

**Form for reporting on the recommendations
on corporate governance,**

“Comply or explain”

If a company deviates from parts of the recommendations, the company has to explain the reasons for the deviations, cf. section 107 b (1) (iii) of the Financial Statements Act. The company has to explain why it has chosen not to comply with a recommendation and what it has chosen to do instead. Failure to comply with a recommendation is not considered a breach of rules, but merely implies that the board of directors of the company has chosen a different approach. The market must decide whether deviations are justified and whether the explanation is satisfactory. A good explanation provides specific insight for stakeholders to be able to decide on any investments. In order to create the transparency necessary for investors, companies must respond to each recommendation and provide information on whether or not they will comply with the recommendation in question.

Note that the reporting must reflect the current style of management at the time of the reporting. In the event of significant changes during the year, or after the balance sheet date, descriptions of the changes should be included in the corporate governance report. Companies must consider each of the recommendations.

If the company complies partially with a recommendation the company must specify which parts it is complying with, why it is deviating from the remaining part of the recommendation and what it has chosen to do instead.

The Committee has observed that many companies choose to provide supplementary information even in cases where the company complies with a recommendation. The Committee encourages companies to provide supplementary information where this increases transparency.

The report concerns the financial year **01-01-2018 to 31.12.2018**

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
1. Communication and interaction by the company with its investors and other stakeholders				
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>				
1.1.1. The Committee recommends that the board of directors ensure ongoing dialogue between the company and its shareholders, so that the shareholders gain relevant insight into the company and in order for the board of directors to be aware of the shareholders' views, interests and opinions in relation to the company.	x			Relevant shareholder information is available on the website of The BANK of Greenland.
1.1.2. The Committee recommends that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders, and that the board of directors ensure that the interests of the stakeholders are respected in accordance with company policies.	x			The strategy plan is the bank's guidelines for its relationship with its stakeholders. Furthermore, a communication strategy, CSR policy etc. has been adopted which also involves the bank's investors and other stakeholders.
1.1.3. The Committee recommends that the company publish quarterly reports	x			The bank publishes quarterly reports.

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<i>1.2. General meeting</i>				
1.2.1. The Committee recommends that in organising the company's general meeting, the board of directors plans the meeting to support active ownership.	x			The bank seeks to make participation and voting at the general meeting more flexible, partly by establishing investor portal (2019) and the possibility of assistance from the bank
1.2.2. The Committee recommends that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.	x			
<i>1.3. Takeover bids</i>				
1.3.1. The Committee recommends that the company set up contingency procedures in the event of takeover bids, from the time that the board of directors has reason to believe that a takeover bid will be made. The contingency procedures should establish that the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which, in reality, prevent the shareholders from deciding on the takeover bid themselves.	x			Takeover bids will be presented to the shareholders. The Board of Directors will be informed of the formal contents and based on the contents of the bid the bank will seek the help of external advisors.

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2. Tasks and responsibilities of the board of directors				
<i>2.1. Overall tasks and responsibilities</i>				
2.1.1. The Committee recommends that at least once annually the board of directors consider the matters that should be included in the board's performance of its work.	x			The tasks of the Board of Directors are based on an annual plan approved by the Board of Directors as well as rules of procedure.
2.1.2. The Committee recommends that at least once annually the board of directors consider the overall strategy of the company with a view to ensuring value creation in the company.	x			Once a year, the Board of Directors holds a strategy seminar and the bank's business model and strategy plan for the coming year are approved by the Board of Directors.
2.1.3. The Committee recommends that the board of directors ensure that the company has a capital and share structure which supports that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors explain this in the management commentary and/or on the company's website.	x			The Board of Directors evaluates the company's capital and share structure on an annual basis.
2.1.4. The Committee recommends that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board's reporting to the board of directors.	x			The Board of Directors annually adopts rules of procedure for its work and Section 70 instructions for the work of the Executive Board.

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				In this respect, a number of reporting requirements have been laid down for the Executive Board.
2.1.5. The Committee recommends that at least once annually, the board of directors discuss the composition, developments, risks and succession plans of the executive board.	x			The Executive Board is assessed annually by the Board of Directors
<i>2.2. Corporate social responsibility</i>				
2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.	x			The Board of Directors annually adopts the bank's CSR strategy and policy. The BANK of Greenland's CSR policy is described further in the Annual Report's Management Review, and on the bank's website.
<i>2.3. Chairman and vice-chairman of the board of directors</i>				
2.3.1. The Committee recommends appointing a vice chairman of the board of directors, who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.	x			A vice-chairman of the Board of Directors is appointed, cf. section 14 of the Bank's Articles of Association.
2.3.2. The Committee recommends that, if the board of directors, in exceptional cases, asks the chairman of the board of directors or other board members to perform special activities for the company, including	x			The chairman does not perform special tasks for the bank, besides participation in

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<p>briefly participating in the day-to-day management, a board resolution to that effect should be passed to ensure that the board of directors maintains its independent, general management and control function. Resolutions on the chairman's or other board members' participation in day-to-day management and the expected duration hereof should be publicly announced.</p>				<p>the bank's management committee</p>
<h3>3. Composition and organisation of the board of directors</h3>				
<h4>3.1. Composition</h4>				
<p>3.1.1. The Committee recommends that the board of directors annually evaluate and in the management commentary account for</p> <ul style="list-style-type: none"> • the competencies that it must have to best perform its tasks, • the composition of the board of directors, and • the special competencies of each member. 	<p>x</p>			<p>The board members must always represent broad financial and accounting knowledge, business acumen and thorough insight into social conditions in Greenland. A board evaluation is prepared annually. The backgrounds of the individual members as compared to criteria set up appear from the notice convening the general meeting, the bank's website and in addition to this all board members are described in the annual report.</p>

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<p>3.1.2. The Committee recommends that the board of directors annually discuss the company's activities to ensure relevant diversity at management levels and prepare and adopt a policy on diversity. The policy should be published on the company's website.</p>	x			
<p>3.1.3. The Committee recommends that the selection and nomination of candidates for the board of directors be carried out through a careful and transparent process approved by the board of directors. When assessing its composition and nominating new candidates, the board of directors should, in addition to the need for competencies and qualifications, take into consideration the need for integration of new talent and diversity.</p>	x			<p>A nomination committee has been established to nominate candidates for the Board of Directors. The Board of Directors' selection and recommendation are discussed by the Board of Directors, on the basis of the competence profile adopted by the Board of Directors. and the Bank's business model.</p>
<p>3.1.4. The Committee recommends that the notice convening a general meeting where the agenda includes the election of members to the board of directors, include (in addition to the statutory requirements) a description of the qualifications of nominated candidates, including information about the candidates'</p> <ul style="list-style-type: none"> • other executive functions, including positions on executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises, and • demanding organisational tasks. 	x			<p>A description of the nominated candidates' qualifications, other management offices, etc., will be provided in the notice convening the general meeting.</p>

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Furthermore, it should be indicated if the candidates to the board of directors are considered independent.				
3.1.5. The Committee recommends that members of the company's executive board be not members of the board of directors and that a resigning chief executive officer be not directly elected as chairman or vice chairman for the same company.	x			The Bank's Executive Board is not a member of the Board
3.1.6. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.		x		The members elected by the general meeting are up for election every second year, so that one half (three) of the members elected by the general meeting are up for election each year, due to the wish to ensure acceptable continuity.
3.2. Independence of the board of directors				
<p>3.2.1. The Committee recommends that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> • be or within the past five years have been a member of the executive board, or senior staff member in the company, a subsidiary or an associated company, 	x			Half of the six members elected by the general meeting are deemed to be independent persons, see 3.3.2 for a more detailed description.

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<ul style="list-style-type: none"> • within the last five years, have received significant remuneration from the company/group, a subsidiary or an associated company in a different capacity than as member of the board of directors, • represent or be associated with a controlling shareholder, • within the past year, have had significant business relations (e.g. personally or indirectly as partner or employee, shareholder, customer, supplier or member of management in companies with corresponding connection) with the company, a subsidiary or an associated company. • be or within the past three years have been employed or been a partner in the same company as the auditor elected by the general meeting, • be part of the executive management in a company with cross-management representation in the company, • have been a member of the board of directors for more than 12 years, or • be a close relative with persons who are not considered independent. <p>Even if a member of the board of directors is not covered by the above criteria, certain conditions may exist that will lead the board of directors to decide that one or more members cannot be regarded as independent.</p>				
<p><i>3.3. Members of the board of directors and the number of other management functions</i></p>				
<p>3.3.1. The Committee recommends that each member of the board of directors assess the expected time commitment for each function so that the member does not take on more functions than he/she can complete at a satisfactory level for the company.</p>	x			<p>An annual assessment is made of the Board of Directors' qualifications and time spent.</p> <p>Additionally, each year, the Board of Directors receives a memo, where the Board's</p>

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				scope of work is described generally.
<p>3.3.2. The Committee recommends that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> • the position of the relevant person, • the age and gender of the person in question, • the person’s competencies and qualifications that are relevant to the company • whether the member is considered independent, • the member’s date of appointment to the board of directors, • expiry of the current election term, • the member’s participation in the meetings on the board of directors and committee meetings, • other management functions, including memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises and demanding organisational tasks, and • the number of shares, options, warrants and similar owned by the member in the company and other group companies, as well as changes to the member’s portfolio of the mentioned securities which have occurred during the financial year. 	x			<p>The information is stated directly in the management reporting, or by reference to this report. In addition, the Board of Directors' CV can be viewed on the bank's website. Furthermore, the following can be stated:</p> <p>Independent and dependent members appear from the information given below:</p> <p>Dependent members are: Gunnar í Liða and Kristian Lennert, both of whom have been board members for more than 12 years.</p> <p>Independent members are Lars Holst and Christina F. Bustrup and Maliina B. Abelsen.</p>

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<p>3.3.3. The Committee recommends that the annual evaluation procedure, cf. section 3.5, include an evaluation of what is regarded as a reasonable level for the number of other management functions, where the number, level and complexity of the other individual management functions are taken into account.</p>	x			<p>A reasonable level of other management positions is included in the annual evaluation procedure. The BANK of Greenland is designated as SIFI institute, where the bank must comply with the stricter rules in section 313 of the Financial Business Act</p>
<p><i>3.4. Board committees</i></p>				
<p>3.4.1. The Committee recommends that the company publish the following on the company's website:</p> <ul style="list-style-type: none"> • the terms of reference of the board committees, • the most important activities of the committees during the year and the number of meetings held by each committee, and • the names of the members of each committee, including the chairmen of the committees, as well as information regarding which members are independent members and which members have special competencies. 	x			<p>The terms of reference of the remuneration committee, nomination committee and the audit and risk committee, including the names of their members, appear on the bank's website. Both the audit and risk committee, the nomination committee, and the remuneration committees have an annual plan. The number of meetings is shown in the website</p>

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3.4.2. The Committee recommends that a majority of the members of a board committee be independent.		x		<p>The Bank does not meet the recommendations regarding the Remuneration Committee and the Nomination Committee.</p> <p>Half of the members of the Audit and Risk Committee are independent.</p>
3.4.3. The Committee recommends that the members of the board of directors set up an <u>audit committee</u> and that a chairman is appointed who is not the chairman of the board of directors.		x		<p>Because of The BANK of Greenland's size, simple business model and its major focus being limited to Greenland, it is considered prudent to include the entire Board of Directors in the audit and risk committee.</p> <p>The Chairman of the Board of Directors is also the Chairman of the committees and the bank therefore deviates from the recommendations in this respect. This is assessed, based of the bank's size, simple business model and predominant focus on Greenland.</p>

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<p>3.4.4. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the board of directors about:</p> <ul style="list-style-type: none"> • significant accounting policies, • significant accounting estimates, • related party transactions, and • uncertainties and risks, including in relation to the outlook for the current year. 	x			The work of the audit and risk committee is based on an annual plan which e.g. states what must be considered by the committee prior to the approval of the Annual Report, including the items stated.
<p>3.4.5. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> • annually assesses the need for an internal audit function and, in such a case, presents mandates and recommendations on selecting, appointing and removing the head of any internal audit function and on the budget of the internal audit function, • ensure that if an internal audit has been established, a description of its functions is available and approved by the board of directors, • ensure that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work, and • monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function. 	x			An agreement on internal audit in The BANK of Greenland has been concluded. Internal audits' conclusions and recommendations and follow-up on these are a fixed point in the work of the Audit and Risk Committee
<p>3.4.6. The Committee recommends that the board of directors establish a <u>nomination committee</u>, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> • describing the qualifications required by the board of directors and the executive board and for a given position, indicating the time expected to be spent carrying out a specific position, as well as assessing the 	x			A nomination committee has been set up.

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<p>competencies, knowledge and experience found in the two governing bodies,</p> <ul style="list-style-type: none"> • annually assessing the structure, size, composition and results of the board of directors and the executive board and recommend any changes to the board of directors, • annually assessing the competencies, knowledge, experience and succession of the individual members of management and report to the board of directors in this respect, • recommending candidates for the board of directors and the executive board, and • proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes. 				
<p>3.4.7. The Committee recommends that the board of directors establish a <u>remuneration committee</u>, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> • recommending the remuneration policy (including the “General Guidelines for incentive-based Remuneration”) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting, • making proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensuring that the remuneration is in compliance with the company’s remuneration policy and the assessment of the performance of the persons concerned. The committee should have information on the total remuneration that members of the board of directors and the executive board receive from other companies in the group, 	x			<p>A remuneration committee has been set up.</p> <p>The remuneration committee is chaired by the chairman and vice-chairman of the board and an employee representative</p>

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<ul style="list-style-type: none"> recommending a remuneration policy applicable for the company in general and assisting with the preparation of the annual remuneration report. 				
3.4.8. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.	x			The remuneration committee has not used external advisers in 2018.
<i>3.5. Evaluation of the performance of the board of directors and the executive board</i>				
<p>3.5.1. The Committee recommends that the board of directors establish an evaluation procedure for an annual evaluation of the board of directors and the individual members. External assistance should be obtained at least every third year. The evaluation should inter alia include:</p> <ul style="list-style-type: none"> contribution and results, cooperation with the executive board, the chairman's leadership of the board of directors, the composition of the board of directors (including competencies, diversity and the number of members), the work in the committees and the committee structure, and the organisation and quality of the material that is submitted to the board of directors. <p>The evaluation procedure and the general conclusions should be described in the management commentary and on the company's website. The chairman should account for the evaluation of the board of directors, including the process and general conclusions on the general meeting prior to the election of the board of directors.</p>	x			<p>Every three years, an evaluation of the Board of Directors' work is prepared in conjunction with the Training Centre of the Danish Financial Sector (Finanssektorens Uddannelsescenter).</p> <p>Each year, the Board evaluates, based on the same principles as the external assessment</p>

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3.5.2. The Committee recommends that at least once annually, the board of directors evaluate the work and performance of the executive board in accordance with pre-defined criteria. Furthermore, the board of directors should evaluate the need for changes to the structure and composition of the executive board, in light of the company's strategy.	x			
3.5.3. The Committee recommends that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer, and that the outcome of the evaluation be presented to the board of directors.	x			The Executive Board is evaluated annually by the Board of Directors, including as formal evaluation of the cooperation between the Board of Directors and the Executive Board.
4. Remuneration of management				
<i>4.1. Form and content of the remuneration policy</i>				
<p>4.1.1. The Committee recommends that the board of directors prepare a remuneration policy for the board of directors and the executive board, which includes</p> <ul style="list-style-type: none"> • a detailed description of the components of the remuneration for members of the board of directors and the executive board, • the reasons for choosing the individual components of the remuneration, • a description of the criteria that form the basis for the balance between the individual components of the remuneration, and 	x			A remuneration policy has been approved by the general meeting and is published on the banks website.

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<ul style="list-style-type: none"> an explanation for the correlation between the remuneration policy and the company's long-term value creation and relevant related goals. <p>The remuneration policy should be approved by the general meeting at least every fourth year and upon any material amendments and it should be published on the company's website.</p>				
<p>4.1.2. The Committee recommends that if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> limits be set on the variable components of the total remuneration package, a reasonable and balanced composition be ensured between remuneration for members of management and the value creation for shareholders in the short and long term, clarity be established about performance criteria and measurability for the award of variable components, it is ensured that variable remuneration not only consists of short-term remuneration components, and that long-term remuneration components must have a vesting or maturity period of at least three years, and it be ensured that the company has the ability to reclaim, in full or in part, variable components of remuneration that were paid on the basis of information, which subsequently are found to be incorrect. 	x			<p>A discretionary cash bonus may be given to significant risk takers, but not to the Executive Board. An agreement has been reached with the Executive Board regarding a defined benefit pension scheme within the applicable rules.</p>
<p>4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options or warrants.</p>	x			

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4.1.4. The Committee recommends that if, in relation to long-term incentive programmes, a share-based remuneration is used, the programmes should have a vesting or maturity period of at least three years after being allocated and should be roll-over programmes, i.e. the options should be granted periodically.	x			As stated in 4.1.2., there is agreement within the current rules.
4.1.5. The Committee recommends that the total value of the remuneration relating to the notice period, including severance pay, do not exceed two years of remuneration, including all components of the remuneration.	x			As stated in 4.1.2., there is agreement within the current rules.
<i>4.2. Disclosure of remuneration</i>				
4.2.1. The Committee recommends that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.	x			Is a part of the chairman's statement at the bank's general meeting.
4.2.2. The Committee recommends that shareholders at the general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.	x			Is approved at the general meeting.
4.2.3. The Committee recommends that the company prepares a remuneration report that includes information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associated companies for the last three years, including information on the most important content of retention and resignation arrangements and that the	x			The bank will prepare its first remuneration report for 2018, which will be published on the bank's website

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<p>correlation between the remuneration and company strategy and relevant related goals be explained.</p> <p>The remuneration report should be published on the company's website.</p>				
5. Financial reporting, risk management and audits				
<i>5.1. Identification of risks and transparency about other relevant information</i>				
<p>5.1.1. The Committee recommends that the board of directors consider and in the management commentary account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.</p>	x			<p>On a regular basis and at least once a year The Board of Directors evaluates the bank's complete risk parameters.</p>
<i>5.2. Whistleblower scheme</i>				
<p>5.2.1. The Committee recommends that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicions thereof.</p>	x			<p>The BANK of Greenland has established a whistleblower scheme.</p>
<i>5.3. Contact to auditor</i>				
<p>5.3.1. The Committee recommends that the board of directors ensure regular dialogue and exchange of information between the auditor elected by the general meeting and the board of directors, including that the board of directors and the audit committee meet with the auditor elected by the general meeting at least once annually without the executive board present. This also applies to the internal auditor, if any.</p>	x			<p>Is a part of the Audit- and risk committee's annual plan.</p>

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5.3.2. The Committee recommends that the audit agreement and auditor's fee be agreed by the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.	x			Is a part of the audit and risk committee's annual plan.

Statement on the UN Global Compact and other codes

Recommendation	The company complies	The company does not comply	The company complies/does not comply with the recommendation for the following reasons:
The UN Global Compact has ten principles for ethical conduct.	X		In 2013 The BANK of Greenland endorsed the UN Global Compact. An annual report is published on the bank's website, at the start of the calendar year.

Apart from the above, a special report is published regarding the management code from the Danish Bankers Association.