

Sustainability in DNB ASA's credit activities – Group standard

1. Purpose

The purpose of the Group standard for sustainability in credit activities is to:

- clarify the importance of DNB's Group policy for sustainability in the credit activities
- formalise sustainability as part of risk assessments in all extension of credit
- describe the roles, responsibilities, organisation and process related to risk assessments of sustainability aspects

This Group standard builds on the documents Risk Management in DNB and the Group policy for sustainability in DNB. DNB's ESG sector guidance notes are based on this Group standard.

2. Scope

This document applies to all permanent and temporary employees in the Group. All extension of credit must take into account and support the Group policy for sustainability in DNB. This means that in DNB, we will not extend credit that contributes to the violation of human or labour rights, corruption, serious environmental harm or other actions that could be regarded as highly unethical. Further, we are committed to taking into account the climate and the environment, social conditions and corporate governance in all of our credit activities.

The borrower's commitment to sustainability is to be evaluated as part of the credit process wherever this is relevant. This is operationalised at level 3, Frameworks, in the document hierarchy of governing documents – in DNB's credit manual for corporate customers – and includes an assessment of activities that affect the climate, the environment, social conditions and good corporate governance. Activities regulated by legal requirements should in principle be assessed under compliance risk, but if more appropriate, they may be included in sustainability assessments.

The standard applies to credit activities throughout the DNB Group. This includes all credit activities vis-à-vis DNB customers, regardless of geographical differences, customer groups and organisational affiliation. It also applies to issuer-related activities, including being the arranger of bonds and issues in DNB Markets. In cases where DNB Markets is considering an issuer-related assignment for a customer involved in controversial activities, approval is required from the head of Markets in addition to the ordinary engagement committee approval.

In principle, this document applies to all companies in the DNB Group, including the Group's international activities. In the event of any conflict, legislation and other binding external rules will take precedence over this document. The person responsible for implementation must notify the document owner of any such conflict.

This governing document does not apply to:

1. Companies in which DNB has no controlling interest as defined by the Norwegian Limited Liability Companies Act, or companies which DNB owns jointly with other financial institutions. In such companies, DNB should use its owner influence in the governing bodies to work towards ensuring that the companies will have governance principles related to corporate responsibility and ethics that are in line with DNB's own governance principles.

2. Companies that DNB has taken over or acquired for temporary ownership. Such companies must implement and comply with principles for ethics and corporate responsibility that are in line with DNB's own governance principles.

3. Roles and responsibilities

- Group Risk Management is the premise provider for the Group standard for sustainability in DNB's credit activities.
- The customer divisions have executive responsibility for the Group standard.
- Group Risk Management is the controlling unit responsible for following up the Group standard for all credit activities in the Group.
- Both the customer divisions and Group Risk Management must have appropriate and adequate expertise within risk assessments to ensure that the quality of the risk assessments meets DNB's expectations and requirements in this area.

4. Further explanation of requirements

All extension of credit must take into account and support DNB's Group policy for sustainability to ensure long-term and sustainable financial value creation. Activities carried out by borrowers/risk entities/controlling owners that affect the level of ESG risk (Environmental, Social, Governance) must be analysed in credit proposals on a par with other relevant risk drivers. The assessments must be afforded decisive weight when considering whether to approve a credit proposal.

If the total credit commitment is more than NOK 8 million, ESG risk must be commented on in the credit proposal. A special ESG risk assessment tool must be used for all credit commitments above NOK 50 million. In addition, external sources of information are to be used to assist in the risk assessment.

The assessed level of ESG risk has an impact on the decision level for credits. If the level of ESG risk is considered to be high, established action plans with a view to reducing the risk are required.

For project financing that is subject to the equator principles, separate assessments must document compliance with the principles.

4.1 DNB's expectations to all corporate customers

a. Comply with applicable laws

All of DNB's customers must comply with applicable laws and regulations in their home country/country of origin, in addition to applicable laws and regulations in countries where they conduct business operations. Our customers must also act in accordance with relevant international conventions and guidelines set out by international organisations, such as the UN and the OECD.

b. Respect human and labour rights

DNB's customers must fully support and respect, within their sphere of influence, internationally recognised human rights, and ensure that they are not involved in human rights violations. Further, the customers must respect the eight fundamental or core international labour organisation conventions established by, the International Labour Organisation¹.

c. Be environmentally responsible

In DNB, we support the protection and preservation of the environment and believe that we can make an important contribution to the promotion of good environmental practices. Therefore, DNB aims to prioritise corporate customers with responsible environmental behaviour. When it comes to customers operating in industry sectors with a high potential

¹ [ILO Core Conventions](#)

negative impact on climate, nature, biodiversity and water resources, it is in our best interest to help such customers reduce their environmental footprint and consumption of collective benefits in a responsible manner.

d. Assess risks related to climate change

Climate change has the potential to severely affect nature, human living conditions and the global economy. The economic impacts of climate change on specific markets, industry sectors and regions are complex, varied and uncertain. Nevertheless, in DNB we expect our customers to seek to:

- incorporate relevant climate change challenges into their investment planning
- incorporate material climate change risks into their risk management
- report material climate change risks and greenhouse gas emissions
- be transparent about their interaction with politicians and regulators and their positions on climate change legislation and regulations

4.2 Exclusions

Our Group standard for sustainability in the credit activities is based on DNB's values and underlying commitment to respecting human rights and the environment. If the customer's activities are included in the exclusion list below, the customer will not be granted credit.

Topic/industry	Exclusion
General	Production of, or trade in, any goods or services deemed illegal under the laws of the host country or in regulations/international conventions and agreements.
Companies excluded by DAM or NBIM	No financing of new customers on exclusion lists prepared by DNB Asset Management (DAM) or Norges Bank Investment Management (NBIM).
Protected areas	<p>No financing of any kind for companies that directly or indirectly have a materially negative impact on, or cause harm to, habitats subject to special protection according to legislation or local guidelines, including (but not limited to):</p> <ul style="list-style-type: none"> • sites on UNESCO's World Heritage List • wetlands registered by the Ramsar Convention • vulnerable natural habitats registered by the International Union for Conservation of Nature (IUCN), categories I and II
Defence/controversial weapons	No financing of any kind for companies that on their own or through entities they control, develop, manufacture, store or trade in anti-personnel mines or cluster weapons as described in the Anti-Personnel Mine Ban Convention

	<p>and the Convention on Cluster Munitions, or central components for use in weapons of mass destruction. Weapons of mass destruction are defined as NBC weapons (nuclear, biological and chemical weapons). No financing of any kind for companies that make weapons available to countries that have been weapon-embargoed by the UN, EU or US.</p>
Energy	<p>No project financing of coal-fired power plants, nuclear power plants and extraction of oil from oil sand deposits.</p> <p>No financing for companies for which more than 15 per cent of total revenues stem from Canadian oil sands.</p>
Logistics/transport	<p>No direct financing of nuclear waste transport, decommissioning of nuclear plants and/or final disposal of nuclear waste No financing of so-called 'cash buyers', whose purpose is to acquire ships and thereafter recycle them in an irresponsible manner in violation of the Responsible Ship Recycling Standard (RSRS).</p>
Animal welfare	<p>No financing of:</p> <ul style="list-style-type: none"> • new customers that are involved in fur farming • animal testing with no medical purpose • trading in endangered animal species for commercial purposes
Fisheries and seafood	<p>No financing of:</p> <ul style="list-style-type: none"> • unregulated fishing involving sustainability risk • fishing with equipment that causes permanent damage to the seabed • fishing using harmful fishing techniques • fishing of endangered species as described in CITES agreements (CITES = Convention on International Trade in Endangered Species of Wild Fauna and Flora) • drift net fishing in the sea with nets that are more than 2.5 km in length • fish farming without the necessary licences from the authorities
Forestry and timber industry	<p>No financing of any kind for companies involved in forestry or the use of timber from illegal logging operations or deforestation and/or burning of tropical rainforests and the removal of primary or high conservation value forests.</p>

	No financing of tree felling equipment mainly used in tropical forests.
Metals and mining	No financing for customers involved in the mining of uranium or new customers involved in coal mining projects.
Packaging	No financing of companies in the packaging industry where a substantial proportion of the manufactured products cannot be recycled and/or where there are environmentally-friendly alternatives (e.g. plastic shopping bags, disposable plastic cutlery, plastic cotton swabs). In addition, plastic-based packaging for use in non-liquid products and/or for products where there is no risk of pollution when using alternative packaging (electronics, toys, sporting goods, etc.).
Chemical industry	Production of, or trade in, herbicides/weed killers that are being phased out internationally or that are banned. Production of, trade in or use of unbound asbestos.
Pharmaceuticals	Production of, or trade in, medicines that are being phased out internationally or that are banned. Development of gene technology for, or genetic engineering of, humans.

4.3 Controversial activities

Independent of the ESG risk level assessed by external ESG rating providers, DNB considers certain activities to be controversial. For borrowers, risk entities or controlling ownership constellations in one or more of the categories described in the table below, credit decisions must be elevated to the levels set out in the right-hand column:

Category of controversial activities	Credit-decision level
Existing borrowers/risk entities /controlling ownership constellation that have been excluded from DNB's investment portfolio	Board of Directors
Borrowers/risk entities/controlling ownership constellations that act in violation of significant, internationally recognised standards and conventions	Board of Directors
Borrowers/risk entities/controlling owner constellations that are involved in the production of tobacco and e-cigarettes	Level 1
Borrowers/risk entities/controlling owner constellations that are involved in the production of pornography	Level 1
Borrowers/risk entities/controlling owner constellations that are involved in, or suspected of being involved in, activities that could harm DNB's standing and reputation, or otherwise bring DNB's reputation into disrepute	Level 1
Borrowers/risk entities/controlling owner constellations that are involved in gambling activities not regulated by Norwegian law (gambling providers, casinos and similar businesses)	Level 1
Borrowers/risk entities/controlling owner constellations that directly or indirectly have activities that may adversely affect ecologically/biologically particularly vulnerable areas	Level 1

Borrowers/risk entities/controlling owner constellations that directly or indirectly have activities that materially reduce access to water for people, animals and local communities	Level 1
Borrowers/risk entities/controlling owner constellations for which less than 2/3 of the activities are in countries with a robust national framework for ESG management	Level 1
Industry-specific: Power and renewable energy New borrowers/risk entities/controlling owner constellations with revenues from the production of nuclear power New borrowers/risk entities/controlling owner constellations where more than 30% of the company's total revenues come from coal-fired power	Level 1
Industry-specific: Forestry and timber Borrowers/risk entities/controlling owner constellations operating in proximity to deforestation fronts or ecologically vulnerable forests without Forest Stewardship Council approval for at least 80 per cent of the wood sourcing.	Level 1
Industry-specific: Metals and mining Borrowers/risk entities/controlling owner constellations with activities in weak governance zones or conflict-affected areas Borrowers/risk entities/controlling owner constellations that are accused by local authorities and/or non-governmental organisations of excessive pollution.	Level 1
Industry-specific: Arms and defence Borrowers/risk entities/controlling owner constellations that produce conventional weapons	Level 1

4.4 Process and organisation

Risk assessments of sustainability aspects must be included in credit assessments and follow the credit process. The assessments are to be documented in an appropriate manner in credit proposals and be in accordance with the principles and requirements specified in chapter 6 of DNB's credit manual for corporate customers.

5. Definitions

In principle, risk assessments of sustainability aspects must be included on a par with other risk assessments in connection with all extension of credit. The assessment is to be given decisive weight when considering whether to approve a credit proposal.

References/links

- *ILO Core Conventions*
- https://www.ilo.org/wcmsp5/groups/public/@ed_norm/@declaration/documents/publication/wcms_095895.pdf
- UNESCO's World Heritage List
- <https://whc.unesco.org/en/list/>
- Ramsar Convention
- <https://www.ramsar.org/about-the-ramsar-convention>
- International Union for Conservation of Nature (IUCN)
- <https://www.iucn.org/>
- Responsible Ship Recycling Standards

- [Responsible Ship Recycling Standards March 2021.pdf \(dnb.no\)](#)
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- <https://www.cites.org/eng/disc/species.php>