

Appendix 1 – Form for reporting on the Recommendations on Corporate Governance for Limited Companies Owned by the Greenland Self-Government Authorities

Naalakkersuisut (Government of Greenland) expects the annual report to refer to an overall overview of the company's work with the recommendations on corporate governance posted on its website. A form to be used for the publication of the overall overview of the company's work with the recommendations on corporate governance is available on the Company Secretariat's website.

The purpose of the overview is to facilitate accessibility and transparency of information for the company's stakeholders.

NUNAOIL A/S

Report as at 18 February 2013

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation: The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.
1. The role of the shareholders and their interaction with the management of the company			
<i>1.1. Dialogue between the company and its shareholders</i>			
1.1.1. The Committee recommends that the board of directors ensure ongoing dialogue between the company and its shareholder so that the board of directors knows the shareholders' views and interests in relation to the company.	Complies		
<i>1.2. Capital and share structures</i>			
1.2.1. The Committee recommends that the board of directors every year evaluate whether the company's capital structure continues to be in the interests of the shareholders and the company and account for this evaluation in the management commentary in the annual report.	Complies		
2. The role of stakeholders and their importance to the company and the company's corporate social responsibility			
<i>2.1. The company's policy in relation to its stakeholders and corporate social responsibility</i>			

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation: The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.
2.1.1. The Committee recommends that the board of directors adopt a policy on the company's relationship with its stakeholders and ensure that the interests of the stakeholders are respected in accordance with the company's policy on such issues.	Complies		
<i>2.2. Corporate social responsibility</i>			
2.2.1. The Committee recommends that the board of directors adopt a policy on corporate social responsibility.	Complies		
2.2.2 The Committee recommends that the company account for its policy on corporate social responsibility in its annual report, or that the annual report refer to a report published within the last year. As a minimum, the report should contain information on: a) The company's policy on corporate social responsibility, including any standards, guidelines or principles for corporate social responsibility applied by the company. b) How the company implements its policy on corporate social responsibility, including any systems or procedures in this respect. c) The company's evaluation of what has been achieved by the company's work with corporate social responsibility during the financial	Complies		The policy on corporate social responsibility is available on the company's website and extracts/references will be available in the company's annual report.

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation: The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.
<p>year and the company's expectations for this work looking forward.</p> <p>d) This report or reference should be made in connection with the management commentary.</p> <p>e) For companies preparing consolidated financial statements, it is sufficient for the report to be made for the group as a whole.</p>			
3. Openness and transparency			
<i>3.1. Disclosure of information to the market</i>			
3.1.1. The Committee recommends that the board of directors adopt a communication strategy.	Complies		NUNAOIL does not have a document entitled "communication strategy", but communication principles and forms are stated in the company's articles of association, rules of procedure, management instructions, staff manual and code of conduct and business ethics.
3.1.2. The Committee recommends that the company post all material that can be ordered through the Danish Business Authority on its website. In addition, the rules of procedure for the board of directors should be posted on the website.	Complies		
3.1.3 The Committee recommends that the payroll per full-time equivalent employee and the total payroll be disclosed in the annual report.	Partially complies		The average number of employees is specified in the key figures and financial ratios in the annual report and the total payroll is specified in the notes to the annual report.
3.1.4. The Committee recommends that the company not purchase services from members of the board of directors personally or their related parties, including companies in which members are part of the group of owners. In exceptional cases in	Complies		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation: The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.
which members of the board of directors wish to tender for contracts with the company, such tenders should be in compliance with the principles of open tendering. Any transactions between the company and members of the board of directors should be specified in the notes to the annual report.			
<p>3.1.5. The Committee recommends that the annual report account for the special skills of each member of the board of directors and the executive board. As a minimum, the annual report should contain the following information about the members of the board of directors and the executive board:</p> <ul style="list-style-type: none"> a) The member's occupation and age b) The member's other executive functions, e.g. memberships of executive boards, boards of directors and supervisory boards, including board committees in Greenland and foreign enterprises as well as demanding organisational tasks c) Special skills possessed by individual members d) The date on which the member joined the board of directors/executive board. 	Complies		
3.1.6. The Committee recommends that the number of board meetings held be disclosed in the annual report.	Complies		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation: The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.
4. Tasks and responsibilities of the board of directors			
<i>4.1. Overall tasks and responsibilities</i>			
4.1.1. The Committee recommends that the board of directors determine the company's overall strategy at least once every year with a view to sustaining value creation in the company and ensuring that the strategy continues to support the overall objectives of the shareholder.	Complies		
4.1.2. The Committee recommends that the board of directors at least once every year define its most important tasks related to the financial and managerial control of the company, including how to supervise the work of the executive board.	Complies		
<i>4.2 Diversity</i>			
4.2.1 The Committee recommends that the board of directors annually discuss the company's activities to ensure diversity at management levels, including equal opportunities for men and women and local anchoring. The Committee also recommends that the board of directors set measurable diversity objectives and give an account of both its objectives and the progress made in achieving the objectives in the management commentary in the company's annual report.	Complies		
<i>4.3. Procedures and instructions</i>			

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation: The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.
4.3.1. The Committee recommends that the board of directors review its rules of procedure annually to ensure that they are adequate and always match the activities and needs of the company.	Complies		
4.3.2. The Committee recommends that the board of directors annually review and approve instructions for the executive board, including establish requirements for the executive board's timely, accurate and adequate reporting to the board of directors and for any other communication between the two governing bodies.	Complies		
4.4 Chairman and deputy chairman			
4.4.1. The Committee recommends that a deputy chairman of the board of directors be appointed, who must be able to act in the chairman's absence and also act as an effective sounding board for the chairman.	Complies		
4.4.2. The Committee recommends that the rules of procedure for the board of directors specify the tasks, duties and responsibilities of the chairman and the deputy chairman.	Complies		
4.4.3. The Committee recommends that if the board of directors, in exceptional cases, asks its chairman to perform special tasks for the company, including to briefly participate in the day-to-day management, a board resolution to that effect should be passed and precautions taken to ensure that the board of directors will maintain responsibility for the overall management and control function.	Complies		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation: The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.
<p>A reasonable distribution of duties must be ensured between the chairman, the deputy chairman, other members of the board of directors and the executive board. Information about agreements on the chairman's participation in day-to-day management and the expected duration hereof must be disclosed in a press release.</p>			
<p>5. Composition and organisation of the board of directors</p>			
<p><i>5.1. Evaluation of the performance of the board of directors and the executive board</i></p>			
<p>5.1.1. The Committee recommends that the board of directors undertake an annual evaluation of the board of directors. The objective of the board evaluation is to provide an assessment to the shareholder and the board of directors of, on the one hand, the performance of the overall board of directors and of the individual members during the past year and, on the other, of the skills composition of the board of directors in relation to the challenges faced by the company. The board evaluation should include the following aspects:</p> <ol style="list-style-type: none"> 1) A skills requirements analysis – description of the qualifications required in the optimal board of directors for the specific company. 2) Evaluation <ol style="list-style-type: none"> a. Assessment of the performance and skills of the overall board of directors. b. Assessment of the performance and 	<p>Complies</p>		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation: The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.
<p>skills contributed by each member of the board of directors.</p> <p>c. Assessment of whether the number of members is appropriate in relation to requirements of the company.</p> <p>3) Skills gap analyses – summary to assess differences between the optimal and the current board of directors.</p> <p>4) Recommendation on how to close any skills and performance gaps through skills development and/or adjustment of the composition of the board of directors.</p>			
5.1.2. The Committee recommends that at least every other year the board evaluation be conducted in cooperation with an external consultant.	Complies		
5.1.3. The Committee recommends that the board of directors at least once every year evaluate the work and performance of the executive board in accordance with predefined criteria.	Complies		
5.1.4. 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 and the shareholder.	Complies		
5.2. Training of members of the board of directors			

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation: The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.
5.2.1. The Committee recommends that the chairman of the board of directors ensure that new members joining the board of directors be given an introduction to the company, including the shareholder's overall policy in relation to the company.	Complies		
5.2.2. The Committee recommends that, once a year, the chairman of the board of directors and each member of the board of directors together assess whether the skills of the board member need to be updated or developed.	Complies		
<i>5.3. Independence of the board of directors</i>			
5.3.1. In order for the board of directors to act independently of special interests, the Committee recommends that all members of the board of directors elected by the general meeting be independent persons. The independent member of the board of directors may <u>not</u> : <ul style="list-style-type: none"> a) be, or have been within the last two years, a member of the executive board/managerial staff of the company or an associated company b) have received within the last two years significant additional remuneration from the company/group or an associated company apart from a fee for its services in the capacity as a member of the board of directors c) be, or have been within the last two years, an employee or partner of the company's auditor 	<ul style="list-style-type: none"> a) Complies b) Complies c) Complies d) Complies e) Complies 		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation: The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.
d) hold cross-memberships of governing bodies e) have been a member of the board of directors for more than nine years f) have close family ties with persons that are not regarded as independent persons.			
<i>5.4. Members of the board of directors elected by the employees</i>			
5.4.1. The Committee recommends that the individual company explain, in the company's annual report or on its website, the system of employee-elected board members and the company's use hereof in companies where the employees have chosen to apply the provisions of the Companies Act on employee representation.	-		Not relevant in accordance with legislation due to the number of employees at NUNAOIL.
<i>5.5. Meeting frequency</i>			
5.5.1. The Committee recommends that the board of directors meet at regular intervals according to a predetermined meeting and working schedule or when meetings are deemed necessary or appropriate in accordance with company requirements from time to time.	Complies		
<i>5.6. Board committees</i>			
5.6.1. The Committee recommends that the company publish the following information in the management commentary in its annual report or on the company's website:	-		Board committees are relevant in major companies only and, therefore, Nunaoil has no board committees.

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation: The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.
<ul style="list-style-type: none"> • The terms of reference for the board committees • Important activities of the committees during the year, and the number of meetings held by each committee • The names of the members of each committee, including the chairmen of the committees, as well as information on which members have special qualifications. 			
5.6.2. The Committee recommends that boards of directors of companies complying with the rules for reporting class D establish an <u>audit committee</u> .	-		The company complies with the rules for reporting class B and, in a few cases, with the rules for reporting class C and, therefore, no audit committee has been established.
5.6.3. The Committee recommends that the following be taken into account in composing the audit committee: <ul style="list-style-type: none"> • the chairman of the board of directors should not be chairman of the audit committee • between them, the members should possess such an amount of expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit conditions of companies with similar characteristics. 	-		The company complies with the rules for reporting class B and, in a few cases, with the rules for reporting class C and, therefore, no audit committee has been established.
5.6.4. 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: <ul style="list-style-type: none"> • Significant accounting policies • Significant accounting estimates 	-		The company complies with the rules for reporting class B and, in a few cases, with the rules for reporting class C and, therefore, no audit committee has been established.

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation:
<ul style="list-style-type: none"> • Related party transactions • Uncertainties and risks, including in relation to the outlook. 			The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.
<p>5.6.5. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> • annually consider whether there is a need for an internal audit function, and if so, • formulate recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function • monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function. 	-		The company complies with the rules for reporting class B and, in a few cases, with the rules for reporting class C and, therefore, no audit committee has been established.
<p>5.6.6. If a nomination committee is established, the Committee recommends that the committee at least be given the following preparatory tasks in relation to evaluation of the day-to-day management:</p> <ol style="list-style-type: none"> a) Describe the qualifications required in the day-to-day management and evaluate the balance of skills, knowledge and experience available in the day-to-day management b) Annually evaluate the structure, size, composition and performance of the day-to-day management and make recommendations to the board of directors with regard to any changes c) Annually evaluate the skills, knowledge 	-		The company has not established a nomination committee.

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation:
<p>and experience of the individual members of the governing bodies and report such details to the board of directors</p> <p>d) Identify and recommend candidates for the day-to-day management to the board of directors.</p>			<p>The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.</p>
<p>5.6.7. If a <u>remuneration committee</u> is established, the Committee recommends that the committee at least be given the following preparatory tasks:</p> <ul style="list-style-type: none"> • Make proposals, for the approval of the board of directors, on the remuneration policy, including the overall principles of incentive pay schemes, for members of the executive board, • Make proposals to the board of directors on remuneration for members of the executive board and ensure that the remuneration is consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the executive board receive from other companies in the group, and <p>Oversee that the information in the annual report on the remuneration of the executive board is correct, true and sufficient.</p>	-		<p>The company has not established a remuneration committee.</p>
<p>6. Remuneration of members of the governing bodies</p>			
<p><i>6.1. Content and form of the remuneration policy</i></p>			

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation: The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.
6.1.1. The Committee recommends that the board of directors adopt a remuneration policy applicable to members of the executive board and other managerial staff, including: a) the reasons for choosing the individual components of the remuneration, and b) a description of the criteria on which the balance between the individual components of the remuneration is based.	Complies		
6.1.2. The Committee recommends that the remuneration policy and any changes to the policy be approved by the general meeting of the company.	Complies		
6.1.3. The Committee recommends that the remuneration policy include a thorough description of the components of the remuneration for members of the executive board.	Complies		
6.1.4. The Committee recommends that the remuneration policy be clear and easily understandable and that it be disclosed in the management commentary in the annual report and posted on the company's website.	Complies		
6.1.5. The Committee recommends that the total remuneration granted to each member of the executive board by the company and other consolidated companies be disclosed in the (consolidated) financial statements and that the linkage with the remuneration policy be explained.	Complies		
6.1.6. The Committee recommends that the de-	Complies		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation: The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.
tails of any defined-benefit schemes offered to members of the executive board and the actuarial value of such schemes as well as changes during the year be included as part of the information on the total remuneration.			
6.1.7. The Committee recommends that the most important aspects of periods of notice, retention and severance programmes be disclosed in the company's annual report.	Complies		
6.1.8. The Committee recommends that, if the remuneration policy includes variable components, the board of directors ensure the following: <ul style="list-style-type: none"> • That the variable components of the remuneration do not exceed 50 per cent of the total remuneration package • A reasonable and balanced linkage between the remuneration for the governing body members, expected risks and the value creation for shareholders in the short and long term • That there be clarity about performance criteria and measurability for award of variable components • That there be criteria ensuring that vesting periods for variable components of remuneration agreements aim to sustain long-term value creation. 	Complies		
6.1.9. The Committee recommends that, in exceptional cases, the company should be able to reclaim in full or in part variable components of re-	Complies		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation: The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.
muneration that were paid on the basis of data, which proved to be manifestly misstated.			
6.1.10. The Committee recommends that agreements on termination payments, periods of notice etc. should not amount to more than one year's fixed remuneration. Termination payments are payable only in case of termination by the company.	Complies		
7. Financial reporting			
<i>7.1. Other relevant information</i>			
7.1.1. The Committee recommends that the annual report and other financial reports be supplemented by additional financial and non-financial information if deemed necessary or relevant in relation to the information needs of the recipients.	Complies		
7.1.2 The Committee recommends that the annual report describe the progress made in achieving the company's objectives.	Complies		
8. Risk management and internal control			
<i>8.1. Identification of risks</i>			
8.1.1. The Committee recommends that the executive board currently report to the board of directors on the development within the most important areas of risk and compliance with adopted policies, frameworks etc. in order to enable the board of	Complies		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation: The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.
directors to track the development and make the necessary decisions.			
8.1.2. The Committee recommends that the board of directors annually assess whether coverage under the governing body's liability insurance is correct.	Complies		
8.1.3. The Committee recommends that the board of directors annually assess whether coverage under the governing body's liability insurance is correct.	Complies		
8.3. Openness about risk management			
8.3.1. The Committee recommends that the management commentary in the annual report include information about the company's management of business risks.	Complies		
9. Audit			
9.1. Contact to auditor			
9.1.1. The Committee recommends that the board of directors maintain a regular dialogue and exchange of information with the auditor.	Complies		
9.1.2. The Committee recommends that the auditor agreement and auditors' fee be agreed between the board of directors and the auditor.	Complies		

Recommendation	The company complies	The company does not comply	The explanation for complying/not complying with the recommendation: The company has no obligation to provide an explanation if it complies with a recommendation, but doing so could be an advantage to show what the company does to comply with a recommendation.
9.1.3. The Committee recommends that the board of directors and, where relevant, the audit committee meet with the auditor at least once every year without the executive board present. This also applies to the internal auditor, if any.	Complies		
<i>9.2. Internal audit</i>			
9.2.1. The Committee recommends that the board of directors of major companies once every year decide whether to establish an internal audit function for support and control of the company's internal control and risk management systems and state the reasons for its decision in the management commentary in the annual report.			Applicable only to major companies and thus not to Nunaoil. However, the board of directors has decided that an internal audit will be conducted in 2013.