árni Ellefsen, CEO of BankNordik.





EMPLOYEES

Valuable scheme for trainees

Over many years, we have had positive experience training finance and insurance trainees within the Group and we also regard it as a meaningful way for us to show corporate social responsibility. By regularly taking on trainees, we have the opportunity to give these young people a professional education and at the same time, we get an insight into their view of the world, which is of major value to the continued development of our business.

In August 2020, we were able to celebrate that thirteen talented and committed trainees had completed their two-year course with us, providing them with both practical experience and theoretical knowledge.

“It’s both inspiring and informative to witness the trainees’ development and how much they learn during the two years. Experience shows that when you give young people responsibility and opportunities, they are motivated to step up and do their very best, thus developing both professionally and personally,” explains Turið F. Arge, COO.





EMPLOYEES

Welcome to our new trainees

In September 2020, we were delighted to be able to welcome a new group of thirteen trainees to BankNordik. We look forward to following their development and learn from them.



A couple of our new talented trainees



EMPLOYEES

Staff help with litter picking

May saw the annual litter-picking day in the Faroe Islands, and staff took a break from their computer screens and pulled on their overalls to head out and help tidy up around the bank's branches. A small contribution, but one that can still make a big difference to both the environment and the community.





Local community

At BankNordik, we have been strongly anchored in our local communities throughout our history, spanning more than a century, and we have contributed to the social, cultural and economic development of these localities. Therefore, engaging in and supporting local initiative has always been a natural and integral part of our business, and we are committed to continue our contribution to the success and well-being of the local communities where we have our operations.

We recognise that sports clubs, associations and cultural activities play an important role in sustaining a cohesive community, and we therefore continue to be a strong supporter of a variety of initiatives that are important to community development.

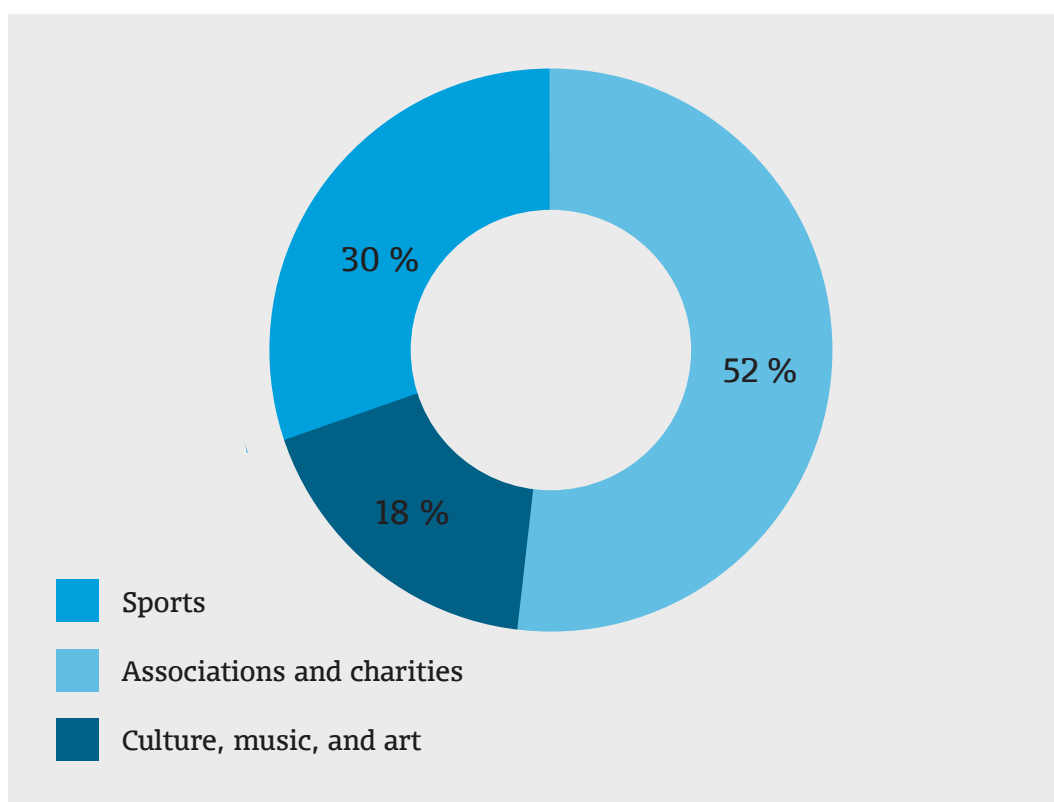


Contributions and local sponsorships

We choose to support initiatives that have broad appeal and are mutually beneficial. Furthermore, it is important to us to ensure that the purpose is compatible with the Group's values.

Sponsorships and contributions in 2020

In 2020, we contributed DKK 2.8m to local initiatives.





LOCAL COMMUNITY

Supporting research into COVID-19

In collaboration with the Faroese Research Council, we donated one million Danish kroner to research projects related to COVID-19.

The coronavirus has caused unprecedented challenges all over the world, and it is crucial that research is conducted into COVID-19, enabling us to combat the virus and prevent a similar situation in the future.

At BankNordik, we want to contribute to gaining greater knowledge about the pandemic, and in April 2020, we therefore decided to donate one million Danish kroner to research projects related to COVID-19. The Faroese Research Council (Granskingarráðið) manages the research projects, and so far financial support has been provided for a number of specific projects with support from the funds we donated.





LOCAL COMMUNITY

Focus on Faroese children's language skills

The population in the Faroes is around 53,000, and in addition, it is estimated that approximately 25,000 people in Denmark speak Faroese. Thus, Faroese is a very small and vulnerable language, and it is therefore particularly important to ensure that all Faroese have access to good Faroese written material.

International studies of children's reading skills indicate that having access to books early on in life is crucially important to children's reading and comprehension skills. However, it can be difficult to get hold of Faroese children's books in Denmark, and the costs of having books posted from the Faroes to Denmark can be forbiddingly high. As many Faroese in Denmark are students living on state grants, it can be challenging to find room in their budget for Faroese children's books. This is why BankNordik decided, back in 2016, to enter into a partnership with the Faroese publishers Bókadeild Føroya Lærarafelags in order to ensure that children of Faroese parents living in Denmark get access to Faroese books via the Faroese book club without having to pay the additional charges connected with having the books posted to Denmark.

Children who are members of the book club get books delivered to their address eight times a year, and since the start of the agreement, membership has increased steadily.

"We're delighted that our support has contributed to Faroese books reaching even more Faroese children living in Denmark. It's crucial to children's language development that they have access to books in their native language, and as the main sponsor, we're very pleased to be able to support this cause," says Turið F. Arge, COO.



LOCAL COMMUNITY

All Faroese school-children given book for Christmas

Just before Christmas, all schoolchildren in the Faroe Islands received a book as a present from BankNordik as part of a campaign by the Ministry of Culture to get people reading.

The idea for the campaign came from a survey carried out in 2017/18 which found that children in the Faroe Islands generally read too little, and that those in homes with many books read more than those where books are less readily available. The aim of the campaign is therefore to get children more interested in books and help them discover the joy of reading.

To support this, BankNordik decided to give all children on the islands from nursery class up to tenth grade a Christmas gift of a book appropriate to their age. We hope the books will fire their imagination and help foster a love of reading.

“The campaign to get people reading is very much in line with our values, which include a focus on learning,” says BankNordik’s Chief Operating Officer, Turið F. Arge. “So we’re delighted to have this opportunity to help Faroese children develop good reading habits.”



LOCAL COMMUNITY

BankNordik sponsors gymnastics and boxing

BankNordik decided in 2020 to sponsor the gymnastics club in Tvøroyri and the boxing club in Tórshavn.

We have sponsored numerous sporting disciplines and clubs over the years, as it is important to support a healthy and active local community.

Besides more established sports, we decided during the year also to support some of the Faroe Islands' less well-known clubs. BankNordik is therefore now sponsoring the gymnastics club in Tvøroyri, which caters for all ages and is the only gym club on Suderø, and Tórshavn Boksing, the islands' first boxing club.

"Sports clubs are mainly run by volunteers," says BankNordik's Chief Operating Officer, Turið F. Arge. "So it's great that we can also support some of the less well established clubs that still play such an important role in our local communities in the Faroe Islands."





LOCAL COMMUNITY

BankNordik scholarships

At BankNordik, we would like to encourage young people to get an education, as it will improve their job prospects and a well-educated population also benefits society as a whole.

An unforgettable and challenging year for a scholarship recipient in the North Atlantic High School Class

We have awarded scholarships totalling DKK 300,000 to one Greenlandic and two Faroese pupils for the new high school class which invited its first cohort in 2019 and is open to young people in the North Atlantic region. Ivaana Olsen Rasmussen is one of the scholarship recipients, and in 2020, she spent the school year in Denmark together with the other pupils in the North Atlantic High School Class.

“The year in Denmark was eventful, challenging and completely unforgettable – despite the corona pandemic. I highly recommend the North Atlantic High School Class,” says Ivaana.

With this scheme, the pupils get a very different high school experience, studying in the Faroes, Denmark, Iceland and Greenland. They get the extraordinary opportunity to experience the four different countries and cultures during their three-year course. The scholarship makes it financially feasible for the pupils to participate in the scheme by paying for board and lodgings as well as the transport costs to and from the four countries.

Bursaries awarded to Greenlandic students of Law and International Business

The BankNordik Bursary is awarded to Greenlandic students twice a year. In 2020, the bursary of DKK 25,000 was awarded to Sikkerninnguaq Hard Lorentzen and Victor Langholz.

Sikkerninnguaq Hard Lorentzen is appointed as Justice of the Peace at Sermersooq Kredsret and received the bursary to study Law (LLB) at the University of Southern Denmark.

Victor Langholz received the bursary to study for a Bachelor's Degree in International Business and Entrepreneurship at the University of Oklahoma in the United States.

"I'm very pleased to receive the BankNordik Bursary, as it means I'm edging nearer to realising my dream of becoming a Greenlandic-speaking assistant judge at the Courts of Greenland," explains Sikkerninnguaq Hard Lorentzen.

"We want the scholarships and bursaries to encourage and help young people to get an education to enhance their life opportunities and for the benefit of society as a whole," says Rune Nørregaard, Head of Finance and Credit.





LOCAL COMMUNITY

Keeping the spot-light on women and money

Women's finances are a recurring theme at BankNordik, and 2020 was no exception. We are still seeing that women earn less than men, have less set aside for their retirement and are less likely to invest their savings.

Although this is ultimately a structural problem, and change depends to a great extent on political initiatives, we can still make a difference by highlighting the issue.

Information on women and pensions

The main aim of BankNordik's pension campaign, rolled out in autumn 2020, is to provide the Faroese population with information about pensions and how people can gain a better insight into their overall personal finances. As part of this work, we carried out a survey which revealed that people generally know little about pensions and life insurance – and that women generally do not have sufficient insight into their pensions and personal finances.

Based on these findings and our own data showing that women have lower pension savings than men, women's pensions became a natural focus for the campaign. Besides publishing the results of the survey and relevant data, we produced informative content for our website and social media with useful tips to help people gain an overview of their pensions and life insurance and get to grips with their personal finances.

This spotlight on pensions, especially for women, was picked up by the Faroese news media, which meant that we were able to reach an even broader audience.

Our goal for the coming years is to concentrate even more on advice, so that all of our customers, whether male or female, young or old, have a clear picture of their finances.

Prevention of financial crime

The risk that BankNordik is misused for criminal purposes, such as money laundering and financing terrorist activities, is a reality every single day. Therefore, it is our job to do everything we can to reduce the risk of such criminal misuse and we do that with the aid of various measures:

- Compliance with applicable laws and regulations
- Annual assessment of the inherent risk of money laundering and financing of terrorist activities
- A money laundering policy
- Preventive procedures
- Training of the bank's employees
- Efficient systems
- Screening and monitoring of transactions and customer relationships
- Internal controls and reporting
- A healthy employee culture
- Close cooperation with the authorities and the financial sector

BankNordik is well aware that accountability in banking operations is crucial for the prevention of cross-border financial crime and terrorism. Therefore, we have an ongoing focus on ensuring that our systems and employees continuously comply with all legal requirements and procedures that are necessary to prevent BankNordik from being misused for financial crime.

LOCAL COMMUNITY

Funding for LGBT support groups

BankNordik decided in 2020 to provide funding for support groups organised by LGBT Faroe Islands.

It can be hard to be transsexual, homosexual or bisexual in a society that does not unconditionally accept your sexuality. A survey carried out by LGBT Faroe Islands shows that many LGBT people face mental challenges, loneliness and shame for this reason. The organisation therefore decided to start up support groups where participants can share their stories, thoughts and feelings in a private forum together with others in a similar situation.

The sessions are free of charge, and family members are also welcome. The group leaders are volunteers but are offered relevant training so that they can provide the best help, and it is this training that BankNordik has decided to support financially.

“LGBT Faroe Islands has set itself the goal of improving the mental health and wellbeing of LGBT people,” says Annlis Bjarkhamar, who sits on the organisation’s board. “Our aim is that no LGBT person feels alone, and that there’s a place where they can go for help and advice. We’re very grateful that BankNordik wishes to support us in this work. We’ve found a great venue in the centre of Tórshavn which we’re working on getting ready so it can be brought into use as soon as possible. Without good sponsors, this wouldn’t have been possible, and we’re pleased that more and more people are recognising the importance of having a diverse and colourful society,” says LGBT board member, Annlis Bjarkhamar.





LOCAL COMMUNITY

Annual donation to acquire contemporary art

In June 2020, we entered into a new agreement with the Group's independent arts foundation, BankNordik-savnið, which means that going forward the foundation will receive an annual donation of DKK 150,000 for which to purchase new Faroese contemporary art.

BankNordik-savnið is an independent arts foundation which BankNordik established in 2017 and donated at the same time 623 works of art to the foundation. The objective of the foundation is to give all art enthusiasts the opportunity to experience works of art created by prominent Faroese artists. It rents out works of art and organises exhibitions with a view to ensure that the art reaches as many people as possible. BankNordik supports the running of the foundation with an annual donation of DKK 150,000.

In 2020, we decided to make a further annual donation of DKK 150,000 which is earmarked for the acquisition of new Faroese contemporary art. The objective is to support the Faroese art scene and develop the foundation's art collection, making it even more interesting and relevant by ensuring it includes art from a range of time periods. With this new annual donation for contemporary art, the Group's total contribution to the foundation runs to DKK 300,000 a year.

"It's nothing short of a breakthrough in the Faroes that a pool of money is earmarked in this way to acquire works of art by active contemporary Faroese artists. With this new agreement, we'll have the opportunity to purchase good-quality contemporary art every year which makes the foundation's art collection much more relevant and interesting," says Helgi A. Fossádal, Committee Chairman for BankNordik-savnið.

The first acquisition paid for by the donation was made in the autumn when the foundation purchased two works of art created by renowned Faroese artist Anker Mortensen.



LOCAL COMMUNITY

Main sponsor of the development of Faroese handball

As the main sponsor of the Handball Federation of the Faroe Islands, we have supported for several years the important work that the Federation does for Faroese children and young people. In 2020, we extended the sponsorship agreement by another two years, and we look forward to continuing to follow the positive development of the sport and the community over the coming years.

“BankNordik has been our main sponsor for the past four years and provided excellent active support for Faroese handball. The collaboration and the sponsorship agreement make a big difference to us and make it possible to continue the positive development that we have seen in recent years,” says Gunn Ellefsen, Chairman of the Handball Federation of the Faroe Islands (HSF).





LOCAL COMMUNITY

Supporting the preservation of local folklore



As part of our wish to support the local communities in which we operate, we were one of the main sponsors of a new statue to be erected in the scenic and historic Faroese village of Elduvík.

The statue Marmennilin (The Merman) was produced to preserve the local folklore legend about the merman. It was created in bronze by renowned Faroese sculptor Hans Pauli Olsen.

At BankNordik, we are delighted to have this opportunity to support the cultural life and the local community.



Progress on Sustainable Development Goals

SDG	Our focus	Status	Target
	<ul style="list-style-type: none"> - Contributing to and promoting higher education in local communities. - Fostering financial confidence and sound financial practices. - Supporting lifelong learning within our own company. 	<ul style="list-style-type: none"> - Grants have been established for upper secondary educational programmes and higher education. - We support children of expats in acquiring Faroese language skills. - We enroll and educate trainees on a regular basis. - Our customer philosophy is our biggest educational investment ever. - During the pandemic, we invited customers to participate in educational webinars on different financial topics. 	<ul style="list-style-type: none"> - Continue promoting increased educational attainment. - Continue supporting schools in teaching children the basics of personal finance. - Continue encouraging our employees to enrol in courses and educational programmes.
	<ul style="list-style-type: none"> - Recognising the importance of gender balance across the organisation. - Supporting an inclusive organisational culture. - Our ambition is to ensure that neither gender makes up more than 60 per cent in the Group's management positions and in all the branches. - Promoting gender equality by focusing on relevant financial topics. 	<ul style="list-style-type: none"> - Continued focus on ensuring gender balance by specifically aiming to ensure that there are always both men and women in the pool of applicants for vacant positions. - Supporting women in attaining knowledge about pensions and investments. 	<ul style="list-style-type: none"> - Continue focusing on the importance of equal gender representation in all parts of the organisation – in management as well as within branches. - Planning to increase focus on financial topics relating to gender inequality.
	<ul style="list-style-type: none"> - Making sure capital is efficiently and sustainably allocated to drive economic growth. - Acting with integrity and competence to allow customers to realise their fullest financial potential. - Building up a skilled, motivated and happy workforce. 	<ul style="list-style-type: none"> - During the pandemic, we had the chance to reach out and help our customers in need. - In 2020, our employees worked from home for a substantial part of the year, and thanks to their flexibility and dedication, we were able to get through the turbulent year with good results. - We continued to support sustainable growth and innovation by issuing loans to innovative and sustainable businesses under favourable conditions through the InnovFin guarantee agreement. 	<ul style="list-style-type: none"> - Preserve pertinent and ethical credit policy guidelines and act accordingly. - Continue to improve BankNordik's standing as an exemplary intermediary of capital. - Improve employee turnover.
	<ul style="list-style-type: none"> - More than 100 years of commitment to the local community. - Creating shared value by being an active and engaging member of the communities we serve. - Financing local initiative and smaller businesses. - Putting the customer's interests first for long-term prosperity and well-being. - Encouraging healthy finances and promoting responsible financial behaviour. 	<ul style="list-style-type: none"> - Financially supporting hundreds of individuals and organisations within the fields of art, music, sports, charities, associations, etc. - We use social media, webinars and podcasts to produce quality content that adds real value for customers. - We have asked our employees for their ideas on how to reduce our environmental impact and how to motivate sustainable behaviour within our organisation. - The launch of our customer philosophy is part of our efforts to improve the financial advice we give our customer. 	<ul style="list-style-type: none"> - Continue contributing to strengthened social cohesion in the communities we operate in. - Planning to work on initiatives based on ideas from our employees about how we can become a more sustainable organisation. - Working hard to deliver improved bank experiences for our customers inspired by our customer philosophy and to raise their loyalty and satisfaction.
	<ul style="list-style-type: none"> - Committed to helping the transition towards a greener and more sustainable society. - Encouraging our customers to make sustainable choices by developing green financial products. 	<ul style="list-style-type: none"> - We have installed charging points for electric cars at all our Faroese branches. - Our financial products make it easier for our customers to make greener choices, and in 2020, we lowered the interest rate on green loans. - In our insurance business we have purchased refurbished laptops and thereby lowered the environmental impact required to make new computers. - Started measuring the Group's carbon footprint by using ESG metrics. - Planning how to reduce the Group's carbon footprint in the coming years. - Choosing eco-friendly company vehicles. - Using a seawater heating system at one of our branches in the Faroes. 	<ul style="list-style-type: none"> - Planning to further monitor and measure our energy consumption. - Planning to take measures to reduce the carbon footprint related to the Group's branches and vehicles. - Continue to support the transition towards a greener society by making it easier for our customers to make sustainable choices. - Considering new green financial products for our customers.

Policies and standards

The Group has not formally incorporated environmental or human rights policies as part of its CSR programme. These issues, nonetheless, remain an integral part of the Group's general business practices. We do, however, support the UN Sustainable Development goals and choose to focus our efforts on goals nos. 4, 5, 8, 11 and 13.

ENVIRONMENTAL DATA

KEY FIGURE / UNIT	EXPLANATION	WHY INCLUDED
Co ₂ e, scope 1 Unit: Metric tonnes	<p>Scope 1 emissions: Direct emissions resulting from the company's own combustion of fuels and materials.</p> <p>Calculation: See further explanation in the publication "ESG key figures in the annual report"⁶.</p>	The Co ₂ e emitted compared with the produced quantities or revenue are useful to identify the companies that have been able to transfer to less Co ₂ -polluting processes/assets – either over time or compared with the peers.
Co ₂ e, scope 2 Unit: Metric tonnes	<p>Scope 2 emissions: indirect emissions resulting from the energy used to produce electricity, district heating, or district cooling, which the company has purchased for its use. The scope 2 emissions are in principle calculated as scope 1 emissions, though typically not covering all Kyoto-gases/GHGs.</p> <p>Calculation: See further explanation in the publication "ESG key figures in the annual report".</p>	The Co ₂ e emitted compared with the produced quantities or revenue are useful to identify the companies that have been able to transfer to less Co ₂ -polluting processes/assets – either over time or compared with the peers.
Energy Consumption Unit: GJ	<p>Energy is, as emissions, typically calculated based on consumptions multiplied with converters. The consumed energy must be added from both scope 1 and scope 2 (cf. previous definitions) sources but must additionally also contain energy from renewable energies.</p> <p>The Co₂e emitted compared with the produced quantities or revenue are useful to identify the companies that have been able to transfer to less Co₂-polluting processes/assets – either over time or compared with the peers.</p>	The energy consumed compared with the produced quantities or revenue are useful to identify the companies that have been able to transfer to less energy consuming processes/assets – either over time or compared with the peers.
Renewable Energy Share Unit: %	<p>How much of the total energy consumed is from renewable energy sources.</p> <p>Formula Renewable Energy Share = (Renewable Energy/Total Energy) * 100</p>	The ratio can be used to identify companies that have transformed their energy consumption to renewable sources.
Water Consumption Unit: m3	<p>The sum of all water drawn into the boundaries of the company from all sources incl. surface water, ground water, rainwater and municipal water supply.</p> <p>The key figure is not included, as there are no statistics on water consumption in the Faroes. The reason is that the Faroese – in addition to small quantities of spring water – predominantly use surface water, that is rainwater collected in wells.</p>	Water consumption illustrates the risk profile of disruption of water supply and/or water cost changes.

SOCIAL DATA

KEY FIGURE / UNIT	EXPLANATION	WHY INCLUDED
Full-Time Workforce Unit: FTE	<p>To be able to measure the full-time workforce the work performed is requiring, both directly hired FTEs and temporary workers need to be considered. This demands both the legislative calculation of average full-time employees (FTEs) (meaning full-time employees + compensated overtime + FTE-calculated hourly salaried employees) plus FTE-calculated temporary workers.</p> <p>The number is calculated per December 2020.</p> <p>Formula</p> <p>Full-Time Workforce = FTEs + Temporary Workers.</p> <p>Indirectly important, as full-time workforce is the base for a range of other social indicators (cf. the following definitions).</p>	Indirectly important, as full-time workforce is the base for a range of other social indicators (cf. the following definitions).

⁵Please note that the environmental ESG key figures in this report only reflect the Group's Faroese activities while the Social and Governance key figures reflect the entire Group' activities in Denmark, Greenland and the Faroe Islands. In the coming years, the environmental data will include the entire Group's activities. The data is calculated for the entire accounting period, unless otherwise stated.

⁶The publication "ESG key figures in the annual report" is published by The Danish Finance Society / CFA Society Denmark, FSR – Danish Auditors, and Nasdaq Copenhagen. Content and definitions in the ESG key figure overview and in The Danish Finance Society / CFA Society Denmark's Recommendations II Financial Ratios are identical.

SOCIAL DATA

KEY FIGURE / UNIT	EXPLANATION	WHY INCLUDED
Gender Diversity Unit: %	Gender diversity is calculated both for the FTEs and for the Temporary Workers – and then summarised to show whether there are any gender diversity issues per contract type and /or in total for the workforce. BankNordik's number is calculated on the basis of FTEs only, as the Group has a very low number of temporary employees. The number is calculated per December 2020. Formula Gender Diversity = $((\text{Women FTEs} + \text{Women Temporary Workers}) / (\text{Full-Time Workforce})) * 100$.	Gender diversity has scientifically been shown to be correlated with better financial performance.
Gender Diversity, Management Unit: %	Includes the Group's senior management as well as employees in other leading positions with personnel responsibilities. <i>Calculated in FTE's ultimo December each year.</i> Formula Gender Diversity, Management = $((\text{Women in Management}) / (\text{All FTEs in Management})) * 100$.	Gender diversity has scientifically been shown to be correlated with better financial performance. An uneven pattern of promotion and seniority by gender can indicate risks related to workplace inequality and thus inability to attract female talent.
Gender Pay Ratio Unit: Times	The key figure is not disclosed in this report. Our employees are paid fairly based on their skills, qualifications, experience and performance – regardless of gender.	Gender diversity has scientifically been shown to be correlated with better financial performance. An uneven pattern of pay by gender can indicate risks related to workplace inequality and thus inability to attract female talent.
Gender Diversity, Management Unit: %	Includes the Group's senior management as well as employees in other leading positions with personnel responsibilities. <i>Calculated in FTE's ultimo December each year.</i> Formula Gender Diversity, Management = $((\text{Women in Management}) / (\text{All FTEs in Management})) * 100$.	In particular, the Voluntary Turnover Ratio is interesting, as it shows how successful the company is in retaining its employees. This ratio can be seen as a proxy for employee satisfaction measurements, which often are incomparable across companies.
Sickness Absence Unit: Days per FTE	Number of full days all own employees are sick and not on job, compared to number of FTEs. Maternity/paternity leave is not included. <i>Note that BankNordik also includes long-term illness.</i>	If the company has a disproportionate amount of sick days per FTE, it can be seen as a proxy for less employee satisfaction and/or safety issues. This is costly and could also lead to inability to attract talent.
Customer Retention Ratio Unit: %	The key figure is not disclosed in this report. Instead BankNordik uses Net Promoter Score to measure the customers' loyalty on a regular basis.	This ratio can be seen as a proxy for customer satisfaction measurements, which often are incomparable across companies. A declining or relative low Customer Retention Ratio may indicate the revenue in the future may be more problematic or costly to maintain.

GOVERNANCE DATA

KEY FIGURE / UNIT	EXPLANATION	WHY INCLUDED
Gender Diversity, Board Unit: %	Gender diversity for the board elected at the Annual General Meeting. Formula Gender Diversity, Board = $((\text{Women board members elected at the AGM}) / (\text{All AGM elected board members})) * 100$.	Gender diversity has scientifically been shown to be correlated with better financial performance.
Board Meeting Attendance Rate Unit: %	Measures the activity level of the board members. Formula Board Meeting Attendance Rate = $((\sum \text{Number of board meetings attended}) / (\text{Number of board meetings} * \text{Number of board members})) * 100$.	A relatively low or declining attendance rate may indicate less attention on the board work, which may indicate a governance culture at risk.
CEO Pay Ratio Unit: Times	How many times the median staff salary can be covered by the CEO compensation as a proxy for social equality. Formula CEO Pay Ratio = $\text{CEO Compensation} / \text{Median Staff Salary}$	A relatively high or increasing CEO Pay Ratio may illuminate the company's valuation of the CEO compared to the regular employee. The investor can compare this ratio with the financial performance of the company – and if this is relatively low or declining, the investor would probably consider whether the remuneration package is socially appropriate, and it may indicate a governance culture at risk.