

The BANK of Greenland 's Audit Committee Charter

1. Introduction

- 1.1. The Board of Directors has created an audit committee the exclusive purpose of which is to prepare decisions to be made by the entire Board of Directors.
- 1.2. The Board of Directors ensures, by means of several measures including this charter, that the establishment of an audit committee does not prevent the members of the Board of Directors from receiving all significant information that they should receive; the Board of Directors must ensure that this information is sent not only to the audit committee.
- 1.3. This charter is reviewed, updated and approved annually by the Board of Directors. Proposals for amendments can be made by any board member including members of the audit committee.

2. Composition and purpose

- 2.1 In accordance with clause 1.2 of the rules of procedure for the Board of Directors, the Board of Directors has decided that the functions of the Audit Committee will be exercised by the full Board of Directors.
- 2.2 The Committee reviews the accounting, auditing and security-related matters which the Board of Directors, the Committee itself, the external auditors, or the internal audit manager, might wish to be subject to more detailed review.
- 2.3 The Committee oversees the BANK of Greenland's internal control and risk management systems with regard to the presentation of financial statements, without infringing its independence.
- 2.4 The Audit Committee oversees the process for the presentation of the financial statements and evaluates the statutory audit, and submits the Committee's conclusion and proposal to the Board of Directors.
- 2.5 The Audit Committee is responsible for the procedure for the selection and nomination of the auditor for election, in accordance with applicable laws.
- 2.6 The Audit Committee approves all non-auditing services that are not approved in advance, cf. Annex 1, and ensures that these services do not exceed 70% of the total audit fee. The Audit Committee also ensures that the auditor elected by the Annual General Meeting does not receive more than 15% of their total fees for services delivered to the bank.

3. Membership of the Audit Committee

- 3.1 The members of the audit committee, including the chairman of the committee, are appointed by and among the members of the Board of Directors of The BANK of Greenland
- 3.2 At least one member shall be independent of The BANK of Greenland and possess qualifications within the fields of accounting, auditing or risk management which can include experience in the presentation of accounts in accordance with IFRS (International Financial Reporting Standards) or experience from audit and risk committees or other similar experience and professional training.
- 3.3 The committee has a quorum when at least half of its members, but half of the members elected by the general meeting are participating in the decision.

4. The Meetings of the Audit Committee

- 4.1 Meetings are held as often as the chairman considers necessary and at least four times a year. The invitation to the meeting includes an agenda. (The agenda is sent to the entire Board of Directors for informational purposes).
- 4.2 The bank's own internal chief auditor or the external auditor can convene a meeting of the audit committee.

4.3 Whenever possible, meetings are held before meetings of the Board of Directors where the board addresses and approves the annual report, the half-year report, quarterly reports or other significant financial reporting of The BANK of Greenland, and prior to the auditor's certification of accounts.

5. *Powers, etc.*

5.1 The committee reports and makes recommendations to the Board of Directors.

5.2 The committee has the authority to examine all matters lying within the scope of this charter and to obtain the requisite information and assistance from employees at The BANK of Greenland.

5.3 Other board members, the Board of Management, the head of accounting, the internal chief auditor, the external auditor as well as relevant employees are obliged to attend meetings if so requested by the committee.

6. *The Duties of the Audit Committee*

The duties of the audit committee are:

6.1 Oversee the process *culminating in the presentation of the accounts*:

- Annual report,
- Half-year report,
- Quarterly reports,
- Evaluate the guidelines and procedures used by The BANK of Greenland in connection with the presentation of accounts,
- Evaluate budgets, estimates, etc. and the basis on which they were made,
- Evaluate the management's presentation of accounts and the basis on which it was made.

6.2 *Monitor the extent to which The BANK of Greenland's internal system of control, auditing and risk management systems are functioning effectively*:

Monitoring the Internal System of Control

- Evaluate administrative and accounting practices,
- Review and evaluate internal control procedures,
- Evaluate the calculation of The BANK of Greenland's individual solvency ratio,
- Review of internal and external auditing reports as well as controlling reports on internal control and any weaknesses in them,
- Evaluate the Board of Management's opportunities to override controls including exerting (inappropriate) pressure on the process culminating in the presentation of the accounts,
- Evaluate The BANK of Greenland's and the management's procedures for preventing and disclosing fraud,
- Evaluate the statement in the management's report on the main elements in The BANK of Greenland's internal assessment and risk management systems,
- Recommend to the Board of Directors any measures needed to strengthen internal control.

Monitoring Internal Auditing

- Evaluate outsourcing of internal auditing,
- Review the endorsement of the internal chief auditor if the internal chief auditor endorses, cf. the above,
- Review the task description and auditing agreement for internal auditing,

- Review the internal audit function's competence, independence and resources to undertake the tasks, including review of the internal audit function's budget and staff.
- Discuss significant accounting principles and alternative accounting procedures with the internal auditor,
- Discuss significant auditing and accounting estimates with the internal auditor,
- Review audit reports including an evaluation of the internal auditor's summary of comments, the status of comments for the financial year in question and unclarified concluding remarks for the previous annual report given in the audit report that may have been based on a draft of the audit report.

Monitor Risk Management Systems

- Evaluate the established guidelines and business procedures for risk management set up by the management and the management's monitoring of these.

6.3 Monitor the statutory audit of the annual report, etc.

- Evaluate the competence of the external auditor,
- Evaluate the appointment/re-appointment of the external auditor,
- Review the external auditor's proposed audit plan,
- Discuss significant accounting principles and alternative accounting measures with the external auditor,
- Discuss significant auditing and accounting estimates with the external auditor,
- Review audit reports including an evaluation of the external auditor's summary of comments, the status of comments for the financial year in question and unclarified concluding remarks for the previous annual report given in the audit report that may have been based on a draft of the audit report.
- Review the external auditor's statements.

The result of the latest quality control of the audit company must be included in the Committee's assessment of the statutory audit and the relevant process.

6.4 Monitor and control the auditor's independence, according to applicable laws, in particular the delivery of further services to the company:

- Review audit and non-audit services provided by the external auditor
- Monitor and control the external auditor's independence

7. Reporting

- 7.1 Minutes of the meetings of the audit committee are taken, approved by the audit committee and then sent to the entire Board of Directors.
- 7.2 The minutes of the meetings are discussed at the next meeting of the Board of Directors.
- 7.3 Information about the audit committee's duties and activities during the year is presented in the bank's annual report. This information includes the name of the independent board member, accounting or auditing reservations as well as the basis of evaluation.

8. Self-evaluation

- 8.1 The audit committee undertakes a self-evaluation of the committee's observance of the matters laid down in this charter once a year.

Approved at the meeting of the Board of Directors 6. May 2020.

Appendix 1: Advanced-approved non-auditing services

Audit services:

The annual audit service is approved by specific agreement, including changes in assumptions, fees, audit scope, etc.

The Audit Committee may approve other audit services, which are the services that only the auditor elected by the annual general meeting may reasonably deliver, for example extended audit of agreed areas.

Audit-related services:

Investigations and other related services that are naturally related to the performance of the audit of the annual report and which are usually performed by the auditor elected by the annual general meeting, such as due diligence services, advice concerning the accounting treatment of selected matters, and changes in accounting rules, manuals, etc., or work services by closer agreement.

Tax-related services:

To the extent that the Audit Committee, according to a concrete assessment, assesses that the auditor elected by the annual general meeting can deliver tax-related services such as tax compliance, tax planning and tax advice concerning the interpretation of tax and excise legislation.

The Audit Committee will not permit any form of aggressive tax planning, neither on the bank's own behalf nor in relation to the bank's customers and stakeholders, so that the auditor may not provide such services.

Other services:

Services that are assessed to be routine and recurring services and which are not assessed to affect an auditor's independence, including all other services for an equivalent value of TDKK 50.

Annex 2. Tax and valuation services that are permitted

1) Tax services related to:

- a) preparation of tax forms (within the applicable rules),
- b) identification of public subsidies and tax incentives,
- c) assistance in connection with tax controls, and
- d) tax advisory services concerning the application of tax legislation.

2) Valuation services, including valuations in connection with actuarial services and support for legal cases.

The following conditions must be fulfilled, for the auditor to be able to deliver the service:

- Individually or in combination, the assignments have no or only insignificant impact on the audited accounts;
- the estimate of the impact on the audited accounts is well-documented and explained in the audit protocol to [the Audit Committee and] Board of Directors; and
- the auditor and firm of auditors fulfil the conditions concerning impartiality in the Danish Auditing Act.

Annex 3. Overview of non-auditing services that are not permitted

The following non-auditing services are deemed not to be permitted in relation to the auditor elected by the Annual General Meeting. This is a complete list of prohibited non-auditing services.

- a) Tax services related to:
 - i) preparation of tax forms
 - ii) payroll tax
 - iii) customs
 - iv) designation of public subsidies and tax incentives, unless the assistance of the auditor or firm of auditors is legally required in conjunction with such services
 - v) assistance in connection with tax controls by the tax authorities, unless the assistance of the auditor or firm of auditors is legally required in conjunction with such controls
 - vi) calculation of direct and indirect tax, and deferred tax
 - vii) provision of tax advisory services
- b) Services that influence the management or decision making of the audited company.
- c) Bookkeeping and preparation of bookkeeping and accounts.
- d) Services in connection with salaries.
- e) Preparation and implementation of procedures for internal control or risk management related to the preparation and/or control of financial information, or the design and implementation of financial information technology systems.
- f) Valuation services, including valuations in connection with actuarial services and support for legal cases.
- g) Legal services in connection with:
 - i) general advisory services
 - ii) negotiation on behalf of the audited company, and
 - iii) resolution of disputes in a defending role
- h) Services in connection with the audited company's internal audit function.
- i) Services related to financing, capital structure and capital allocation, and the audited company's investment strategy, apart from the provision of insurance services in connection with accounts, such as the provision of declarations of support in conjunction with prospectuses issued by the audited company.
- j) Promotion of, trading in or subscription guarantees for shares in the audited company.
- k) Services related to human resources with regard to:
 - i) management that might significantly affect the preparation of bookkeeping or the accounts that are subject to the statutory audit, if such services include:
 - search for or selection of candidates for such positions
 - control of references of candidates for such positions
 - ii) structuring of the organisational design, and
 - iii) control of expenses.