

Form for reporting on the
recommendations on corporate
governance

*The BANK of
Greenland*

Template for reporting – version of January 2021



"Comply or explain"

Section 107 b of the Danish Financial Statements Act states that a company that has shares admitted to trading on a regulated market must include a report on corporate governance in the management's review.

This means that the BANK of Greenland must state which recommendations the company has chosen to comply with or deviate from. A company's report must relate separately to each recommendation, regardless of whether a recommendation is complied with or deviated from.

Under Section 107 b(1) para (3) of the Financial Statements Act, the BANK of Greenland must explain the reasons if the Bank has decided to deviate from the recommendations. The BANK of Greenland must state why it has chosen not to comply with a recommendation and what it has chosen to do instead.

This means that if the Bank does not comply with a recommendation, but explains why and how the Bank has taken a different approach, the company will be deemed to comply with the recommendation.

The reporting must reflect the current management form at the time of the presentation of the financial statements. 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.

It is important that the Bank considers and reports on each individual recommendation, so that it is clear to investors and other stakeholders how the Bank relates to the individual recommendations.

The report concerns the accounting period from **01.01.2022 to 31.12.2022**

Recommendation	The company <u>complies</u>	The company <u>explains</u> ¹	
		<i>Why?</i>	<i>How?</i>
1. Interaction with the company's shareholders, investors and other stakeholders			
1.1. Communication with the company's shareholders, investors and other stakeholders			
1.1.1. The Committee recommends that the management through ongoing dialogue and interaction ensures that shareholders, investors and other stakeholders gain the relevant insight into the company's affairs, while also giving the board of directors the opportunity to hear and include their views in its work.	The Bank's material for shareholders can be found on the BANK of Greenland's website. The Executive Management also responds to shareholder enquiries.		
1.1.2. The Committee recommends that the company adopts policies on the company's relationships with its shareholders, investors and if relevant other stakeholders in order to ensure that the various interests are included in the company's considerations and that such policies are made available on the company's website.	The strategy plan is the Bank's guidelines for its relationship with its stakeholders. Furthermore, a communication strategy and investor relations policy, as well as a CSR policy, have been adopted, which also involves the Bank's investors and other stakeholders.		

¹ If a recommendation is not complied with, the company must explain *why* the recommendation is not complied with and *how* the company has taken a different approach. An adequate explanation answers both questions and categorises the answer as compliance with the recommendation. It is therefore important that the company answers both questions in its explanation.

Recommendation	The company <u>complies</u>	The company <u>explains</u> ¹	
		<i>Why?</i>	<i>How?</i>
1.1.3. The Committee recommends that the company publishes quarterly reports.	The Bank publishes quarterly reports in accordance with its financial calendar.		
1.2. The general meeting			
1.2.1. The Committee recommends that the board of directors organises the company’s general meeting in a manner that allows shareholders, who are unable to attend the meeting in person or are represented by proxy at the general meeting, to vote and raise questions to the management prior to or at the general meeting. The Committee recommends that the board of directors ensures that shareholders can observe the general meeting via webcast or other digital transmission.	The Bank has established an investor portal as an opportunity to attend the annual general meeting via webcast or another digital solution and thus make the investor able to vote and ask questions.		
1.2.2. The Committee recommends that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda.	On the Bank' proxy vote form, shareholders may consider each item on the agenda.		
1.3. Takeover bids			
1.3.1. The Committee recommends that the company has a procedure in place in the event of takeover bids, containing a “road map” covering matters for the board of directors to consider in the event of a takeover bid, or if the board of directors obtains reasonable grounds to suspect that a takeover bid may be submitted. In addition, it is recommended that the procedure states that the board of directors shall abstain from countering any takeover bids by taking actions that seek to prevent the shareholders from deciding on the takeover bid, without the approval of the general meeting.	Takeover bids will be presented to the shareholders. The Board of Directors will be informed of the formal content and, depending on the content of the bid, the Bank will consult external advisers. Without the approval of the general meeting, the Board of Directors will not seek to accommodate a takeover bid.		

Recommendation	The company <u>complies</u>	The company <u>explains</u> ¹	
		<i>Why?</i>	<i>How?</i>
1.4. Corporate Social Responsibility			
1.4.1. The Committee recommends that the board of directors adopts a policy for the company's corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management's report and/or on the company's website. The Committee recommends that the board of directors ensures compliance with the policy.	The BANK of Greenland has established a CSR (corporate social responsibility) policy, which is described in the management's review. The material is also available at the Bank's website.		
1.4.2. The Committee recommends that the board of directors adopts a tax policy to be made available on the company's website.	The BANK of Greenland has a tax policy which can be found at the Bank's website.		
2. The duties and responsibilities of the board of directors			
2.1 Overall tasks and responsibilities			
2.1.1. The Committee recommends that the board of directors in support of the company's statutory objects according to its articles of association and the long-term value creation considers the company's purpose and ensures and promotes a good culture and sound values in the company. The company should provide an account thereof in the management commentary and/or on the company's website.	Among other things, the Board of Directors adopts a strategy for the Bank and a business model that is based on the Bank's mission, vision and values, as well as a policy for a sound corporate culture. The Bank's management's review describes the Bank's efforts to promote long-term value creation and the Bank's values, sustainability, CSR initiatives, and the Bank's social responsibility.		

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		<i>Why?</i>	<i>How?</i>
2.1.2. The Committee recommends that the board of directors at least once a year discusses and on a regular basis follows up on the company's overall strategic targets in order to ensure the value creation in the company.	The Bank's strategy and business model are evaluated at least once a year.		
2.1.3. The Committee recommends that the board of directors on a continuous basis takes steps to examine whether the company's share and capital structure supports the strategy and the long-term value creation in the interest of the company as well as the shareholders. The Committee recommends that the company gives an account thereof in the management commentary.	The Bank's capital structure is assessed annually and considerations in this respect are included in the management's review.		
2.1.4 The Committee recommends that the board of directors prepares and on an annual basis reviews guidelines for the executive management, including requirements in respect of the reporting to the board of directors.	The Board of Directors' circumstances are described in the Board of Directors' rules of procedure, which include a requirement for the preparation of a Section 70 instruction to describe the guidelines for the Executive Management.		
2.2. Members of the board of directors			
2.2.1. The Committee recommends that the board of directors, in addition to a chairperson, appoints a vice chairperson, who can step in if the chairperson is absent and who can generally act as the chairperson's close sparring partner.	The BANK of Greenland has appointed a chairman and vice chairman.		
2.2.2. The Committee recommends that the chairperson in cooperation with the individual members of the board of directors ensures that the members update and supplement their knowledge of relevant matters,	All board members undergo board training and ongoing relevant training. In addition, board seminars are held every year. The		

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and that the members' special knowledge and qualifications are applied in the best possible manner.	Board of Directors also obtains supplementary reports internally within the organisation or as external contributions, respectively.		
2.2.3. The Committee recommends that if the board of directors, in exceptional cases, requests a member of the Board of Directors to take on special duties for the company, for instance, to take part in the daily management of the company for a short period, the Board of Directors should approve this in order to ensure that the Board of Directors maintains its independent overall management and control function. It is recommended that the company publicly announces any decision to allow a member of the board of directors to take part in the daily management, including the expected duration thereof.	The Board members elected by the annual general meeting do not undertake any special tasks for the company. However, the Chairman of the Audit Committee is a member of the Bank's committee regarding handling reports from the Bank's whistleblower scheme.		
3. The composition, organisation and evaluation of the board of directors			
3.1. Composition			
3.1.1. The Committee recommends that the board of directors on an annual basis reviews and in the management commentary and/or on the company's website states <ul style="list-style-type: none"> • which qualifications the board of directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and • the composition of and diversity on the board of directors. 	A description of this can be found on the Bank's website.		

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		<i>Why?</i>	<i>How?</i>
<p>3.1.2. The Committee recommends that the board of directors on an annual basis discusses the company’s activities in order to ensure relevant diversity at the different management levels of the company and adopts a diversity policy, which is included in the management commentary and/or available on the company’s website.</p>	<p>The Board of Directors has established policies for diversity in the Board of Directors and the Bank’s other management levels as well as a policy for underrepresented gender. This is described in the Bank’s management’s review/the Bank’s website.</p>		
<p>3.1.3. The Committee recommends that candidates for the board of directors are recruited based on a thorough process approved by the board of directors. The Committee recommends that in assessing candidates for the board of directors – in addition to individual competencies and qualifications – the need for continuity, renewal and diversity is also considered.</p>	<p>Recruitment of board candidates follows an established process.</p>		
<p>3.1.4. The Committee recommends that the notice convening general meetings, where election of members to the board of directors is on the agenda - in addition to the statutory items - also includes a description of the proposed candidates’</p> <ul style="list-style-type: none"> • qualifications • other managerial duties in commercial undertakings, including board committees, • demanding organisational assignments, and • independence. 	<p>On election of the Board of Directors at the general meeting, candidates are recommended on the basis of a CV with the information described.</p>		
<p>3.1.5. The Committee recommends that members of the board of directors elected by the general meeting stand for election every year at</p>		<p>The Bank’s articles of association require the election of half of the members of the Bank’s</p>	<p>The BANK of Greenland elects members of the Board of Directors each year, so that half of the members elected by the</p>

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		<i>Why?</i>	<i>How?</i>
the annual general meeting, and that the members are nominated and elected individually.		Board of Directors elected by the annual general meeting each year. Every board member, elected at the Annual General Meeting, sets up and is elected individually.	annual general meeting are elected each year. The consideration made is a balance between ensuring continuity and the possibility of renewal of the Board of Directors.
3.2. The board of directors' independence			
<p>3.2.1. The Committee recommends that at least half of the members of the board of directors elected in general meeting are independent in order for the board of directors to be able to act independently, avoiding conflicts of interest.</p> <p>In order to be independent, the member in question may not:</p> <ul style="list-style-type: none"> • be or within the past five years have been a member of the executive management or an executive employee in the company, a subsidiary or a group company, • within the past five years have received large emoluments from the company/group, a subsidiary or a group company in another capacity than as member of the board of directors, • represent or be associated with a controlling shareholder, • within the past year have had a business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body in companies with similar relations) with the company, a subsidiary or a group company, which is significant for the company and/or the business relationship, 	<p>More than half of the Board members elected by the annual general meeting meet the requirements for independence.</p> <p>The Bank's annual report states which of the members of the Board of Directors elected by the annual general meeting are independent or not. For new members elected by the annual general meeting who are elected after the latest annual report, equivalent information will be presented in the member's CV, which will be published together with the notice convening the annual general meeting.</p>		

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			<i>Why?</i>	<i>How?</i>
<ul style="list-style-type: none"> • be or within the past three years have been employed with or a partner in the same company as the company's auditor elected in general meeting, • be a CEO in a company with cross-memberships in the company's management, • have been a member of the board of directors for more than twelve years, or • be closely related to persons, who are not independent, cf. the above-stated criteria. <p>Even if a member of the board of directors does not fall within the above-stated criteria, the board of directors may for other reasons decide that the member in question is not independent.</p>				
<p>3.2.2. The Committee recommends that members of the executive management are not members of the board of directors and that members retiring from the executive management do not join the board of directors immediately thereafter.</p>	The Bank's Executive Management member is not member of the Board of Directors.			
3.3. Members of the board of directors and the number of other managerial duties				
<p>3.3.1. The Committee recommends that the board of directors and each of the members on the board of directors, in connection with the annual evaluation, cf. recommendation 3.5.1., assess how much time is required to perform the board duties. The aim is for the individual member of the board of directors not to take on more managerial duties than the board member in question is able to perform in a satisfactory manner.</p>	An annual evaluation and assessment of the time required for the Board's work is made.			
<p>3.3.2. The Committee recommends that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the board of directors:</p>	This information can be found in the annual report.			

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			<i>Why?</i>	<i>How?</i>
<ul style="list-style-type: none"> • position, age and gender, • competencies and qualifications relevant to the company, • independence, • year of joining the board of directors, • year of expiry of the current election period, • participation in meetings of the board of directors and committee meetings, • managerial duties in other commercial undertakings, including board committees, and demanding organisational assignments, and • the number of shares, options, warrants, etc. that the member holds in the company and its group companies and any changes in such holdings during the financial year. 				
3.4. Board committees				
<p>3.4.1. The Committee recommends that the management describes in the management commentary:</p> <ul style="list-style-type: none"> • the board committees’ most significant activities and number of meetings in the past year, and • the members on the individual board committees, including the chairperson and the independence of the members of the committee in question. <p>In addition, it is recommended that the board committees’ terms of reference are published on the company’s website.</p>	<p>This information can be found in the Bank’s Management’s Review and on the Bank’s website.</p>			
<p>3.4.2. The Committee recommends that board committees solely consist of members of the board of directors and that the majority of the members of the board committees are independent.</p>	<p>The Bank’s management committees consist exclusively of members of the Bank’s Board of Directors.</p>	<p>The majority of the members of the nomination and remuneration committee are not independent.</p>	<p>The nomination and remuneration committee’s recommendations are submitted to the Board of</p>	

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			<i>Why?</i>	<i>How?</i>
				Directors, of which the majority of the members are independent. Minutes are kept of decision-making process. It has been assessed as important that the chairman and vice chairman of the Board of Directors are members of the committees.
<p>3.4.3. The Committee recommends that the board of directors establishes an audit committee and appoints a chairperson of the audit committee, who is not the chairperson of the board of directors. The Committee recommends that the audit committee, in addition to its statutory duties, assists the board of directors in:</p> <ul style="list-style-type: none"> • supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions, • reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook, • assessing the need for internal audits, • performing an evaluation of the auditor elected by the general meeting, • reviewing the auditor fee for the auditor elected by the general meeting, • supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and • ensuring regular interaction between the auditor elected by the general meeting and the board of directors, for instance, that the board of directors and the audit committee at least once a 	<p>The Audit Committee undertakes all of the duties set out above. In addition, the Bank's whistleblower scheme is anchored with the Chairman of the Audit Committee.</p>	<p>The Chairman of the Board of Directors is the Chairman of the Bank's Audit Committee.</p>	<p>Emphasis is placed on a principle of continuity and the wish to maintain a simple management structure.</p>	

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			<i>Why?</i>	<i>How?</i>
<p>year meet with the auditor without the executive management being present.</p> <p>If the board of directors, based on a recommendation from the audit committee, decides to set up an internal audit function, the audit committee must:</p> <ul style="list-style-type: none"> • prepare terms of reference and recommendations on the nomination, employment and dismissal of the head of the internal audit function and on the budget for the department, • ensure that the internal audit function has sufficient resources and competencies to perform its role, and • supervise the executive management’s follow-up on the conclusions and recommendations of the internal audit function. 				
<p>3.4.4. The Committee recommends that the board of directors establishes a nomination committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • describing the required qualifications for a given member of the board of directors and the executive management, the estimated time required for performing the duties of this member of the board of directors and the competencies, knowledge and experience that is or should be represented in the two management bodies • ,on an annual basis evaluating the board of directors and the executive management’s structure, size, composition and results and preparing recommendations for the board of directors for any changes, • in cooperation with the chairperson handling the annual evaluation of the board of directors and assessing the individual management members’ competencies, knowledge, experience 	<p>The Nomination Committee undertakes all of the duties mentioned.</p>			

Recommendation	The company <u>complies</u>		The company <u>explains</u> ¹	
			Why?	How?
<p>and succession as well as reporting on it to the board of directors,</p> <ul style="list-style-type: none"> • handling the recruitment of new members to the board of directors and the executive management and nominating candidates for the board of directors' approval, • ensuring that a succession plan for the executive management is in place, • supervising executive managements' policy for the engagement of executive employees, and • supervising the preparation of a diversity policy for the board of directors' approval. 				
<p>3.4.5. The Committee recommends that the board of directors establishes a remuneration committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • preparing a draft remuneration policy for the board of directors' approval prior to the presentation at the general meeting, • providing a proposal to the board of directors on the remuneration of the members of the executive management, • providing a proposal to the board of directors on the remuneration of the board of directors prior to the presentation at the general meeting, • ensuring that the management's actual remuneration complies with the company's remuneration policy and the evaluation of the individual member's performance, and • assisting in the preparation of the annual remuneration report for the board of directors' approval prior to the presentation for the general meeting's advisory vote. 	<p>The Remuneration Committee undertakes all of the duties mentioned.</p>			
<p>3.5. Evaluation of the board of directors and the executive management</p>				

Recommendation	The company <u>complies</u>	The company <u>explains</u> ¹	
		<i>Why?</i>	<i>How?</i>
<p>3.5.1. The Committee recommends that the board of directors once a year evaluates the board of directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the board of directors’ work, efficiency, composition and organisation, cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics:</p> <ul style="list-style-type: none"> • the composition of the board of directors with focus on competencies and diversity, • the board of directors and the individual member’s contribution and results, • the cooperation on the board of directors and between the board of directors and the executive management, • the chairperson’s leadership of the board of directors, • the committee structure and the work in the committees, • the organisation of the work of the board of directors and the quality of the material provided to the board of directors, and • the board members’ preparation for and active participation in the meetings of the board of directors. 	<p>An annual assessment of the Board of Directors’ competencies is carried out, on an individual and overall basis. In addition, each year a memorandum is presented to the Board of Directors, with a description of the scope of the Board’s work. At least every three years, external assistance is used for the assessment.</p>		
<p>3.5.2. The Committee recommends that the entire board of directors discusses the result of the evaluation of the board of directors and that the procedure for the evaluation and the general conclusions of the evaluation are described in the management commentary, on the company’s website and at the company’s general meeting.</p>	<p>The conclusions of the evaluation of the Board of Directors are set out in the Bank’s Management’s Review.</p>		
<p>3.5.3. The Committee recommends that the board of directors at least once a year evaluates the work and results of the executive management according to pre-established criteria, and that the chairperson reviews the evaluation together with the executive management. In addition, the board of directors should on a continuous</p>	<p>The work of the Executive Management is evaluated annually.</p>		

Recommendation	The company <u>complies</u>		The company <u>explains</u> ¹	
			<i>Why?</i>	<i>How?</i>
basis assess the need for changes in the structure and composition of the executive management, including in respect of diversity, succession planning and risks, in light of the company's strategy.				
4. Remuneration of management				
4.1. Remuneration of the board of directors and executive management				
4.1.1. The Committee recommends that the remuneration for the board of directors and the executive management and the other terms of employment/service is considered competitive and consistent with the company's long-term shareholder interests.	It is assessed that the Bank's remuneration policy is competitive and supports long-term shareholder interests.			
4.1.2. The Committee recommends that share-based incentive schemes are revolving, i.e. that they are periodically granted, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years.	It is assessed that the Bank's remuneration schemes comply with the applicable rules for financial institutions.			
4.1.3. The Committee recommends that the variable part of the remuneration has a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios.	It is assessed that the Bank's remuneration schemes are transparent and objectively described.			
4.1.4. The Committee recommends that the overall value of the remuneration for the notice period, including severance payment, in connection with a member of the executive management's departure, does not exceed two years' remuneration including all remuneration elements.		An agreement was entered into with the Executive Management before the recommendation was changed to concern the notice period.	If the Executive Management resigns on the expiry of the contract, the severance pay will not exceed 13.25 months' salary. If the Executive Management resigns earlier, the severance pay may be 0-24 months' salary, with a notice period of 12 months, so	

Recommendation	The company <u>complies</u>	The company <u>explains</u> ¹	
		<i>Why?</i>	<i>How?</i>
			that in certain cases the Bank will not comply with the current recommendation.
4.1.5. The Committee recommends that members of the board of directors are not remunerated with share options and warrants.	The members of the board of directors receive a fixed remuneration.		
4.1.6. The Committee recommends that the company has the option to reclaim, in whole or in part, variable remuneration from the board of directors and the executive management if the remuneration granted, earned or paid was based on information, which subsequently proves to be incorrect, or if the recipient acted in bad faith in respect of other matters, which implied payment of a too large variable remuneration.	It is assessed that the Bank's remuneration schemes comply with the applicable rules for financial institutions.		
5. Risk management			
5.1. Identification of risks and openness in respect of additional information			
5.1.1. The Committee recommends that the board of directors based on the company's strategy and business model considers, for instance, the most significant strategic, business, accounting and liquidity risks. The company should in the management commentary give an account of these risks and the company's risk management.	Each year, the Board of Directors assesses the Bank's overall risk and the most significant individual areas. These are reported in the Bank's annual financial statements.		
5.1.2. The Committee recommends that the board of directors establishes a whistleblower scheme, giving the employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases.	The Bank has established a whistleblower scheme with the opportunity for employees to report serious misconduct or suspicions thereof.		

Report 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.
Finance Denmark's management code.	X		There is separate reporting and publication with regard to Finance Denmark's management code.
Recommendations for Active Ownership		X	The Board of Directors is positive towards the Recommendations for Active Ownership but assesses that they are not currently relevant for the BANK of Greenland, since the Bank does not have a portfolio of listed shares, just as the BANK of Greenland, in the role of capital manager, has not entered into any explicit agreements with customers concerning active ownership by the Bank, such as by using voting rights in relation to investments in listed shares.