

## Remuneration Policy for the BANK of Greenland

The BANK of Greenland's remuneration policy concerns the Board of Directors, Executive Management Board and employees whose activities have a significant influence on the Bank's risk profile (significant risk-takers), as well as other members of the staff of the BANK of Greenland.

The remuneration policy is intended to promote sound and effective risk management at the BANK of Greenland, and to contribute to creating long-term value for the Bank's shareholders. The remuneration policy promotes sound and effective financial management by not creating incentives for excessive risk-taking or promoting short-term, unilateral decisions to the detriment of the long-term requirements and goals of customers and shareholders, as well as the Bank, as these requirements and goals are described in the Bank's business model and strategy. Furthermore, the remuneration policy complies with Section 77 a-d of the Danish Financial Activities Act and Order no. 257 of 14 March 2017 concerning salary policy and remuneration, as well as the CRR Regulation and the Corporate Governance recommendations. In addition, the Bank's remuneration will adhere to the collective agreements in force.

### Board of Directors

No variable remuneration elements are paid to the Board of Directors as salaries, shares, options or pension contributions. The members of the Board of Directors receive a fixed fee, the Chairman of the Board of Directors receives a double fee and the Vice Chairman receives 1½ fee. The fee for each member of the Board of Directors is stated in the Annual Report.

### Executive Management Board

The Executive Director will receive the contractually agreed fixed salary and pension, annual holiday trip, free car, telephone and Internet. The Executive Director will not receive any variable remuneration elements of any kind during his employment. The Executive Director's pension contribution comprises a fixed percentage at 18% of the fixed salary, in addition to a defined-benefit severance/pension scheme, as described below. The total pension contributions paid out and allocated are specified in the Annual Report.

The Board of Directors has established an agreement with the Executive Director concerning a defined-benefit severance/pension scheme, which will be released and paid out when he leaves the company. Earning and granting of the right to a defined-benefit severance/pension scheme will be conditional on the Executive Director's continued employment at certain fixed times, and will be based on the Bank's overall performance compared to banks of an equivalent size, measured in terms of working capital. The defined-benefit severance/pension scheme will consist of 50% shares and 50% cash payment, and may constitute an amount equivalent to 0-24 months' salary.

### Significant risk-takers

The management of the Bank's compliance and the management of the Bank's control functions are designated as significant risk-takers, which entails that the Bank's Deputy Managing Director and Chief Accountant are significant risk-takers.

Employees whose activities have a significant impact on the Bank's risk profile (significant risk-takers) will not receive any variable remuneration elements in the form of shares, options or pension contributions.

Significant risk-takers may, however, as variable remuneration receive payment of a cash bonus of maximum DKK 100,000 per year. The criteria for allocation is an assessment of performance during the year, a particularly large work burden, a particularly satisfactory contribution, and a particular managerial contribution. Cash bonuses to significant risk-takers will not be awarded on the basis of any measurable achievement of, for example, sales or operational results, and is not dependent on results.

No separate agreement has been established with the significant risk-takers concerning severance pay, but the notice of termination is extended by two months from either party. Pensions to significant risk-takers lie within the framework of the collective agreement.

### Other employees

#### *Discretionary bonus*

The BANK of Greenland may grant a discretionary bonus on the basis of an overall assessment and this bonus may not exceed DKK 100,000. Overall for the Bank, discretionary bonus may be granted for up to 2% of the Bank's total payroll. The criteria for allocation is an assessment of performance during the year, a particularly large work burden, a particularly satisfactory contribution, and a particular managerial contribution, and the bonus is not awarded on the basis of any measurable achievement of, for example, sales or operational results, and is not dependent on results. Employees with control functions are paid to

deliver the best results within their specific roles, and so that the discretionary bonus does not compromise the employees' objectiveness and independence. The discretionary bonus is awarded on the basis of a "four eyes principle" whereby the immediate manager and the Executive Management Board recommend and approve the allocated bonus.

#### *Collective bonus scheme*

For all other employees of the BANK of Greenland, a collective incentive scheme has been established, with payment based on the fulfilment of a number of general targets within the following categories: Employees, Society, Processes, Customers and Finance. The background to the collective bonus scheme is to unite the Bank's employees in a joint effort to achieve the Bank's long-term goals. Under this scheme, a maximum of up to 4% of the Bank's total payroll may be paid out, and no more than DKK 20,000 to each employee. For 2018, the payment was DKK 10,750 to each employee. The scheme is reviewed once a year.

Furthermore, the Bank's remuneration of employees who advise on and provide or grant credit facilities against mortgages or other equivalent collateral security in real property is determined so as not to encourage risk-taking that exceeds the Bank's risk profile. Furthermore, the remuneration is independent of the number or proportion of applications granted for mortgage credit, or other types of sales targets.

#### **Remuneration Committee**

The BANK of Greenland has appointed a Remuneration Committee which comprises the Chairman and Vice Chairman of the Board of Directors and a member of the Board of Directors elected by the employees.

The Remuneration Committee annually reviews and assesses the remuneration of the Board of Directors and the Executive Management Board, including on the basis of the scope of work and comparable banks' remuneration. The Remuneration Committee ensures that the remuneration of significant risk-takers is in accordance with the remuneration policy. On the basis of statutory requirements, the complexity of the business model and the Bank's development, the need to designate other significant risk-takers is assessed. The Remuneration Committee will control the allocation of variable remuneration, including that no other type of variable remuneration is paid than is positively stated in the remuneration policy. The Remuneration Committee must also ensure that the Bank's form of remuneration cannot entail a conflict of interest for the Bank and the individual employee. The most significant bonuses awarded, including bonus to significant risk-takers, are submitted to the Remuneration Committee.

#### **Adoption and annual review of the remuneration policy**

The Remuneration Committee annually reviews the remuneration policy and submits any amendments to the current remuneration policy for approval by the Board of Directors.

The Board of Directors will also review the remuneration policy once a year in order to match the remuneration policy to the Bank's development.

Any changes to the remuneration policy which have been adopted by the Board of Directors are submitted for approval by the general meeting.

#### **Compliance with the remuneration policy and control of this compliance**

The Board of Directors of the BANK of Greenland is responsible for the execution of the remuneration policy.

The Board of Directors of the BANK of Greenland will lay down guidelines for control of compliance with the remuneration policy, including to ensure control of compliance with the remuneration policy at least once a year. The result is reported to the Board of Directors.

21 February 2020

Remuneration Committee

Gunnar í Liða  
Chairman  
of Directors

Kristian Lennert  
Vice Chairman

Yvonne Kyed  
Member of the Board