

## **Statutory statement on corporate social responsibility 2018**

in accordance with Section 135b of the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc. (the Executive Order on Financial Reporting)

*Published 26 February 2019*

*This statement is the statutory statement on corporate social responsibility for 2018. The bank's annual report for 2018 contains a reference to the statement. The statement covers the financial reporting period from 1 January to 31 December 2018.*

*The statement is based on the points listed in Section 135b of the Executive Order on Financial Reporting.*

*The statement should be seen in correlation with the bank's corporate social responsibility policy, which is reviewed and approved annually by the bank's board of directors. The board of directors made some adjustments to the policy in connection with the annual update.*

### **The bank's business model**

*(Section 135b(2)(i) of the Executive Order on Financial Reporting)*

The following is a brief summary of the bank's business model.

Ringkjøbing Landbobank's business model is based on the bank's vision and core values as well as on its history, geographical location and position in the local area.

The bank has a two-brand strategy. The bank has a joint logo: "Faklen" (a torch), and two monograms: "Ringkjøbing Landbobank" and "Nordjyske Bank".

"Nordjyske Bank" is used in North Jutland and "Ringkjøbing Landbobank" in the rest of Denmark. Double branding is used where it is considered appropriate.

The bank wants to be a relationship bank, and our business model is based on a conservative approach to the granting of credit combined with effective business processes. We focus both on being a local bank in North, Central and West Jutland and on being a niche bank within selected segments throughout Denmark.

## **Corporate social responsibility policy and related risks**

*(Section 135b(2)(ii and iv) of the Executive Order on Financial Reporting)*

The following is an account of the bank's corporate social responsibility policy and the risks related to the bank's activities.

Ringkjøbing Landbobank's corporate social responsibility (CSR) policy is based on the bank's long-standing roots in the local communities in which the bank is operating.

The bank wants to be a responsible and value-creating bank. We work to create the best results for our shareholders and the bank itself. As a financial institution we want to positively influence customers and employees, our local communities, our environment as well as Danish society of which we, as a bank, are an integrated and natural part.

It is also the bank's goal to be seen as a solid and attentive partner among all its stakeholders.

The bank's CSR policy is divided to focus specifically on the five stakeholder groups: customers, employees, the environment, Danish society and the local community.

The bank does not use specific standards, guidelines or principles for social responsibility.

The following is a detailed review of the policy for each of the five groups of stakeholders as delimited in Section 135b (2)(ii) of the Executive Order on Financial Reporting. The applicable policy is quoted in italics.

There is also an explanation of the risks considered by the bank to be associated with its activities. As far as these risks are concerned, the bank tries to minimise and handle them in accordance with the adopted policy and with the way in which the bank is operated.

## **Environmental policy and reduction of climate impact**

### ***“Environment***

*Ringkjøbing Landbobank seeks to minimise its environmental impact and related risks as far as possible.*

*We strive to*

- reduce our own negative effect on the environment via continuous focus on reduction of our resource consumption and regular assessment of the possibilities of alternative and energy-saving initiatives,*
- increase our employees' environmental awareness and expertise, and*
- increase our customers' environmental awareness via provision of relevant advice on the home and energy, and continue development of our loans for climate-friendly and green energy, including wind turbines and other environmentally friendly technologies.”*

Possible environmental risks for the bank:

- Incorrect energy consumption could give the bank a bad environmental reputation
- The price of fossil energy sources is expected to increase in the future

## **Social affairs and employees**

### **“Customers**

*Ringkjøbing Landbobank attaches a high level of importance to personal contact and dialogue in the interaction with our customers, and we always strive to meet our customers as equals and at a personal and committed level.*

*We see it as our most important task to give our customers trustworthy and constructive advice and to earn their trust which is critical for the bank’s success and, all things considered, our right to exist.*

*We will work to ensure*

- *that customers meet committed and competent advisers,*
- *that customers have easy access to the bank, its employees and the expert advice which we offer, and*
- *that customers perceive us as a trustworthy and sound partner.”*

Possible customer-related risks for the bank:

- Damage to the bank’s reputation could result in loss of business, customers etc.
- Failure to be in contact with and support our local communities could damage the bank’s identity as a relationship bank, which could result in loss of business, customers etc.
- Creating a gulf between the employees’ expertise, and thus the bank’s expertise and our customers’ demands, which could result in loss of business, customers etc.

### **“Danish society**

*Ringkjøbing Landbobank wants to contribute positively to the development of Denmark and Danish society.*

*As a business, we work closely with the Danish authorities to ensure financial stability, create transparency and facilitate public tasks within tax reporting, monitoring of money-laundering and digitalisation.*

*We work closely with the authorities to ensure financing in society – through The Danish Growth Fund, The Danish Green Investment Fund, the Nordic Investment Bank, the European Investment Bank, EKF – Denmark’s Export Credit Agency and the German KfW Bankengruppe.*

*In addition, we have close ties with educational institutions and participate actively in the education of trainees in the financial sector. We also work to give students at post-compulsory level a basic financial understanding.*

*Finally, as a bank we contribute to society with considerable corporation tax and payroll tax payments.”*

Possible risks for the bank related to society on a national scale:

- Damage to the sector’s and the bank’s reputation caused by negative cases involving money laundering etc., which could result in loss of business, customers etc.
- Penalties in the event of failure to comply, which would impose direct costs on the bank and could involve increased consequential costs.
- Costs to society at large in the event of declining confidence in the financial system.

### **“Local community**

*Ringkjøbing Landbobank was founded in 1886. It has grown substantially since, organically and through mergers, including with Nordjyske Bank in 2018.*

*Although we now have activities throughout Denmark – mainly in North, Central and West Jutland – we remain a local bank with strong roots in the local communities where we are represented under the two brands Ringkjøbing Landbobank and Nordjyske Bank.*

*With our position in the different local areas, we naturally wish to support development locally, and will therefore use our thorough knowledge of the different local areas, their residents and businesses and business people to combine the responsible granting of credit and honest and competent advice mainly for the benefit of our customers, but also of the local areas. Ringkjøbing Landbobank thus sees it as its role to be an important and responsible partner in the financing of local business.*

*Given that we wish to be an integral part of our local communities, we play an active role in them, and the bank’s policy is to contribute to our local communities’ development at both cultural and social levels. We do this by supporting local sporting and cultural life in the areas we serve, because both sporting and cultural experiences create solidarity and contribute to a healthy and interesting life. Specifically, Ringkjøbing Landbobank wishes to support a wide range of associations in the local communities in which it is represented.*

Possible risks for the bank related to local communities:

- Damage to the bank’s reputation could result in loss of business, customers etc.
- Failure to be in contact with and support our local communities could damage the bank’s identity as a relationship bank, which could result in loss of business, customers etc.

## **“Employees**

*Ringkjøbing Landbobank wants its employees to enjoy attractive terms and possibilities.*

*We work actively to create the framework for a good and challenging working life by*

- maintaining the best possible relations with relevant employee organisations,*
- ensuring a good and attractive workplace for all employees,*
- ensuring employees a healthy physical and social working environment,*
- ensuring a constant focus on employees’ professional development,*
- supporting initiatives which promote health and wellbeing at the workplace, and*
- maintaining a remuneration policy without any form of incentive payments and variable components for the board of directors and general management.*

*In specific terms, we have*

- a wish to provide ongoing education and in-service training for our employees,*
- an annual development interview with each employee, where the employee’s wishes concerning development and the need for professional development are discussed,*
- a health policy which means among other things that all employees have health insurance,*
- a policy for older employees which permits tailor-made agreements for the benefit of both the individual employee and the bank,*
- a stress policy to minimise stress – among other things in consultation with a psychologist,*
- an offer to our employees to examine their workplaces periodically – together with a physiotherapist,*
- a wish to prevent problems by providing advice and guidance to our employees and branches as needed with a view to helping individual employees with optimal handling of their daily IT tools,*
- a staff association which arranges regular social and cultural events for which the bank provides an annual subsidy, and a professional staff association which will safeguard the employees’ professional interests, and*
- a whistleblower scheme in accordance with applicable legislation.”*

Possible employee-related risks for the bank:

- An excessive employee turnover rate, which could result in a bad reputation and increased expenses.*
- Social and physical work-related injuries, which could result in a poor work environment and / or a bad reputation.*
- Creating a gulf between the employees’ expertise, and thus the bank’s expertise and our customers’ demands, which could result in loss of business, customers etc.*

## **Respect for human rights**

The bank has not prepared specific policies on human rights.

The bank of course supports the efforts to put human rights high on the agenda but, as a local bank, we have not currently found it necessary to develop separate policies for this area.

However, the bank's code of conduct includes detailed guidelines concerning respect for human rights in accordance with the following extract of our code of conduct:

### ***“Dignity and respect***

*It's important that the bank's employees treat all customers and other stakeholders with dignity and respect.*

*The bank thus does not accept discrimination on account of gender, age, ethnic origin, sexual orientation or religion, and no harassment or bullying is tolerated.”*

Possible risks for the bank related to human rights:

- Lack of respect for human rights and unethical behaviour could give the bank a bad reputation, resulting in loss of business, customers etc. as well as dissatisfaction among employees

## **Anti-corruption and bribery**

The bank has not prepared specific policies against corruption and bribery. The bank of course supports the efforts to put anti-corruption and bribery high on the agenda but, as a local bank, we have not currently found it necessary to develop separate policies for these areas.

However, the bank's code of conduct includes detailed guidelines concerning anti-corruption and bribery in accordance with the following extract from our code of conduct:

### ***“Anti-corruption and bribery***

*The bank is against any form of corruption and bribery.*

*As far as corruption and bribery are concerned, the bank and its employees may neither accept nor offer any bribes, and employees may neither offer nor accept gifts of more than a token value.*

*Employees involved in bribery or other forms of corruption may be prosecuted and held personally responsible.*

*It can sometimes be difficult to distinguish between right and wrong due to cultural differences. If in doubt, employees must therefore contact the bank's compliance function.”*

Possible risks to the bank related to anti-corruption and bribery:

- Loss to customers and the bank caused by criminal acts
- A bad reputation could result in loss of business, customers etc.

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The bank's code of conduct also includes detailed guidelines concerning the combating of money laundering and financing of terrorism etc. in accordance with the following extract from our code of conduct:

***“Combating money laundering and financing of terrorism etc.***

*The bank wants to contribute to combating any form of money laundering and financing of terrorism etc.*

*The bank is required to maintain high standards for combating money laundering and financing of terrorism and to monitor and comply with financial sanctions. This role is an important part of banking in a globalised world.*

*All the bank's employees have an obligation to contribute to these measures by following the relevant procedures that are available on the bank's intranet. In particular, the employees must be alert to any unusual and/or suspicious activity or transaction they may encounter in their daily activities and inform the bank's money laundering division accordingly.”*

Possible risks to the bank related to combating of money laundering and financing of terrorism etc.:

- Loss to customers and the bank caused by criminal acts
- A bad reputation could result in loss of business, customers etc.

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The bank's CSR policy and code of conduct are also available on the bank's website at the following address: [www.landbobanken.com](http://www.landbobanken.com).

## Translating the policy into action; results and expectations

*(Section 135b(2)(iii and vi) of the Executive Order on Financial Reports)*

The following is a detailed account of the bank's activities in 2018 with respect to the mentioned five stakeholder groups for which an actual policy has been prepared, including how the bank translates the policy into action and the results achieved. Future expectations are also explained.

### Environment

As a bank as well as a workplace, the bank accepts shared responsibility for the environment.

In 2018 this included the following concerning the banking activities:

- Loans for financing of sustainable energy covering wind turbines, solar cell plants and biogas plants; and
- Financing of other energy-saving initiatives.

As a workplace, the bank has focused on various energy-saving and environmental initiatives for many years, including the following:

- The bank continues its efforts to encourage both personal and business customers to sign documents electronically, and the numbers and use of hard copy documents are thus at a historical low. As far as personal customers are concerned, more than 90% of customer-related documents are now signed electronically, and the corresponding figure for business customers is upwards of 70%;
- The bank has also focused on holding web meetings with customers;
- Continued focus on optimisation and increasing the efficiency of case handling procedures and processes through digitalisation and the use of robots;
- The bank has been using the meeting rooms with video conference equipment installed, and as a result even more internal meetings and meetings with the bank's IT supplier Bankdata (to reduce time and resources spent by the employees when travelling to Bankdata's departments in Silkeborg and Fredericia), and with customers etc. are being held as video conferences;
- The bank uses automatic light switches for energy optimisation;
- The bank has also exchanged the lighting in its branches for LED lighting for energy optimisation;
- The bank has replaced and modified the ventilation and cooling system in the main office to recover heat and minimise waste heat; and
- The bank carries out waste sorting.

In all of the above initiatives, focus has been placed on reducing the bank's environmental impact, including reduction of CO<sub>2</sub> emissions, lower power and paper consumption etc.



In 2019, the bank will continue to focus on reductions through the following initiatives:

- The bank will continue to finance renewable energy;
- Continued focus on optimisation of case handling procedures and processes through digitalisation and the use of robots;
- The bank will start to use a new work station concept, including replacement of hardware and use of Skype for business;
- Continued focus on the energy consumption of the individual branches;
- Continued use of the installed video conference equipment for customer meetings, internal meetings, meetings with business partners, internal training etc.; and
- Continue to exchange installations in the bank for energy-efficient solutions, including automatic light switches and LED lighting.

The bank has furthermore accepted to release a member of its general management in 2019 for a forum entitled the Advisory Forum for Sustainable Transformation.

The forum has been established by Finance Denmark, as the sector wants to contribute to the work on compliance with the UN's sustainable development goals, specifically with a view to quick and effective implementation of the joint EU goal for reduction of carbon emissions.

In the Advisory Forum for Sustainable Transformation, Finance Denmark wants to gather representatives of Danish enterprises and other specialists who have special insight into sustainable development. Together with representatives of the financial sector, in the course of 2019, they will discuss how the financial sector in Denmark can continue to support a sustainable transformation of the Danish economy in the best possible way.

The bank wants to contribute actively to the work with a sustainable transformation and has therefore accepted to join the Advisory Forum for a Sustainable Transformation under the auspices of Finance Denmark.

## Customers

During the years, including 2018, the bank has been working with development of its advisory and product service etc. for customers.

The work included:

- Continued focus on the bank's concept within the area of advice on pensions, where the bank's advisers give the customer a general view of pension saving schemes and insurance cover in the event of disablement and death. The bank works with Letpension, PFA Pension and others to ensure that customers obtain attractive and competitive pension products;
- Cooperation with Privatsikring Privat and Erhverv to offer attractive and competitive non-life insurance to our personal and business customers;
- Development of customer benefits through a partnership with the customer-owned companies Totalkredit and PFA Pension;
- Continued focus on dissemination of the bank's payment solution via mobile phone and tablet;
- Focusing on the possibility for personal and business customers to sign documents electronically, including dissemination of the NEMid app;
- Holding web meetings with the bank's customers; and
- Ensuring that the bank's employees have a high level of expertise and can provide competent advice for the benefit of customers. A high level of expertise among employees is ensured through their participation in education and in-service training programmes and certification under various schemes.

Our expectations with regard to advisory service, products offered etc. for 2019 include:

- Continued development of the bank's mobile and online banking solutions, including implementation of an IT system to ensure easier customer on-boarding;
- Development and maintenance of employee expertise through the implementation of education and in-service training programmes and further certification;
- Further strengthening of Private Banking advice, where the bank's Private Banking advisers provide specialised advice to customers with complex financial situations;
- Continued focus on holding digital web meetings; and
- Development of the product range from MasterCard for the benefit of customers.

## Danish society

As a local bank in Denmark, Ringkjøbing Landbobank wants to contribute positively to the development of Danish society.

It does so in different ways.

First and foremost, the bank contributes financially to Danish society via payment of corporation tax and payroll taxes totalling DKK 191 million in 2018, DKK 150 million of which was corporation tax.

The bank further had a total of 674 employees (full-time equivalent) at the end of 2018, which also contributes positively to the Danish economy via payment of income tax.

The bank also contributes in many other ways to the development of Danish society:

- Education of finance students and finance trainees, through which they obtain a bachelor-level education;
- In-service and further training for employees in general – to ensure provision of competent customer advice;
- Mandatory certification of employees – also to ensure provision of competent customer advice;
- Close cooperation with SKAT on mandatory reporting of customer’s interest rates, bank balances, debts and custody account holdings;
- Monitoring and reporting of suspicions of money laundering and financing of terrorism etc. – thus contributing to the combating of money laundering and financing of terrorism etc.;
- Close collaboration with schools and upper secondary programmes teaching personal finance, thereby giving the students an understanding of financial planning;
- Help to ensure that Danish citizens can have a transaction account;
- Granting of credit in Denmark with primary focus on North, Central and West Jutland, thereby contributing to the development of society in these regions;
- Cooperation with public institutions and authorities to ensure financing in society – through The Danish Growth Fund, The Danish Green Investment Fund, the Nordic Investment Bank, the European Investment Bank, EKF – Denmark’s Export Credit Agency and the German KfW Bankengruppe;
- Work for transparency and clarity in the bank’s products for the benefit of customers and Danish citizens – support of pension information, mandatory price portals, good practice legislation, MiFID, etc.;
- Support of the public digitalisation agenda, including the use of NEMid;
- Ensuring savings opportunities for citizens and enterprises in a highly rated bank, and support of publicly regulated savings schemes such as pensions payable in instalments, child savings accounts, share savings accounts etc.; and
- Support of the work for a sustainable transformation (see under “Environment”).

The bank will continue to focus on and support the development of Danish society at large.

## Local community

Given its position in the local areas in North, Central and West Jutland where the bank operates, we have a natural wish to support the area's development.

Activities in 2018 included the following:

- Distributions for charitable purposes from the following:
  - Sdr. Lem Andelskasses Fond
  - Ulfborg Sparekasses Fond
  - Sulsted-Ajstrups Sognes Spare- og Lånekasses Mindelegat
  - The bank's profit distribution
- Sponsorship agreements with more than 1,400 clubs and associations in the bank's local area. This includes sponsorships and subsidies for cultural activities and general and elite sports in order to support the goal of putting the local communities on the map and to ensure the implementation of such different cultural and sports activities in the local communities.

The bank will continue to actively support the many clubs, associations and events in its local areas in 2019. As part of this intention, the bank has instituted an association prize in North Jutland in 2019.

## Employees

The following was implemented in 2018 in relation to the bank's employees:

- Performance reviews with all employees;
- Continued training and tests of employees in the areas of anti-money laundering and terrorism financing etc. in accordance with the two-year cycle followed by the bank;
- Training and certification of advisers in financial products in accordance with the applicable rules to ensure their provision of competent advice. New employees were included if they had not already completed such a programme. After the cycle, the required recertifications were implemented;
- Management training for the bank's middle managers;
- With a view to recruiting employees with a bachelor's degree in finance, financial economists and financial trainees in 2019, the bank implemented a number of initiatives targeting local upper secondary schools and the business academies in autumn 2018;
- Ensuring local further education programmes in the bank, thus contributing to creating a basis for ensuring qualified career opportunities in the local area. The bank thus helps to create job opportunities in the local area;
- Optimising and increasing the efficiency of case handling procedures and processes to ensure happier employees, less stress and better advice to the bank's customers;
- Supported social activities in the bank, including financial support for the staff association; and
- Teambuilding activities for the bank's advisers who are in a training programme.

In 2019, the focus will include the following in relation to the stakeholder group "Employees":

- Completion of professional training of the bank's employees within provision of advice on pension and capital optimisation;
- Continued focus on optimising and increasing the efficiency of the administrative processes and routines, including optimal utilisation of digital possibilities;
- Implementation of certification programmes on home loan advice for those of the bank's employees who provide home loan advice;
- Implementation of certification and recertification programmes on investment products for those of the bank's employees who provide investment advice; and
- Focus on employee integration and organisation as a result of the merger.

## **Use of non-financial key performance indicators**

*(Section 135b(2)(v) of the Executive Order on Financial Reporting)*

The bank does not currently find it necessary to use non-financial key performance indicators.

*The board of directors of Ringkjøbing Landbobank A/S, 26 January 2019*