DNB

DNB's transition plan

A driving force for sustainable transition

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Banking the transition

Foreword from the CEO

The summer of '23

While we were writing this climate transition plan, global sea surface temperatures were rising to record levels, as were surface air temperatures[1]. 2023 will go down as one of the hottest years on record. There's no denying it – climate change is already here.

The answer is clear – we need to transition to clean and renewable energy sources if we're to limit the temperature rise and its consequences for our planet and species. This means a massive transition that no country, sector or policymaker can achieve alone. The transition to a low-carbon economy requires major investments, targeted policies, strength of action, and cooperation across sectors and national borders. And we must cooperate to find a path that secures sufficient and affordable energy in a just transition.

Our role as a financial institution

Financial institutions are already playing an important role in the transition. Investments are increasingly being channelled into scaling up clean energy production and distribution, and in 2022, for the first time, global investments in renewable energy exceeded those in fossil fuels.

In DNB, we are strongly committed to our strategic ambition of being a driving force in the transition, as well as to our ambition of becoming a net-zero bank by 2050. We strongly believe that the best path to net zero is the one we create *together* with our customers, through cooperation and dialogue. Engaging with customers to support their transition is vital for truly making a difference.

We're already supporting our corporate customers through advisory services and capital and will continue to do so. We're giving loans to corporates and linking the price of these loans to progress on emissions reduction. DNB Markets raises capital for sustainable projects and renewable energy. And we are a major retail bank, financing 300 000 Norwegian homes through mortgages.

We will share the insights we gain about the pace and needs of the climate transition, as well as the barriers we identify, in our dialogues with governments, regulatory authorities and partners.

Targets covering our most important portfolios

In 2021, we updated DNB's sustainable financing ambitions. By 2030, we aim to contribute NOK 1 500 billion to sustainable projects through financing and facilitation.
That is close to a full Norwegian national budget. By the second quarter of 2023, we'd made good progress by raising NOK 457 billion in accumulated capital for sustainable projects.

An important next step is developing this transition plan, with targets covering around 70 per cent of our financed emissions in our lending portfolio. We've also set targets for our activities where we invest on behalf of our customers (via DNB Asset Management, DNB Livsforsikring and DNB Næringseiendom) describing how we'll drive real-world impact on emissions reductions through our position as an investor.

The transition plan describes the various principles, priorities and levers we have at hand to play our part in achieving our decarbonisation targets. It explains the science-based targets we've set for 2030, the scenarios we're using for benchmarking our progress, and the external and internal factors that are influencing developments within each sector. Moreover, we will lead by example by reducing emissions from our own operations.

Our levers for reaching the net-zero target

- → Integrating climate transition considerations into our engagements with customers and the companies we invest in.
- → Integrating decarbonisation considerations into our capital allocation and investment processes.
- → Communicating clear expectations for climate change mitigation to our corporate customers and the companies we invest in.
- → Scaling up and expanding our sustainable finance and investment products and services.
- → Continuously strengthening DNB's climate and transition expertise.

Transition dilemmas

The global community will face several dilemmas on its journey towards net zero. As a financial institution, we need to balance the needs, demands and expectations of all our stakeholders when we make decisions – whether they are corporates, consumers, regulators, employees or owners.

We also need to strike a balance between a fast transition and a just transition – by taking human rights and impact on nature into consideration when developing new energy sources, for example. And we need to strike a balance between these considerations and the need for energy security during the transition, and as a leading Norwegian bank, we're a reflection of the Norwegian economy. The dilemma of energy security vs. national climate targets became clear when Norway had to step up to become Europe's largest supplier of gas in a critical phase following Russia's invasion of Ukraine.

Our strategy is to work together with our customers through the transition – and to finance and advise on real-world decarbonisation, rather than exiting carbon-intensive sectors.

Ever-changing landscape and dynamic approach

The regulatory landscape relating to sustainability is constantly developing. The same goes for the guidance, methodologies and scenarios that our targets are based on. New technology may become a reality either sooner or later than we anticipate. Factors beyond our control will influence the progress we make and our ability to achieve our targets. The direction is clear, but future emissions reductions will most certainly not be linear. From one year to another, we may even see an increase in financed absolute emissions in certain sectors.

For this reason, our transition plan is dynamic, and will be reviewed and revised following progress on data quality, methodology and other material developments.

1. July 2023: Global air and ocean temperatures reach new record highs | Copernicus

One mission – a joint responsibility

Succeeding in the climate transition will require extraordinary efforts and great perseverance. We are committed to shouldering our share of the responsibility. We have set ambitious targets and will harness the power of the entire DNB organisation to move in the right direction, together with our customers.

However, there's no way we can succeed on this mission alone. A fundamental transformation of the global economy is dependent on substantial changes in policy. There's a need to both regulate and incentivise behavioural change, and to trigger increased investments. We're also dependent on extensive collaboration between all economic actors, including public-private partnerships.

History has proven countless times that people, businesses and society have tackled challenges and adversity. Once again, we now need to make choices that will stand the test of time. Climate change requires decisive action by all. In DNB, we're committed to doing our part.

Kjerstin Braathen, CEO

Chapter 1

DNB's approach to the climate transition

Sustainable value creation and climate transition are at the core of DNB's strategy

One of DNB's key strategic ambitions is to deliver sustainable value creation by creating profitable growth and making choices that will stand the test of time. To deliver on this ambition, we will support our customers through the climate transition, mitigate ESG risk in our portfolios and proactively engage with external stakeholders. DNB's three sustainable ambitions that were launched in 2021 further elaborate on how we will achieve this (see Figure 1).

One of our sustainable ambitions is to finance the climate transition. We will use our position and expertise to actively help our customers in their transition, through advisory services, capital allocation, and clear expectations. In DNB, we are committed to our ambition of reaching net-zero emissions by 2050 across our lending and investment portfolios, as well as in our own operations.

This transition plan is a continuation of the sustainability ambitions launched in 2021. The plan is an important strategic tool that helps us understand the business implications of our net-zero commitment, and to navigate the challenges and opportunities presented by climate change and the transition to a low-carbon economy. It sets out how we in DNB will drive the transition, and the tools we have at hand to engage with and guide our customers and the companies we invest in to reduce their greenhouse gas emissions.

At the same time, the transition plan highlights key dependencies and external factors that are crucial to achieving our targets. Collaboration and active engagement with public and private actors will be vital for ensuring a successful transition. It is important to read the whole transition plan, including the more detailed sections and the disclaimer, to understand the full context and rationale of the transition plan

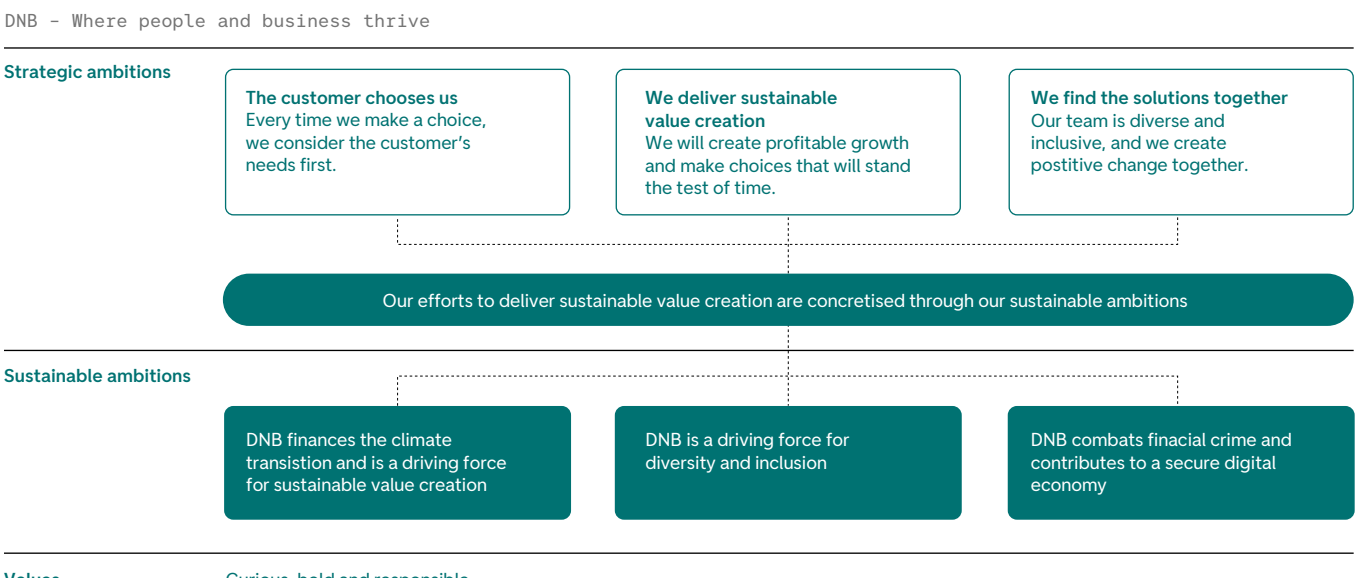
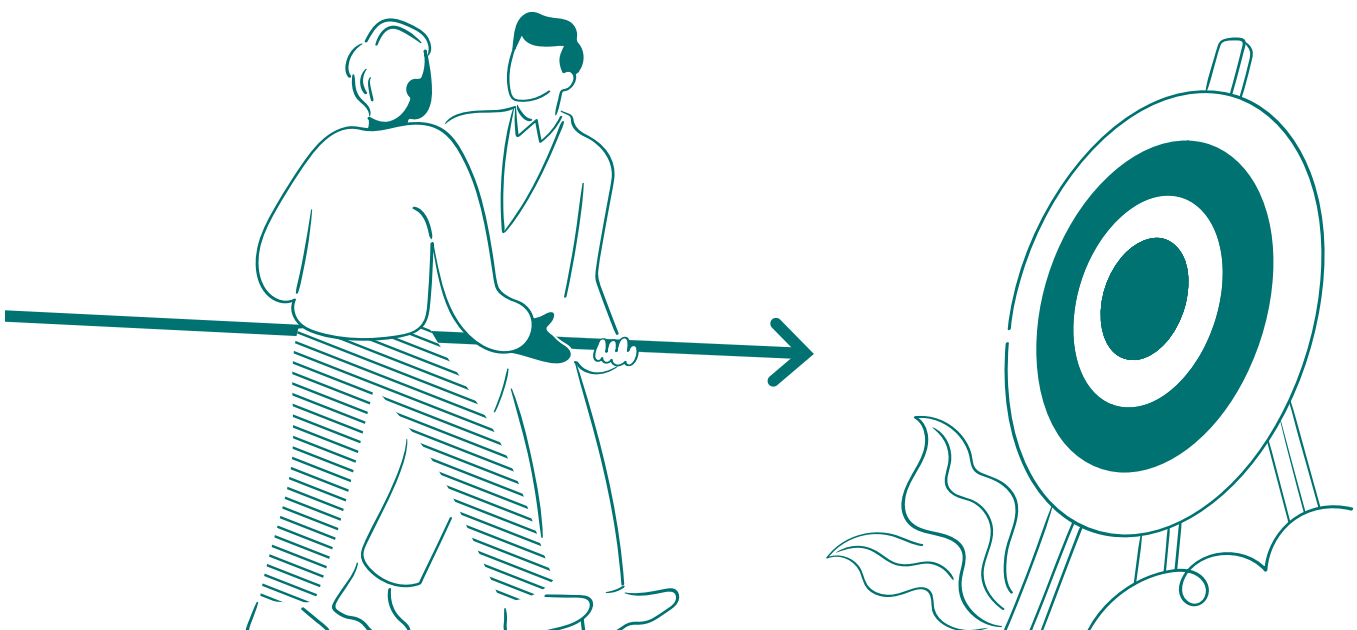


Figure 1: DNB's sustainable ambitions

Overview of targets

Decarbonisation targets

DNB's decarbonisation targets require a reduction of greenhouse gas emissions by our customers, as well as in the projects we finance and our own operations. Consequently, they also serve to reduce the level of climate risk in our portfolios. The targets will ensure that we as a financial institution further embed climate change considerations into our processes, including our selection of – and engagement with – customers and the companies we invest in.

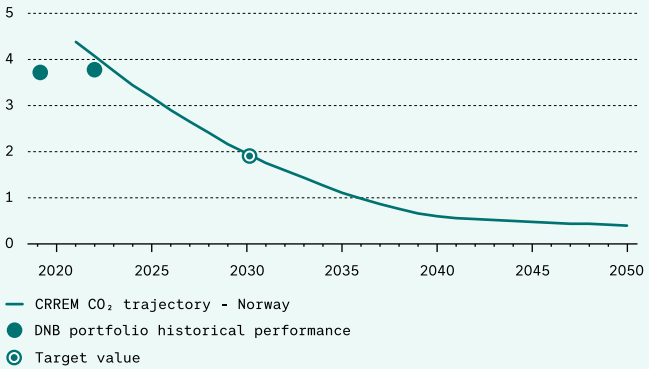


	Segment	2030 interim targets	Emissions scope	Target-setting method
Lending	**Home mortgages**	-47% $kgCO_2e/m^2$/year	1 and 2	Sectoral decarbonisation approach (SDA)
	Housing cooperatives	-50% $kgCO_2e/m^2$/year	1 and 2	SDA
	Commercial real estate	-29% $kgCO_2e/m^2$/year	1 and 2	SDA
	Shipping	-33% g CO_2/tonne/nautical mile	1	SDA
	Motor vehicles	-32% gCO_2e/pkm	1 and 2	SDA
	Steel	-30% tonnes CO_2e/tonne of steel	1 and 2	SDA
	Oil & gas	-18% in committed lending amounts	1, 2 and 3*	Absolute exposure
	Power generation	n/a	1	Baselined, no target set
	Salmon farming	n/a	1, 2 and 3	Baselined, no target set
Investments	**DNB Asset Management: Listed equity and corporate bonds**	58% - Share of AUM with science-based targets	1, 2 and 3	Portfolio coverage
	DNB Livsforsikring: Listed equity & corporate bonds	-55% portfolio-wide intensity (WACI)	1 and 2	Emissions reduction
	DNB Livsforsikring: Listed equity & corporate bonds	53% - Share of AUM with science-based targets	1, 2 and 3	Portfolio coverage
	DNB Livsforsikring: External asset managers	100% of all asset managers should have net-zero target or SBT and action plan by 2025	1, 2 and 3	Portfolio coverage
	DNB Næringseiendom	-35% CO_2e/m^2/year	1 and 2	SDA
Own operations	**Own operations, motor vehicles**	-25.5% gCO_2e/pkm	1 and 2	SDA
	Own operations, commercial real estate	EU: -6% $kgCO_2e/m^2$/year USA: -26% $kgCO_2e/m^2$/year Asia: -36% $kgCO_2e/m^2$/year	1 and 2	SDA

* Reduction of total lending commitments covers our exposure to clients' Scope 1, 2, and 3 emissions

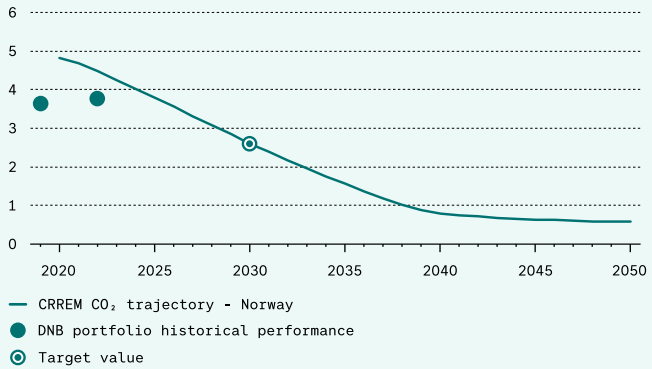
Home mortgages

kgCO₂e/m²/year



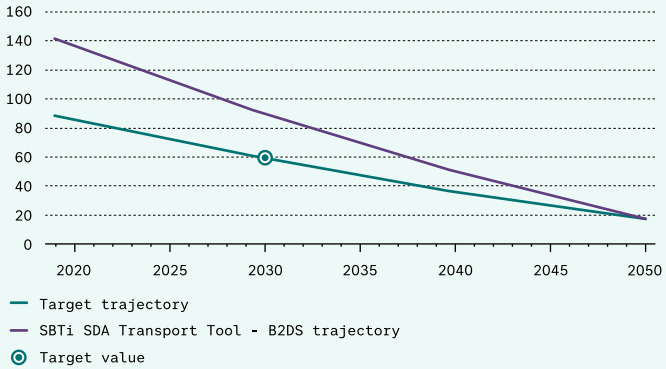
Commercial real estate

kgCO₂e/m²/year



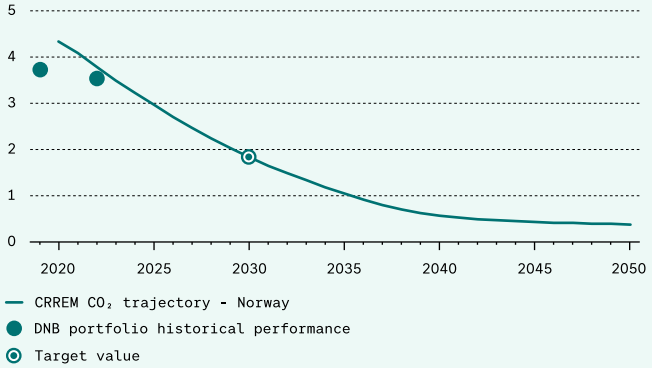
Motor vehicles

gCO₂e/pkm



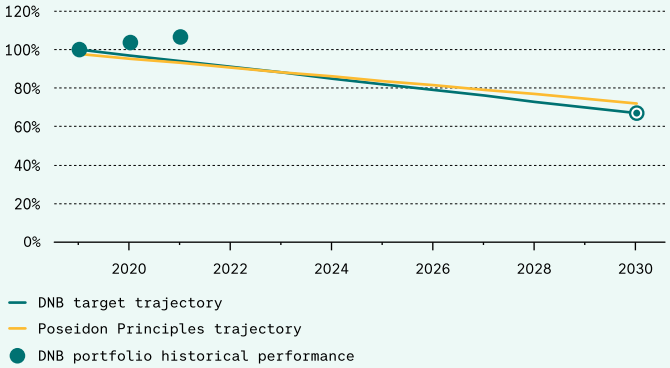
Housing cooperatives

kgCO₂e/m²/year



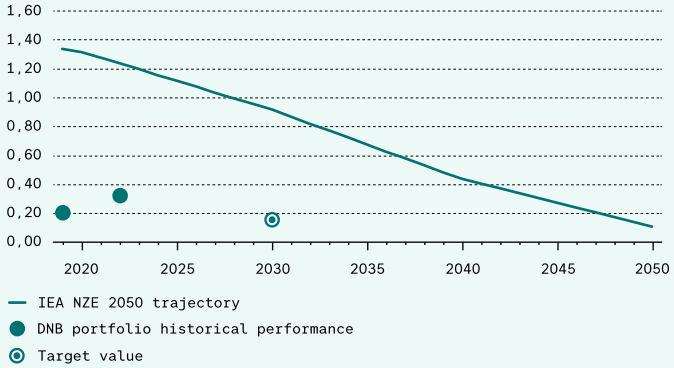
Shipping

gCO₂/tonne-nautical mile



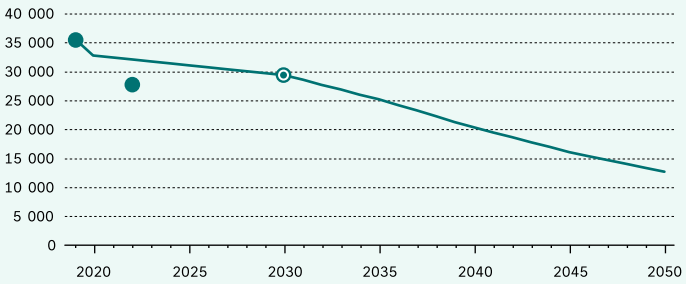
Steel

Tonnes CO₂e/tonne of steel



Upstream oil & gas

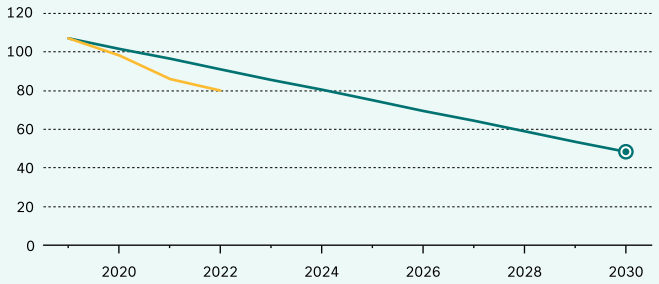
mNOK



- NGFS Net Zero 2050
- DNB portfolio historical performance
- Target value

Emission reduction target DNB Livsforsikring

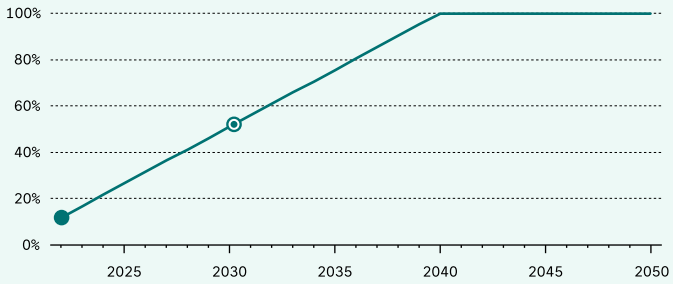
Portfolio-wide intensity (WACI)



- Target trajectory
- DNB portfolio historical performance
- Target value

Portfolio coverage target DNB Livsforsikring

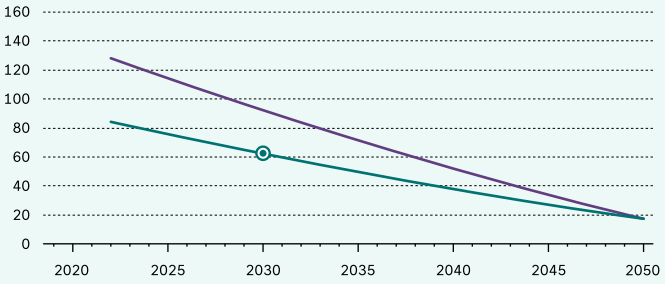
Share of AUM with science-based targets



- Target trajectory
- DNB portfolio historical performance
- Target value

Own operations, motor vehicles

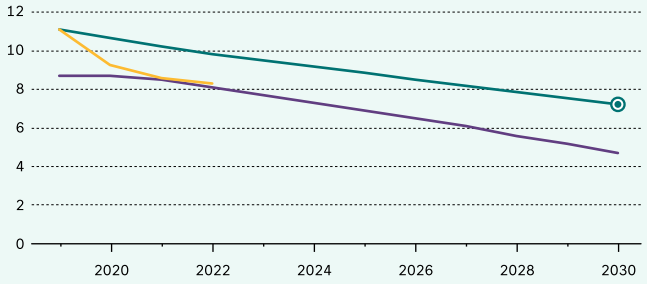
gCO_2e/pkm



- Target trajectory
- SBTi SDA Transport Tool - B2DS trajectory
- Target value

DNB Næringseiendom

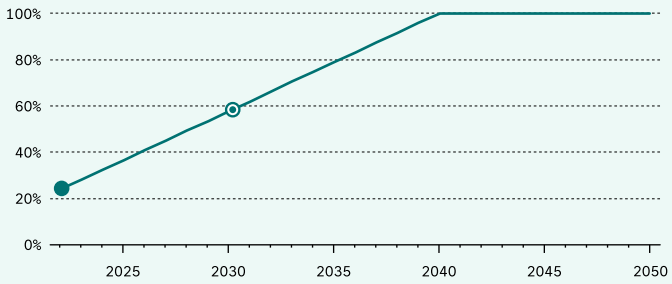
$kgCO_2e/m^2/year$



- Target trajectory
- CRREM CO_2 trajectory - Norway
- DNB portfolio historical performance
- Target value

Portfolio coverage target DNB AM

Share of AUM with science-based targets



- Target trajectory
- DNB portfolio historical performance
- Target value

Financing the transition

Considerable investments are required for enabling the climate transition. Investments are needed both in existing industries in order to reduce emissions, and in the development and expansion of new industries and technologies that can drive the climate transition. We will help our customers in their transition by offering financial products and services that promote sustainable activities, solutions, investments, and innovation.

Figure 2: DNB's sustainable financing targets

To be a driving force for sustainable transition, we have set ourselves the following targets

Finance and facilitate

NOK 1 500 billion

for sustainable activities by 2030[1)]

Net-zero emissions by

2050

Increase the total assets in mutual funds with a sustainability profile to

NOK 200 billion

by 2025

In 2025

50%

of net flows of total assets is to go to mutual funds with a sustainability profile

1. These activities are not based on the definition in the Taxonomy Regulation or the classification system.

Decarbonising our lending and investment portfolios

In DNB, we will be a partner for our customers and the companies we invest in, and we will use our expertise and service offering to challenge and support them on the path towards a low-carbon economy. We believe that we can have the greatest impact through dialogue and engagement. Exiting industries that we already finance is not our primary strategy, but we may choose not to provide financing to companies that are unwilling to participate in the transition.

We have several available levers to support the achievement of our net-zero ambition:

- Ⓐ **Customer engagement and assessment:** Further integrating climate transition considerations into our engagements with our customers and the companies we invest in, and improving our assessment tools
- Ⓑ **Capital allocation and investment processes:** Further integrating decarbonisation considerations into our capital allocation and investment processes
- Ⓒ **Climate transition expectations:** Communicating clear expectations for climate change mitigation to our corporate customers and the companies we invest in
- Ⓓ **Products and services:** Scaling and expanding our sustainable and transition finance and investment products and services
- Ⓔ **Climate expertise:** Continuously strengthening DNB's climate and transition expertise

Key levers for driving the transition for our lending customers

Ⓐ **Customer engagement and assessment:** For our corporate customers, the climate transition is already part of our ongoing dialogue. We will continuously improve and take a systematic approach to our climate dialogue, for example by developing tools and guidance for our client managers. A notable initiative in this respect is the development of internal transition plan guidance for large corporate customers in prioritised sectors. This will serve as a basis for our ongoing dialogue and advisory services regarding the climate transition.

For our personal banking customers, both DNB's and Norway's climate targets will require extensive refurbishment of existing buildings on a large scale. We have considerable opportunity to share knowledge and provide financing to our personal customers, and to engage on their behalf in related dialogues such as on national measures for improving energy efficiency.

Ⓑ **Capital allocation and investment processes:** Climate considerations are part of a broader set of environmental, social, and governance (ESG) factors that are embedded in the credit risk assessment for all corporate loans with an exposure above NOK 8 million.

For several carbon-intensive sectors, transition risk is already central to our decision-making processes. Factors such as emissions reporting, credible transition strategies and related decarbonisation targets are key elements that are considered in connection with customer selection, capital allocation, and credit decisions. Going forward, we aim to further standardise our approach to evaluating the climate transition capabilities within the sectors we finance, while expanding sector coverage.

We will consider the selected sectoral decarbonisation pathways in relevant decision-making processes. This will

serve to guide our engagement and dialogue with customers as well as with industry and government stakeholders.

Ⓒ **Climate transition expectations:** In addition to Group-level guidance on sustainability in DNB's credit activities, DNB also has a set of sector-specific ESG guidelines that outline our expectations of corporate customers with regard to climate and the environment. These are being updated to reflect our newly established decarbonisation targets and best practice.

Ⓓ **Products and services:** We offer a range of products that are geared towards financing climate solutions and reducing emissions. These products serve to support our customers' climate transition and by extension the achievement of our new decarbonisation targets.

At the end of 2022, DNB had contributed a total of NOK 391 billion[2] to the financing and facilitating of sustainable activities since 2020. Going forward, we will continue our efforts to scale up our sustainable finance volume, while upholding the integrity of the products with regard to their real-economy impact and transparency. We are also exploring new products, such as transition loans, to support our customers' transition activities.

Ⓔ **Climate expertise:** DNB offers ESG learning material to all employees via DNB University (DNBU), which is the Group's in-house learning platform. DNBU is one of the arenas that will equip our employees with fundamental knowledge and skills related to our climate work. In addition, the business areas are developing targeted training to equip employees in customer-facing and other relevant roles with more advanced climate competence. This will raise awareness on climate-related topics in general and support the integration of climate considerations into our daily operations.

Key levers for driving transition for our investments

Ⓐ **Customer engagement and assessment:** Active ownership through engagement with the companies we invest in and through voting is key to achieving our net-zero ambition. The overarching aim is to influence companies to improve their climate work, thereby securing long-term shareholder value and mitigating climate risks.

Climate change is a key discussion topic in our engagement activities. In 2022, DNB Asset Management's responsible investment team alone had 53[3] engagements with companies on climate change, nearly double the previous year's volume. Our climate engagement focuses on alignment with the TCFD's recommendations and emission reduction target setting across business operations and supply chains. We will increase our engagement activity on climate change, with emphasis on topics such as climate risk management, science-based target setting and concrete decarbonisation activities, as well as scenario analysis and improved reporting.

We prioritise the largest holdings in the most carbon-intensive sectors, but also collaborate with investor groups for greater impact, notably Climate Action 100+.

DNB Asset Management aims to vote for all holdings in actively managed funds at Norwegian companies' general meetings and at all general meetings with shareholder resolutions on the agenda. Climate change is a central topic in our voting activities.

If the outcome of our engagement with a company we invest in is not satisfactory, we may ultimately consider exclusion of the company concerned from our investment universe.

Ⓑ **Capital allocation and investment processes:** DNB Asset Management integrates ESG risk into the management of all our active funds. Portfolio managers use ESG data in their company risk assessments, financial modelling, and investment decision-making.

Our approach to monitoring and managing climate risk is constantly evolving. We are increasingly looking beyond backwards-looking data such as carbon emissions, to forward-looking metrics (including scenario analysis, target setting and

2. https://www.dnb.no/en/about-us/csr/sustainability-library.html
3. https://www.dnb.no/en/about-us/csr/sustainability-library.html

capital allocation), which can provide greater insight into the future transition potential of companies.

DNB Asset Management has developed a framework for assessing the quality of the net-zero emission reduction targets of the companies we invest in, to measure and understand progress over time. Improvements in external data availability will enhance our company assessments.

Ⓒ **Climate transition expectations:** Thematic expectation documents are the basis for communicating our expectations on climate change mitigation to the companies we invest in. The documents are continuously updated to follow best practice and reflect DNB's climate ambitions.

A key expectation of the companies we invest in is that they develop and implement credible decarbonisation strategies. Our newly established portfolio coverage target strengthens this focus, and we will continue to push companies to take action to reduce emissions in line with the goals of the Paris Agreement and to improve their corporate disclosures on climate.

Ⓓ **Products and services:** We offer a range of sustainability-themed funds to our customers, including both low-carbon and green transition products. These products allow customers to allocate their investments in accordance with their own sustainability preferences. Increasing the proportion of investments in these types of funds relative to the current product mix will also reduce our total carbon footprint.

Ⓔ **Climate expertise:** Development of climate expertise is predominantly managed at a group level, and tailored to the needs of specific business areas through targeted training. *See description of climate expertise in the previous section for further details.*

Decarbonising our own operations

DNB's contribution to the climate transition starts with our own operations. We take responsibility for our environmental footprint and are committed to achieving our targets. In this version of our transition plan, we focus on reducing the emissions resulting from our own use of fossil fuels (Scope 1) and emissions resulting from all power consumed by our own operations (Scope 2).

Key levers for reducing emissions in our own operations

For our own operations, there are two main levers for reducing emissions:

1. **Reducing consumption of the input factors that cause emissions:** For our Scope 1 emissions related to transport, this relates to reducing employee travel with company cars. As a majority of these emissions stem from customer meetings, our levers include planning for multiple meetings on the same route, and using other means of communication with customers, such as online meetings. For our Scope 2 emissions, energy efficiency measures and improved energy management are the key levers.

2. **Shifting to operations that are less carbon intensive:** For Scope 1 emissions from transport, shifting to vehicles with lower emissions, such as hybrids, electric vehicles or similar, will reduce emissions. Therefore, we aim to replace all fossil-fuel company-owned cars with electric vehicles and to transition the fleet of leased cars to low-emission options. When it comes to Scope 2 emissions, the emissions intensity of the power we consume is mostly beyond our control and it depends on the amount of power being imported and exported at a national level. However, we will analyse the environmental impacts when establishing new offices, as geographical location can have a significant impact in terms of e.g. a cleaner energy grid. We also strive to choose offices that have access to district heating and/or cooling.

Dependencies and dilemmas in reaching our decarbonisation targets

This transition plan reflects DNB's commitment to achieving our net-zero ambition. However, we cannot achieve this ambition on our own. We are part of a fundamental transformation of the global economy, which will be dependent on the collaboration of all economic actors.

There are many elements of uncertainty associated with our customers' climate transition, and this transition will be strongly dependent on the active support of policymakers, both nationally and internationally. Targeted rules and legislation and incentive schemes for both consumers and companies are necessary to ensure an orderly transition.

Currently, there is a substantial gap between projected 2030 global GHG emissions, and those associated with mitigation pathways that limit global warming to 1.5°C. The IPCC's modelled pathways that limit global warming to 1.5°C are contingent on immediate action and deep emissions reductions this decade. Nationally Determined Contributions (NDCs, countries' self-defined national climate pledges) currently lead to a median global warming of 2.8°C by 2100[4]. Similarly, the International Energy Agency's (IEA) Stated Policies Scenario is associated with a global median temperature increase of above 2.5°C by 2100[5]. A strengthening of policies is therefore considered essential for reaching the goals of the Paris Agreement[6].

DNB's transition plan serves as a guide to fulfilling our net-zero ambition, but our decarbonisation targets also highlight a set of dilemmas that we share with our customers and society at large. How we work with different stakeholders to resolve these dilemmas will be vital for achieving our net-zero ambition.

4. IPCC (2022) Synthesis report of the IPCC Sixth Assessment Report (AR6), Summary for Policymakers, p.11
5. https://www.iea.org/reports/world-energy-outlook-2021/scenario-trajectories-and-temperature-outcomes
6. IPCC (2022) Synthesis report of the IPCC Sixth Assessment Report (AR6), Summary for Policymakers, p.11

Balancing energy security with the energy transition

The energy sector plays a crucial part in the transition to a low-carbon economy. The world's energy systems must undergo substantial decarbonisation and a transition to renewable energy sources, while at the same time ensuring access to affordable energy for all. In this context, Norway plays a critical role in securing Europe's energy supply. On 23 June 2023, the Norwegian Government and the European Commission announced a joint declaration underlining Norway's role as a significant supplier of oil and gas to the EU[1]. The two parties agreed to strengthen their energy cooperation, under which the EU expects Norway to continue delivering gas beyond 2030 within the framework of the Union's climate ambitions. Balancing energy security needs with energy transition goals constitutes a fundamental dilemma for the energy sector, and for DNB as a leading provider of financing to the oil and gas industry in the North Sea market.

DNB will support customers working proactively to align their business with the goals of the Paris Agreement. We will also continue to promote and make use of the significant opportunities the energy transition presents by providing financing to renewable and clean energy technologies. However, as the recent energy crisis has shown, we must strike the right balance between scaling up low-carbon energy and upholding energy security. As with the rest of the economy, the achievement of our targets will depend on decarbonisation and the transition to renewable energy sources. Given this dependency, there may be periods of time when the actual decarbonisation of our portfolio is not perfectly aligned with our targets.

1. https://ec.europa.eu/commission/presscorner/detail/en/statement_22_3975

Strengthening our sustainability governance

Robust corporate governance strengthens DNB's ability to deliver on our strategy and on the objectives of the transition plan. The transition plan will be an integrated part of DNB's existing corporate governance, with clear responsibilities and roles for DNB's Board of Directors, Group Management, and employees.

Board of Directors

The Board of Directors is the final approver of the transition plan and related reporting. It will, together with Group Management, ensure that the transition plan is aligned with overall group strategy. The Board of Directors will be involved in the continuous development, potential revisions, and execution of the transition plan.

The Board will oversee the transition plan targets and the Group's climate ambitions. Progress on the targets in the transition plan will be reported in DNB's annual report.

Group Management

The Group Management team is actively involved in the continuous development and execution of the transition plan. The Group EVP of Communications & Sustainability is responsible for overseeing the implementation and continuous development of DNB's transition plan. Group EVPs within each business area and support unit have a defined responsibility for implementing the relevant elements of the transition plan and reporting on progress towards the related targets. Further, the Group Management team will discuss and provide direction for DNB's sustainability ambitions, including transition matters, at meetings with appropriate frequency and scope.

Group advisory committee and collaboration

The Group Sustainability Committee (GSC) is the advisory body for the Group EVP of Communications & Sustainability. Group-wide climate transition matters are addressed in this forum, in addition to following up the overall level of ambition and the achievement of targets in the transition plan. DNB also has various forums dedicated to the coordination of broader sustainability efforts across the Group, including responsible investments, sustainable finance, and supply chain management.

Updating and reporting

DNB's transition plan will be reviewed for updates annually or in the event of material developments. Developments in calculation methodology and available science-based climate scenarios will be monitored closely, and may result in changes to the target setting methodologies or reference scenarios used in DNB's transition plan. Progress reports will be published annually in accordance with DNB's financial reporting cycle.

Based on available methodology for target setting, most of our target trajectories have been stipulated in a linear manner towards the 2030 target. However, we do not anticipate that actual developments towards the targets will follow a linear path. Rather, on the contrary. We assume that there will be fluctuations for the targets, based on the elements that cause volatility. While we report on progress from year to year, we are mainly concerned with long-term positive developments and expect developments from year to year to be volatile.

Engaging with our stakeholders

A successful transition to a low-carbon economy is dependent on collaboration between a wide range of societal and economic actors. Governments, policymakers and regulatory bodies are essential for creating an environment that incentivises decarbonisation and the scaling up of climate solutions.

DNB has a strong focus on stakeholder dialogue today, and we will continue to work closely with governments, regulatory bodies, industry associations and global partners. We will use our position to inform decision-makers on the progress of the transition, key dilemmas, and challenges encountered in achieving our shared goals, and to foster cooperation both within the private sector and between the public and private sectors.

1989

First DNB climate-related funds launched
- DNB Miljøinvest (E)
- DNB Grønt Norden (CO_2)

1999

- Joined UNEP FI

2004

- Joined UN Global Compact

2006

- Became a member of the UN-supported Principles for Responsible Investment (PRI)

2015

- Paris Agreement launched
- SDGs developed

2016

- Joined RE 100

2017

- Core member of UNEP FI TCFD Pilot project
- First integrated annual report

2018

- First TCFD reporting in annual report
- First strategic sustainability ambitions and sub-targets
- Inaugural green covered bond
- Comprehensive sustainability targets developed

2019

- Signed UN Principles for Responsible Banking
- DNB actively involved in launch of Poseidon Principles
- Became member of Getting to Zero Coalition

2021

Sustainable strategy launched
- Net-zero target established
- 2030 targets for reducing financed emissions from lending to sectors with most impact
- Volume targets set for sustainable investments and financing
- Group Sustainability Committee established
- ESG Data Hub established

2022

- Joined PCAF and PCAF Nordic
- Inaugural green senior bond

2023

- Launch of climate transition plan

2024

- Progress on targets in annual report

2050

Chapter 2

Driving our customers' transition and reducing risk

Methodology

In DNB, we have based our target-setting methodology on available best practice and expert knowledge, so as to set science-based targets for relevant portfolios. We have developed an internal set of factors that is evaluated when setting a target:

1	Segments and financing type	Which sectors and financial products to include, and financing amount committed vs. drawn to cover exposure etc.
2	Activity and emissions scope	Which part of the value chain should be covered by each sector target, and which emissions scopes should be included (Scope 1, 2 and 3)
3	Target setting method	Sectoral Decarbonisation Approach, portfolio coverage etc.
4	Metric	Financed absolute emissions and emissions intensity, Weighted Average Carbon Intensity etc.
5	Baseline year	Which year to use as the baseline for each target (e.g., 2019, 2020, 2021)
6	Interim target year	Which year to set our first targets for: 2030
7	Scenario selection	Which scenario to select for baseline comparison and target setting
8	Calculation method	Which calculation methodology to apply when calculating baseline and target performance, Partnership for Carbon Accounting Financials, PCAF

Science-based targets: Science-based targets are emissions reduction targets that are aligned with carbon budgets based on climate science. Most commonly, these are emissions reduction targets that are set in accordance with an emissions reduction trajectory (often referred to as a climate scenario), limiting global temperature increase to well below 2 degrees Celsius (2°C). In developing this plan, we have consistently worked to set science-based targets based on a 1.5°C-aligned climate scenario. However, where a 1.5°C climate scenario is not yet available for the sector, we have used a 2-degree trajectory. Guidance for developing transition plans and setting science-based targets has been developed by member organisations of the Glasgow Financial Alliance for Net Zero (GFANZ) and the Science-Based Targets initiative (SBTi). We have used these frameworks as guidance for our target-setting, while also reviewing market practice related to this rapidly evolving topic.

Emissions scopes
Scope 1: Direct emissions from company-owned or controlled resources.
Scope 2: Indirect emissions from the generation of purchased energy and electricity.
Scope 3: All indirect emissions that occur in the value chain (resources not owned or directly controlled), including emissions from the use of sold products.

Key considerations

Coverage lending: In establishing our lending targets, we reviewed DNB's entire loan portfolio, considering both individual borrowers and corporate customers in Norway and abroad. We have prioritised setting targets for our most material sectors, defined as either carbon-intensive, high exposure, or both. This approach resulted in targets that cover approximately 70 per cent of DNB's estimated financed emissions from the lending portfolio, based on drawn exposure levels in 2019. For sectors previously covered by emissions intensity targets, we have updated the calculation methodology and ambition levels, where relevant. The new and updated targets will replace the previous targets as set out in DNB's sustainable strategy. We have prioritised using the Sectoral Decarbonisation Approach (SDA) in the target setting process. In line with Net-Zero Banking Alliance (NZBA) guidance, we have aimed to set targets using either absolute emissions or physical intensity; however, other metrics (e.g. absolute financing volumes) have been used where relevant. Most targets have been set using a physical intensity metric instead of an absolute emissions metric, as this allows us to consider the uneven pace of decarbonisation across sectors and to assess progress in sectors where emissions output may in fact grow, but at a decreasing rate of emissions intensity (e.g. power generation).

Coverage investments: When setting our investment targets, we analysed DNB's investment universe by looking for assets that give us a meaningful possibility to exert a positive

influence. Data availability has also been part of this analysis. We have therefore chosen to focus on equities, corporate bonds and real-estate investments. These asset classes all have decent data coverage and quality. For equities and corporate bonds, we have set targets intended to drive emissions reductions from the companies that control the emissions directly. We have also set a portfolio-wide emissions intensity reduction target for DNB Livsforsikring. For the real estate assets, which are owned by DNB Livsforsikring and for which we have more direct operational control and ownership of the associated emissions, we have set emissions reduction targets using the SDA guidance.

Coverage own operations: In this first version of DNB's transition plan, we have set targets for our own operations across Scope 1 and 2. Scope 3 emissions are not currently included in the targets, due to limited data availability, and lack of guidance. We aim to expand our set of targets to include Scope 3 in the next version of the transition plan.

Calculation method: DNB is a member of the Partnership for Carbon Accounting Financials (PCAF) and an active participant in the PCAF Nordics working group. Our financed emissions as of year-end 2019 are calculated according the PCAF methodology, which includes only on-balance sheet exposure.

Selecting base year and interim target year: We have selected 2019 as the baseline year for all targets, because this: 1) provides a high degree of data coverage; 2) reflects our ordinary course of business and resulting emissions excluding the impact of the COVID-19 pandemic during 2020 and 2021; and 3) allows us to present the broadest range of historical performance. Additionally, in line with the NZBA guidelines, we have chosen 2030 as our first emissions reduction interim target year.

Financed emissions as a metric: While financed emissions is an industry standard metric, several factors other than a change in our customers' emissions can cause it to fluctuate, including:

- → changes in the attribution factor (e.g. changes in exposure levels or in company/asset values);
- → changes in related calculation methodology or underlying data sources such as emission factors.

When assessing the performance of a financed emissions metric, it is necessary to consider the impact of the factors noted above. Our target trajectories have been stipulated in a linear manner towards the 2030 target. However, we do not anticipate that actual progress towards the targets will follow a linear path. Based on the factors outlined above, we assume that progress towards the targets will fluctuate. While we report on progress from year to year, we are mainly concerned with long-term positive developments, and we do not expect consistent developments from one year to the next.

Furthermore, key inputs to our transition plan are part of a rapidly developing area of work. As scenarios, calculation methodologies, and data inputs continue to evolve, DNB will evaluate the impact of these developments on our scenario selection and target-setting process.

Carbon removal credits: Achieving our net-zero ambition will require that both DNB and our customers continue to accelerate reductions in real-economy emissions. In light of this, our primary focus is on enabling meaningful emissions reductions and not on the use of carbon credits in the near term. However, we acknowledge that over the longer term, emissions from some activities will be more difficult to eliminate, and that carbon credits represent a potential solution for these residual emissions.

It is our intention to continue to decarbonise our operations so as to not need to use carbon removal credits. As part of our efforts, we will disclose details regarding the quantity, type and certification of our carbon credit retirements relative to the previous year.

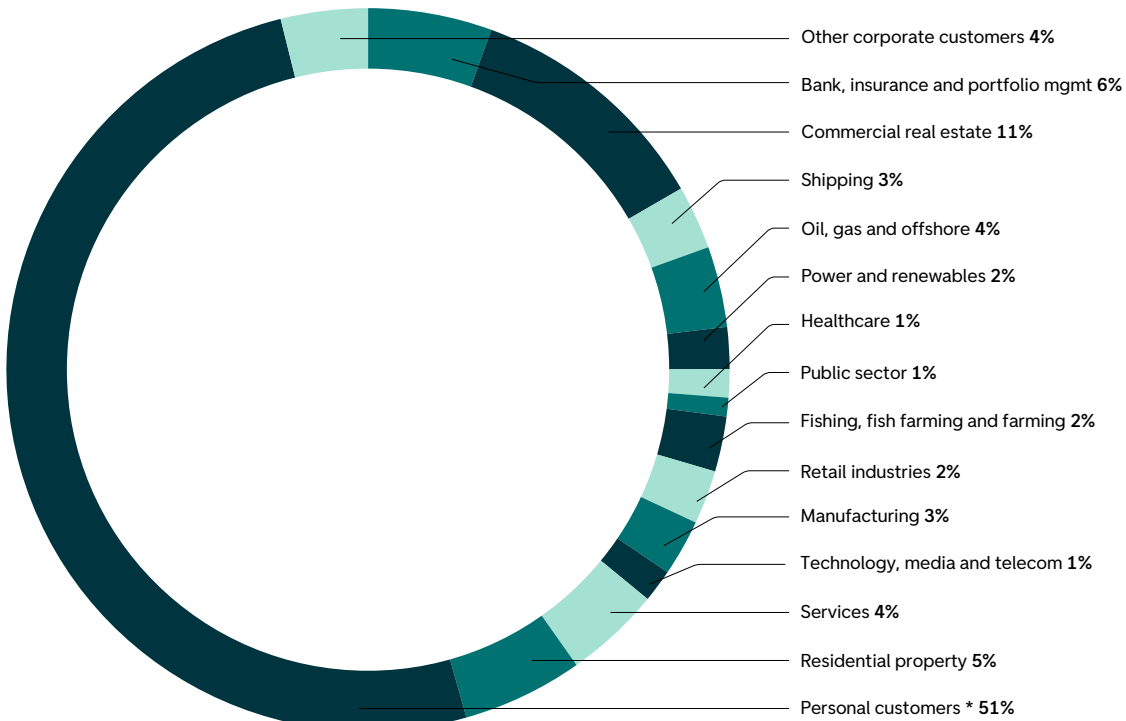
When considering the use of carbon credits for our own operations, we will only accept carbon removal credits, including those resulting from permanent removals such as carbon capture, usage and storage (CCUS) and credible nature-based solutions, in line with best practice. We note that this is an evolving topic and we are following developments closely.

Lending

DNB is Norway's largest financial services group, and the diverse range of sectors that comprise our loan portfolio reflects the composition of the Norwegian economy. Our lending exposure by sector is outlined below in Figure 3.

Customers following our merger with Sbanken: DNB's current targets do not include customers that were transferred to DNB through our merger with Sbanken. We aim to include these customers in our target coverage once they have been technically migrated into DNB's systems.

Figure 3: Lending exposure by sector, 2019



* Of which mortgages 45 per cent of total drawn amount

Real estate

The real estate sector is considered a carbon-intensive sector[7], with emissions primarily driven by the energy used in operating the property over its lifetime (Scope 2), as well as the construction process and related materials used (Scope 3). As a sector, real estate accounts for 40 per cent of all energy usage in Norway[8], and is therefore crucial for achieving both Norway's and the EU's climate ambitions.

Scenario selection: When calculating financed emissions and setting related targets for the real estate portfolio, DNB has used the scenario provided by the Carbon Risk Real Estate Monitor (CRREM). The CRREM scenario is deemed the best fit for DNB, as it provides science-based carbon reduction pathways at portfolio level for all the real estate asset groups, and is aligned with the SBTi and the IEA NZE2050 scenario. For the Home Mortgages and Housing Cooperatives portfolios we have used the CRREM pathways for single- and multi-family houses. For Commercial Real Estate we have applied the pathways for the specific building types that comprise our portfolio. DNB is using 2019 as baseline year, while the CRREM scenario has 2020 as year one. We do not believe that this affects our ability to set targets for 2030 along the scenario pathway.

Calculation approach: When calculating baseline performance across DNB's real estate portfolios, we have used emissions factors that in our view most accurately reflect the Norwegian energy mix, and which are based on high-quality, independent data sources such as the Norwegian Water Resources and Energy Directorate (NVE), the Norwegian Environment Agency and Norsk Energi. We recognise that CRREM's emissions factor is higher than DNB's calculated factor, and that is the primary reason why DNB's emissions intensity baselines are below the CRREM pathway.

Due to poor data quality, CO_2 equivalents from fluorinated gases are excluded from our calculations. We have therefore used the CRREM pathway that excludes fluorinated gases when setting our target.

Energy mix and emission factors: Low-emissions electricity production is a necessary component of the climate transition. Norway is fortunate to have access to such electricity due to the large share of hydroelectricity in the current power generation mix; however, electricity is also imported when necessary. The volume of imported electricity volume is forecast to rise in the coming years[9], and often has a higher emission factor. This can cause fluctuations in the overall emission factors applied to electricity consumed within Norway.

This poses a benchmarking and reporting challenge for DNB's real estate portfolio as higher emission factors could result in a higher financed emissions intensity, despite improved energy efficiency within the sector. This highlights the need to focus on improving energy efficiency as DNB's primary approach to reducing the emissions intensity of Norwegian real estate. As such, in addition to our emissions intensity targets, we will closely monitor the energy efficiency of our portfolio as a key metric.

Dependencies and dilemmas: While there are a number of dependencies and dilemmas that span our real estate portfolio, the below sections highlight those that are most material to each segment.

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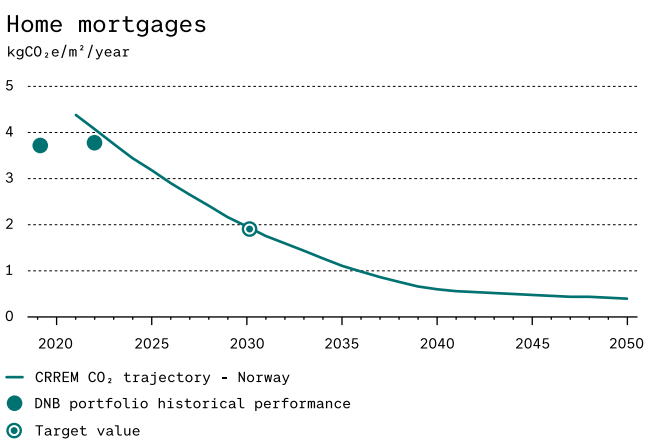
7. UNEP FI Guidelines for Climate Target Setting - Supporting notes - August 2022
8. Statistics Norway - 'Produksjon og forbruk av energi, energibalanse og energiregnskap'
9. Statnett - Kortsiktig Markedsanalyse 2023-28, 1.Sept.2023 and NVE analyse - Lite sannsynlig med kraftunderskudd de nærmeste årene, 14.Aug.2023

Segment	Metric	Scope	2019 baseline	2030 target	2030 target percentage change	Target method	Scenario selected	2019 PCAF score
Home mortgages	kg CO_2e/m^2/year	1 and 2	3.69	1.95	-47%	SDA	CRREM	3.95



Home mortgages

Why is the portfolio material?

DNB is Norway's largest bank for personal banking services, and our home mortgage portfolio is key to our relationship with personal banking customers. The portfolio represents approximately half of DNB's total lending portfolio and is a central part of DNB's overall business.

Explaining our target

DNB's baseline and target for home mortgages covers the entire portfolio and includes Scope 1 and 2 emissions. Due to data limitations, Scope 3 emissions have not been included at this point in time.

The emissions intensity is calculated using a combination of the buildings' energy performance certificates (EPCs)[10], national statistics for energy mix in Norwegian residential buildings, and the location-based emission factors for the relevant energy sources. Where EPC labels are not available, they are either estimated using property-specific data or an average portfolio emissions value is assigned where property data is insufficient. This approach results in an overall PCAF data quality score for home mortgages of 3.95.

We have applied the CRREM decarbonization pathway for residential property to evaluate our baseline and determine our decarbonisation target.

Our 2019 baseline for the portfolio is 3.69 kg CO_2e/m^2/year, below the CRREM pathway, and we have set a target to reduce this emissions intensity by 47 per cent by 2030, compared with the baseline year.

How we will reach our target

We will actively support and encourage our customers to improve the energy efficiency of their homes; however, reaching our target for home mortgages requires substantial investments in the Norwegian housing sector. Our customers need to be made aware of upcoming regulatory requirements, subsidies, and the appropriate measures they can implement to improve the energy efficiency of their homes in the most

cost-effective way. DNB will be an important part of this transition in several ways, as described in the sections below.

Products and services: DNB already offers a range of sustainable mortgage products, including green mortgages, green home equity credit loans, fixed interest loans with price incentives for housing with EPC-category A or B, and renovation loans for energy efficiency improvement measures in residential homes. Financing the upfront costs of energy efficiency measures is one of the biggest barriers for most homeowners, and the demand for suitable financing solutions is growing. We will further explore new financing models and partnerships to offer customers a wider range of services, and ensure closer integration with governmental support schemes.

Customer engagement: We aim to advise customers in their transition and contribute to an awareness of the risks and opportunities associated with sustainability in a broad sense and with the climate transition in particular. To achieve this, we are continuing to strengthen DNB's in-house competence on the topic in order to further support our customers.

Engagement with the industry and government: DNB will continue to engage with peers, industry associations, regulators, and policymakers on behalf of our customers regarding the need for standards and guidance.

Dependencies and dilemmas

Regulations and subsidies: Upcoming changes in regulations and market standards are highlighting a greater focus on the energy performance of buildings[11].

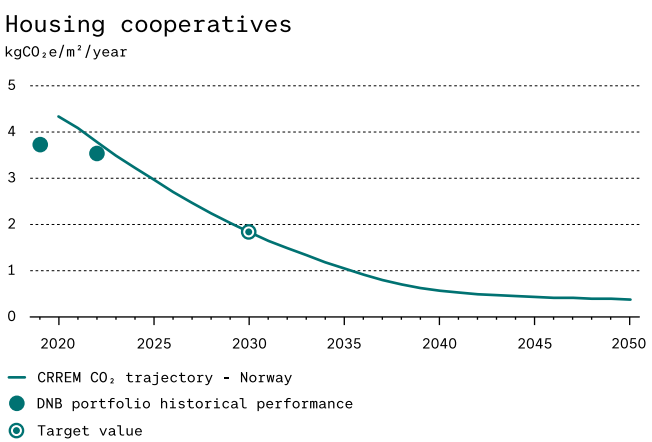
Improving the energy efficiency of Norwegian homes to the degree that is required to reach the net zero target for the portfolio is reliant on external factors beyond the control of DNB and our customers. DNB will therefore work actively in relation to policymakers, to discuss the importance of public-private and cross-border collaboration for achieving the broader decarbonisation efforts as outlined in the Paris agreement. Sector-oriented regulations and incentive schemes for both consumers and companies are necessary in order ensure an orderly transition. Without adequate changes in public policy and incentive schemes, the likelihood of DNB attaining its target for this sector is low.

Financial inclusion: Financial inclusion is one of DNB's focus areas within diversity and inclusion[12], and we are working actively on this topic through the development of responsible and innovative financial products and services.

To decarbonise our home mortgage portfolio, we are dependent on our customers investing in energy efficiency improvements for their homes. This can pose a challenge, as many of our customers may be unable to afford the necessary investments. In light of this, we will seek to balance our net-zero ambition with our commitment to financial inclusion.

10. Enova, Karakterskalaen. https://www.enova.no/energimerking/om-energimerkeordningen/om-energiattesten/karakterskalaen/
11. European Commission – "Questions and Answers on the revision of the Energy Performance of Buildings Directive" https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_6686
12. https://www.ir.dnb.no/sites/default/files/pr/202303097878-2.pdf?ts=1685008054, p.128

Segment	Metric	Scope	2019 baseline	2030 target	2030 target percentage change	Target method	Scenario selected	2019 PCAF score
Housing cooperatives	kg CO_2e/m^2/year	1 and 2	3.65	1.83	-50%	SDA	CRREM	3.71



Housing cooperatives

Why is the portfolio material?

Housing cooperatives constitute a large part of the Norwegian residential real estate market, and given DNB's market position and exposure to the sector, energy efficiency improvements in housing cooperatives are important for achieving our overall targets for financed emissions. Additionally, improvements made to energy efficiency in housing cooperatives will have a spillover effect to the related home mortgages portfolio, and vice versa.

Explaining our target

DNB's baseline and target for housing cooperatives covers 100 per cent of DNB's lending portfolio secured by collateral in properties owned by housing cooperatives (Norwegian: *borettslag*). The baseline and target include Scope 1 and 2 emissions. Due to data limitations, Scope 3 emissions are not included at this point in time.

Emissions from housing cooperatives are the result of the energy performance of the underlying units. The emissions intensity is calculated by using the underlying units' EPCs, national statistics for the energy mix in Norwegian residential real-estate buildings, and the location-based emission factors for the relevant energy sources. Where EPCs are not available for all units in a building, the units with available EPCs are used as a basis. The proportion of units with EPCs compared to those without determines the PCAF score. Knowing the actual energy performance of buildings would allow improved monitoring and reporting of energy intensity development, but this data is not currently available.

We have applied the CRREM pathways for single- and multi-family houses, to evaluate our baseline and determine our decarbonisation target.

Our baseline emissions intensity for 2019 is 3.65 kg CO_2e/m^2/year, which is below the CRREM trajectory value. We have set a target to reduce the emissions intensity of the portfolio by 50 per cent by 2030 compared with our baseline year 2019, aligned with the CRREM pathway.

How we will reach our target

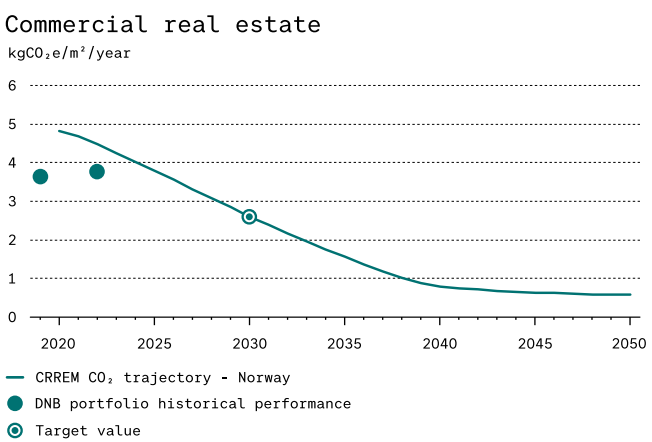
DNB will engage with customers and provide incentives for the transition by providing green financing for highly energy-efficient buildings, and for sustainable refurbishment as well as energy efficiency measures in existing buildings.

Our customers' ability to improve the energy efficiency of their homes is heavily dependent on active intervention and support from policymakers. In light of this, we will advise our customers on public support schemes and related incentives that specifically target housing cooperatives. To do this, we are strengthening DNB's in-house competence so as to be able to support and assist our customers in the process, particularly in relation to support from Enova.

Dependencies and dilemmas

Housing Cooperatives ultimately reflect a group of individual home mortgages, and as such the relevant dependencies and dilemmas are broadly aligned. Please see the Home Mortgages segment for further detail.

Segment	Metric	Scope	2019 baseline	2030 target	2030 target percentage change	Target method	Scenario selected	2019 PCAF score
Commercial real estate	kg CO_2e/m^2/year	1 and 2	3.68	2.61	-29%	SDA	CRREM	4.4



Commercial real estate

Why is the portfolio material?

Commercial real estate is one of DNB's largest portfolios, and given its high energy use, it represents a substantial opportunity for DNB to support our customers in making the transition to a low-emissions future.

Explaining our target

The commercial real estate (CRE) portfolio baseline and target covers loans secured by collateral in a property used for commercial purposes, including leasing of residential property. We have chosen to start by focusing on properties located in Norway, which made up 95 per cent of the total portfolio in 2019, and we aim to further improve coverage over time.

The baseline and target include Scope 1 and 2 emissions. Due to data limitations, Scope 3 emissions have not been included at this point in time.

The calculated emissions intensity is based on the buildings' estimated energy performance, an estimated energy mix for Norwegian commercial real estate, and a location-based emission factor for the relevant energy sources. EPC labels are available for approximately 20 per cent of the portfolio in the baseline year. We have extrapolated energy intensity for the baseline year for the remaining 80 per cent of the portfolio, using statistical average data from the Carbon Risk Real Estate monitor (CRREM) for the specific building types available. This approach results in an overall PCAF data quality score for commercial real estate of 4.4.

We have applied the CRREM pathway for Norway to evaluate our baseline and determine our decarbonisation target. DNB's baseline for commercial real estate in 2019 is estimated to 3.7 kg CO_2e/m^2/year, which lies below the trajectory value. We have set a target to reduce the emissions intensity of the commercial real estate portfolio by 29 per cent by 2030, compared with 2019. This target is aligned with the CRREM pathway value in 2030.

Subsegment	Share
Leasing of hotels	12%
Leasing of office premises	43%
Leasing of residential property	14%
Leasing of store facilities	9%
Leasing of shopping centres	6%
Leasing of warehouse/logistics	16%

Share per subsegments in calculation of baseline and pathway based on EAD.

How we will reach our target

We expect three main drivers to contribute to increased energy efficiency among our customers:

- → **Market effects:** Increased differentiation between buildings based on their energy efficiency by tenants, investors and banks, which will lead to an increased need for energy improvements to maintain a building's competitiveness in the market.
- → **Regulatory requirements:** As with home mortgages, proposed regulations are highlighting a greater focus on the energy performance of buildings in the future.
- → **Technological changes:** For example, energy control systems, smart ventilation and lighting, and the installation of solar panels.

DNB will engage with customers and provide incentives through green financing for refurbishment and energy improvement measures, and sustainability-linked loans that provide discounts linked to the achievement of ambitious energy efficiency goals. In addition, in DNB we will increase our efforts relating to advisory services and information on energy improvements, and energy efficiency will increase in importance in credit risk assessments.

This may require the exclusion of customers in cases where there is no plan for improving buildings or interest in doing so. Moreover, as emissions targets and increased risk will impact all banks, competition for low-emissions properties will increase.

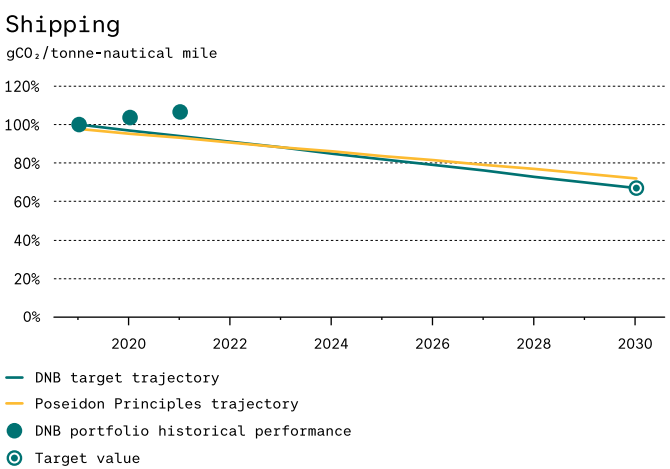
Dependencies and dilemmas:

Improved data quality will have an impact on energy intensity: As data availability and quality improves, the calculated energy intensity could improve or deteriorate, as actual data may deviate from what was estimated. We will work continuously to improve the PCAF data quality score for the sector and transparently present any impact on target achievement due to changes in data quality.

Obtaining data on the actual energy performance of buildings would allow the monitoring and reporting of developments in energy intensity, but this data is currently not available. As a first step, DNB is currently in dialogue with Elhub regarding data access for actual energy usage.

Technological advancement: Technological developments and increased adoption within commercial real estate are another key external driver vital for reaching our target. Many of the solutions are currently available in the market, such as energy control systems, smart ventilation and lighting, and installation of solar panels. For available technologies, DNB has an important role to play in advising our customers on solutions that suit their buildings and other renovation needs, as well as on suitable financial products and available incentives.

Segment	Metric	Scope	2019 baseline	2030 target	2030 target percentage change	Target method	Scenario selected	2019 PCAF score
Shipping	gCO_2/tonne-nautical mile	1	100% (indexed value)	66.7%	-33,3%	SDA	Poseidon Principles V4.2	1.0



Shipping

Why is the portfolio material?

Today the shipping sector transports close to 90 per cent of global trade, and while the industry is responsible for approximately 2.5 per cent of global CO_2 emissions, it remains the most carbon-efficient method of transporting goods over long distances. DNB is a leading shipping bank with an on-balance sheet exposure of NOK 48 billion in baseline year 2019. Our portfolio covers the full breadth of the sector. As a result, we understand the unique challenges to decarbonisation resulting from the nature of the sector and its global span.

Explaining our target

The scope of DNB's target is aligned with reporting under the Poseidon Principles, covering Scope 1 emissions for vessels equal to or above 5 000 gross tonnes (GT). This results in coverage of approximately 94 per cent of DNB's portfolio in 2022, with respect to both exposure and emissions.

DNB has selected the Annual Efficiency Ratio (AER), measured in gCO_2/tonne-nautical mile, as the metric for this sector. Loan-weighted AER by vessel type is the industry standard for global shipping emissions intensity used by the IMO and the Poseidon Principles. We track the year-on-year changes by vessel type segment by segment, with the 2019 baseline indexed at 100. Further information can be found in DNB's latest annual report.

DNB aims to reduce the emissions intensity of its shipping portfolio by 33.3 per cent by 2030 against a base year of 2019. This target level is currently more ambitious than the reduction required under the Poseidon Principles.

DNB is one of the founders of the Poseidon Principles, a voluntary initiative under which international shipping banks measure and disclose the climate alignment of their ship finance portfolios. The Principles are generally structured around the goals, established calculation methods and reporting framework of the International Maritime Organization (IMO), which governs the global shipping industry and its decarbonisation strategy.

How we will reach our target

All new projects and vessels are assessed with respect to emissions and energy efficiency.

Customer analysis is carried out by means of an integrated ESG and transition risk assessment, which incorporates the AER metric and underpins our decision-making process. This assessment is comprised of an internal ESG risk assessment tool supported by internal and external data sources, and it considers risks on different time horizons:

- → **Short-term:** emission status and performance /the Poseidon Principles.
- → **Medium-term:** status and programme for regulatory compliance in connection with emissions (carbon intensity indicator, CII).
- → **Long-term**: target setting, transition plan, fleet development plan, new technology initiatives and pilots.

Additionally, DNB is an active contributor to the sustainable shipping agenda and has been involved in several initiatives focusing on ESG, climate, and transition for several years. These include, but are not limited to, the Green Shipping Programme, the Getting to Zero Coalition, the UN Global Compact Ocean Action Platform and the Poseidon Principles.

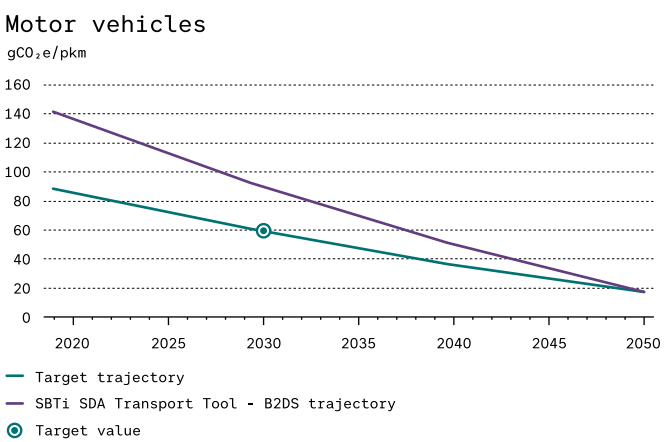
DNB will continue to partner with industry leaders that share our net-zero ambitions and strive to accelerate the adoption of low- and zero-emissions solutions within the sector. We are in active dialogue with our customers and will maintain our preference for those following best practice, owning or operating high-quality vessels, and pursuing their own transition plans. We will increase our efforts relating to advisory services, and will continue to provide sustainable finance solutions, such as sustainability-linked loans and green and transition loans where applicable, to support investments in best available technology vessels, such as new fuel-flexible vessels and energy saving technologies for existing vessels.

Dependencies and dilemmas:

Technological development: for shipping, the technological solutions for low-carbon, deep-sea vessels are likely to be commercially available from the middle of this decade; however, in order to reach net zero, the sector will require low- and zero-carbon fuels becoming commercially available at scale, and there is substantial uncertainty regarding the timeline necessary to achieve this. The cost and availability of new green fuels are key, and a delayed upscaling of production and distribution of new fuels will hence delay the pace of decarbonisation of the sector and our portfolio. In the interim, there are a number of steps our customers can take, such as voyage optimisation, fleet modernisation, and technical upgrades to improve efficiency. However, these steps will only achieve part of the necessary emissions reduction.

Climate scenario: a widely accepted 1.5°C-aligned sector-specific scenario is not currently available for shipping. As a result, DNB and most of our peers use the current Poseidon Principles framework and decarbonisation trajectory, or variations of these. In July 2023 the IMO agreed on a new net-zero strategy and the Poseidon Principles are currently in the process of developing new net-zero trajectories. We are awaiting the outcome of this process and will evaluate the new pathway, and DNB's associated target, once it is published.

Segment	Metric	Scope	2019 baseline	2030 target	2030 target percentage change	Target method	Scenario selected	2019 PCAF score
Motor vehicles	gCO_2e/pkm	1 and 2	89	60.52	-32%	SDA	SBTi SDA Transport Tool - B2DS scenario	4



Motor vehicles

Why is the portfolio material?

DNB offers operational and financial leasing contracts, fleet management, and loans to corporate customers, public sector entities and consumers in Norway, Sweden, Denmark, and Finland. The business is conducted through vendor partnerships and direct sales, in close cooperation with customer advisers in DNB. The largest asset class in the portfolio is passenger cars and light commercial vehicles.

According to the IEA, the transport sector must reduce its emissions by about 25 per cent[13] by 2030 on a global scale in order to be aligned with the NZE scenario. CO_2 emissions from passenger cars and light commercial vehicles contribute substantially to the total CO_2 emissions in the transport sector[14].

Explaining our target

DNB has chosen a physical emissions intensity target for our motor vehicles portfolio. The target covers well-to-wheel, Scope 1 and Scope 2 emissions associated with loans and leasing for passenger cars and light commercial vehicles, and is set to a 32 per cent reduction of gCO_2e/pkm by 2030.

The SBTi has not yet developed a dedicated methodology for how *financial institutions* should set targets for this sector, so we have instead used its SDA tool for the transport sector. This tool uses data from the IEA Mobility Model and offers both a 2°C and Beyond 2°C scenario pathway.

We have selected the more conservative Beyond 2°C pathway, and our baseline of 89 gCO_2e/pkm in 2019 is well below the related trajectory, resulting in a more gradual emissions reduction trajectory towards 2050 than the scenario pathway. DNB will review the target once a 1.5°C-aligned, sector-specific scenario is available.

The baseline is estimated using GHG emissions per vehicle type and driving distance on a national average level, resulting in an average PCAF data score of 4.

How we will reach our target

To achieve our target, we must increase the share of zero-emission vehicles in the portfolio. Since 2019 there has been a strong shift in the Nordic markets towards zero-emission vehicles, such as electric vehicles (EVs), and this trend is expected to continue in the time ahead. This will contribute significantly to the achievement of DNB's target.

Further, we will actively pursue and prioritise distribution agreements with partners that have product portfolios and business plans in line with the net-zero ambition. A strong product range will increase the attractiveness for partners with net-zero aligned assets and financing needs. DNB will continue to develop green products and concepts for customers and partners, such as Autolease's Greenlease concept, which aims to facilitate the transition of vehicle fleets from fossil fuel to zero-emission alternatives.

We will continue building competence on climate transition matters, engage with established partners to better understand how we can support their net-zero ambitions, and further integrate related considerations into our strategy and processes.

Dependencies and dilemmas

Electrification of the transport sector is dependent on regulations

Looking to the future, proposed national and EU regulations will push for electrification of assets in our motor vehicles portfolio. The primary goal of Norway's National Transport Plan is that[15] all new cars and vans offered on the Norwegian market in 2025 are to be zero-emission vehicles. EU's 'Fit for 55' package[16] states that all new cars and light commercial vehicles placed on the EU market are to be zero-emission by 2035.

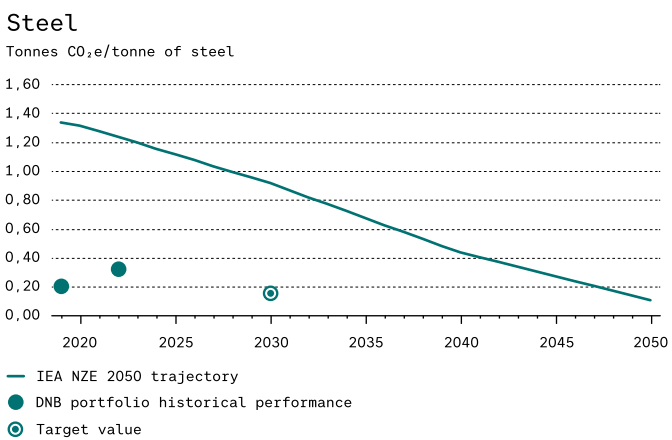
Failure to achieve these ambitions will likely mean that the electrification of road transport will take longer than currently projected in existing climate scenarios. Net-zero scenarios such as IEA NZE2050[17] support the view that the transport sector is reliant on policies to promote modal shifts.

Ensuring a just transition

A shift towards a cleaner transport sector is of utmost importance, and in DNB we will drive the transition to the best of our ability. However, ensuring a just transition must also be taken into account. DNB serves customers for whom an electric car is not currently within financial reach or does not make practical sense. DNB will continue to offer financing alternatives to these customers.

13. Transport – Topics - IEA
14. Cars and Vans - IEA
15. Meld. St. 20 (2020–2021) - regjeringen.no Full text in Norwegian only, summary in English.
16. 'Fit for 55': Council adopts regulation on CO_2 emissions for new cars and vans - Consilium (europa.eu)
17. Net-zero by 2050 – Analysis - IEA

Segment	Metric	Scope	2019 baseline	2030 target	2030 target percentage change	Target method	Scenario selected	2019 PCAF score
Steel	Tonnes CO_2e / tonne of steel	1 and 2	0.22	0.154	-30%	SDA	IEA NZE 2050	1.0



Steel

Why is the portfolio material?

While DNB's on-balance sheet exposure of NOK 479.2 million is relatively limited, the manufacture of steel was estimated to account for 7 per cent of global CO_2 emissions in 2019[18]. However, the industry is about to take a substantial leap towards fossil-free steel production due to technological and process improvements, including conversion to a hydrogen-based reduction process. This shift highlights the potential contribution that the steel sector can make towards decarbonising other sectors such as construction and transportation, for which steel is a key input.

Explaining our target

Our 2019 baseline emissions intensity is 0.22 tonnes CO_2e/tonne steel. This reflects the fact that our customers' production is located in the Nordics and benefits from low-emissions-intensity electricity, and that our customers are at the forefront of technological developments relating to low-emissions steel production. In support of our customers' efforts, we have set an emissions intensity reduction target of 30 per cent by 2030, against the 2019 base year. As with our baseline, this 2030 target will keep us well below the trajectory required under the IEA's Net Zero 2050 scenario.

How we will reach our target

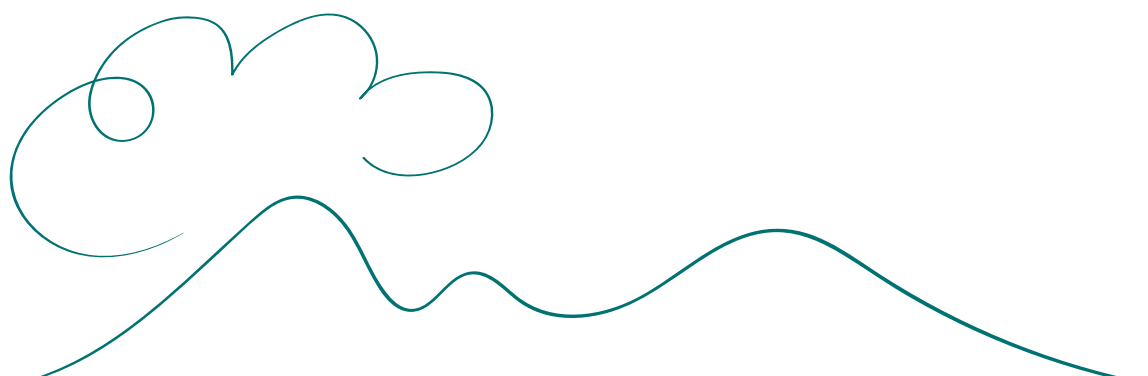
We will continue to support companies in the steel sector that are at the forefront of emissions reduction or that have clear ambitions to transition to a low-emissions business model. Our approach to the sector will therefore be to continue focusing on customers that go beyond the minimum required sustainability standards, and that actively seek to decarbonise their operations. Our customers are leading the way to transition the sector to a low-emissions future.

Dependencies and dilemmas

Our portfolio had a relatively low emissions intensity in the baseline year, 2019, and is made up of a small number of customers. In light of this, we are dependent on all our customers being able to further decarbonise their operations in line with expectations. If one customer is unable to progress as expected, this will have a substantial impact on the emissions intensity of our portfolio as a whole, due to its small size.

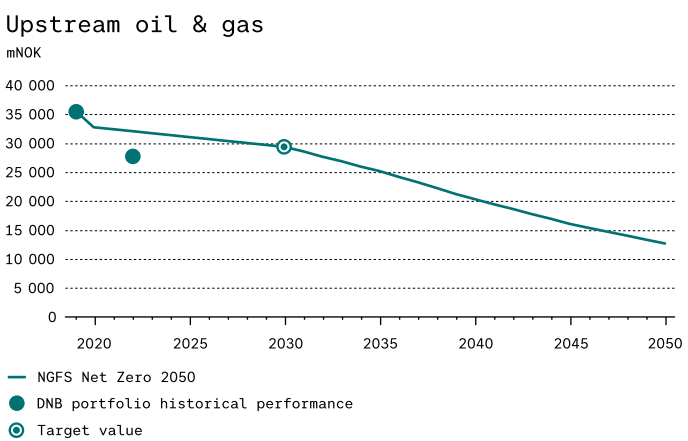
Energy

DNB is a leading financial institution in the Nordics for the energy sector, focusing on both oil and gas and renewable energy, and thus representing the balanced approach necessary to transition today's energy system. Building on our historical experience within the energy sector, DNB is in a unique position to support an orderly transition that balances the need for reduced emissions from energy production with the growing need for energy security and affordability. This section will provide further detail on both our oil and gas and power generation portfolios, through which we are actively supporting this transition.



18. The International Energy Agency, Net Zero by 2050

Segment	Metric	Scope	2019 baseline	2030 target	2030 target percentage change	Target method	Scenario selected	2019 PCAF score
Oil and gas	NOK billion	1, 2 and 3	35.8	29.5	-18%	Absolute committed lending exposure	NGFS Net Zero 2050	n/a



Oil and gas

Why is the portfolio material?

Oil and gas are instrumental components of the global energy system and society in general, comprising more than 50 per cent of the energy mix[19]. At the same time, oil and gas constitute a substantial source of emissions and are considered to be carbon-intensive[20]. Approximately 90 per cent of the sector's total emissions come from the end-use of petroleum and petroleum-related products[21].

DNB's committed lending exposure to the sector was NOK 35.8 billion in 2019, the baseline year. DNB's portfolio covers companies investing in renewable energy production and clean energy technologies, as well as pure-play oil and gas companies working to reduce emissions from their own operations.

Explaining our target

Our oil and gas portfolio target covers upstream oil and gas activities. We have chosen to focus on this part of the value chain as it represents approximately 90 per cent of DNB's portfolio within upstream, midstream, and downstream oil and gas. As with the other sectors covered in this report, we will evaluate opportunities to increase coverage over time. DNB has selected absolute committed lending volumes, excluding trade finance and guarantees, as our target metric for this sector.

We are aiming to align our upstream oil and gas lending portfolio with the oil and gas global supply curve, as set out in the Network for Greening the Financial System (NGFS) Net Zero 2050 scenario. The supply curve was selected as it reflects the real-economy activity that DNB is financing, and the scenario outlines an 18 per cent reduction in supply between 2019 and 2030. In light of this, DNB has set a target to reduce absolute committed lending volumes to the upstream oil and gas sector by the same percentage by 2030, using 2019 as a baseline.

This target does not reflect a strategic objective to exit the sector, but rather acknowledgement that the required volumes of oil and gas in the energy mix are projected to decline over time, according to DNB's chosen reference scenario.

The new target will replace DNB's existing emissions intensity target for oil and gas.

How we will reach our target

The target will be reached through dynamic portfolio adjustments and by focusing our business strategy more on the North Sea market, where we will maintain our role as a leading bank for the oil and gas industry through the energy transition towards net zero.

In view of this, DNB will continue to finance upstream oil and gas activities and to support customers that aim to reduce emissions from their own operations, as well as those that are investing in renewable energy production and clean energy technologies.

Ultimately, achieving a reduction in emissions from the energy sector will require a concerted effort from consumers, industries and governments globally.

Dependencies and dilemmas

Oil and gas in a Norwegian context: Recent geopolitical events in Europe will have long-term consequences for both security and energy policy, and oil and gas from the North Sea market remains crucial to the European energy system[22].

There are currently no science-based 1.5°C-aligned decarbonisation scenarios with no or low temperature overshoot that adequately reflect Norway's unique national position as an important energy provider to Europe, both now and in the future. Consequently, DNB's approach aims to balance our net-zero ambition with Norway's role in facilitating an orderly energy transition.

Balanced energy transition: The energy transition means replacing hydrocarbons, which have accounted for more than 80 per cent of the global energy mix since the 1980s[23]. In order to achieve this, the energy system will need substantial investments in clean energy solutions, combined with ongoing technological development and innovation beyond the current pace.

DNB is dependent on national policies that ensure energy companies produce the volumes of oil and gas that are necessary for a secure and orderly transition, while at the same time encouraging the required build-out of renewables.

Emissions from our customers: The committed exposure metric does not directly measure financed emissions. It remains critical that our upstream oil and gas customers continue their efforts to reduce emissions from their own operations, and that the technologies necessary to reduce the emissions from the products they provide are brought to scale. We will continue to emphasise these points as part of our customer engagement and internal decision-making processes. On average, our customers have a lower emissions intensity per barrel than the global average, and DNB will continue to track the emissions intensity of our portfolio. DNB has set an exposure reduction target for this portfolio. However, we will also annually measure and report on absolute financed emissions.

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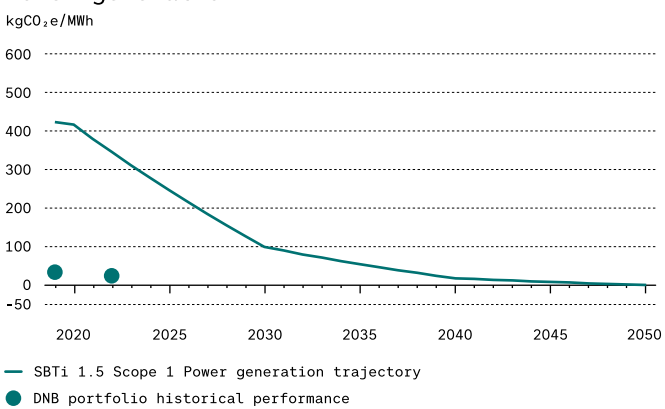
19. https://www.energyinst.org/statistical-review
20. UNEP FI Guidelines for Climate Target Setting - Supporting notes - August
21. Net Zero, Scope 3 emissions and the energy industry (dnv.com)
22. https://ec.europa.eu/commission/presscorner/detail/en/statement_22_3975
23. https://ourworldindata.org/energy-mix

Segment	Metric	Scope	2019 baseline	Scenario selected	2019 PCAF score
Power generation	kg CO_2e/MWh	1	29.3	SBTi 1.5 Scope 1 power generation	2.6

Power generation



Power generation

Why is the portfolio material?

Electricity generation is expected to increase by 3.2 per cent annually at a global level until 2050[24]. Growing the share of renewables is an opportunity to decarbonise both the production of electricity and the sectors that are, and will become, major consumers of it.

DNB is a leading financial institution in the Nordics for the renewable power generation sector and has a strong presence in selected international geographies. DNB's on-balance sheet exposure to the sector in baseline year 2019 was NOK 18.9 billion, of which 94 per cent was related to renewable power generation. This has further increased to 97 per cent in 2022.

Tracking our financed emissions

Given the projected growth in power generation necessary to facilitate the broader electrification of society, DNB has selected an emissions intensity metric to measure financed emissions from the sector.

The baseline covers Scope 1 emissions for all on-balance sheet exposure in the power generation portfolio for both financing to corporate customers and project finance. It is calculated by aggregating power production volumes for each power generation technology (e.g. solar, wind, gas, etc.) and multiplying by the relevant emission factor for each[25]. Where renewables projects have fossil-fuel sources as backup generation, a generation-source weighted average is applied. This approach has resulted in a PCAF data quality score of 2.6. Scope 3 emissions primarily relate to construction activities and are not currently included due to data and methodological limitations. Scope 2 emissions are negligible and have therefore been excluded.

The portfolio is baselined against the 1.5°C scenario (world) developed by the SBTi. DNB's performance of 29.3 kg CO_2e/MWh in 2019 is already well below the performance level required by 2030, and reflects a strategic decision to primarily finance renewables within our power

generation portfolio. However, this presents a challenge, as setting a 2030 target below such a low baseline would limit our ability to support customers with credible transition strategies as they move from a higher to lower emissions generation mix.

How DNB will work with the sector to ensure progress towards lower emissions

DNB will maintain our industry strategy of financing renewable energy and power-related infrastructure. We will continue to deliver on our clear ambition to grow exposure towards zero- and low-emissions technologies while supporting customers with clear transition strategies.

To achieve this, we aim to maintain and grow our position in all markets where we have dedicated teams. We will continue to service our broad base of power developers, independent power producers, utilities companies, corporate customers, and institutional and financial investors in our markets.

We will focus on customers and transactions from our existing key hubs and continue financing established technologies such as hydropower, wind power, solar power, and electricity transmission and district heating systems. Additionally, we will evaluate new related technologies and business models as they emerge. To a limited degree, DNB may also finance gas-fired peaker plants (preferably with CCS) which provide vital backup and stabilisation services to grids with increasing levels of intermittent renewable energy. DNB will not finance coal-fired power, except via utilities companies for which coal represents a minority share of the energy mix, and where the company has a clear strategy to transition its existing fleet away from fossil fuels in line with DNB's transition plan.

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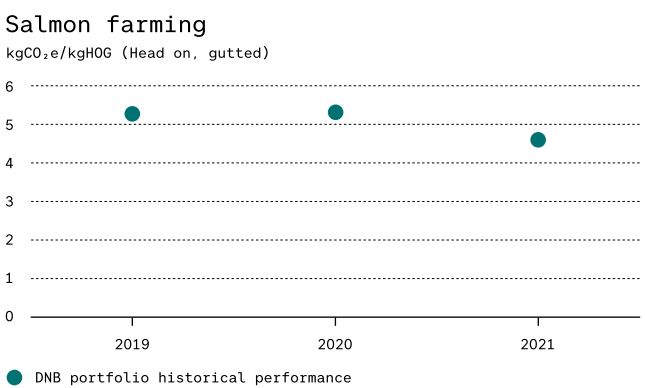
24. https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf
25. Emission factors used are from NVE's climate declaration for physically delivered electricity (*Hvor kommer strømmen fra?*)

Segment	Metric	Scope	2019 baseline	Scenario selected	2019 PCAF score
Salmon farming	kg CO_2e/kg HOG (Head-on-gutted)	1, 2 and 3	5.29	n/a	4.4



Salmon farming

Why is the portfolio material?

DNB is a leading bank for the seafood sector in general, and for the aquaculture subsector of salmon farming in particular, with a presence in strategic geographic locations globally. Salmon farming represents close to half of DNB's large corporate customers' seafood portfolio, with an on-balance sheet exposure of NOK 10.1 billion in the baseline year of 2019. The global food system is estimated to account for 30 per cent of the world's greenhouse gas emissions[26]. Farmed salmon can play an important part in reducing those emissions, as its carbon footprint is lower than that of many other sources of protein such as shrimp, pork and beef[27]. Given that the global population is growing, what we eat will be increasingly important if we are to reduce emissions in line with what is needed.

Tracking our financed emissions

There is currently no sector-specific decarbonisation pathway available for aquaculture or salmon farming. For this reason, DNB has decided not to set an emissions reduction target at this point in time. Instead, we have estimated our Scope 1, 2, and 3 financed emissions intensity and will report progress on this metric annually. We continue to support the sector's climate transition and will consider setting a financed emissions intensity target for the sector once a sector-specific 1.5°C scenario becomes available.

How DNB will work with the sector to ensure progress towards lower emissions

DNB aims to maintain a leading position in salmon farming, by supporting traditional open sea cage-based farming and new farming technologies such as land-based farming, closed farming, semi-closed facilities at sea, and offshore farming.

We will be a driving force for reducing financed emissions in the industry and will support the sector through a continued focus on sustainable finance products. DNB has, to date,

facilitated more than USD 7.5 billion in sustainable finance transactions for the sector since 2019.

The largest Norwegian salmon farming companies have set 2030 emissions reduction targets that are either 1.5°C-aligned or well below 2.0°C-aligned, and have already made substantial progress on reducing Scope 1 and 2 emissions. Companies in other regions are following suit; however, Scope 3 emissions account for approximately 80 per cent of the sector's total emissions. These emissions are primarily related to feed ingredients, but also transport for the final product which is exported by air instead of by land or sea.

DNB will facilitate financing for new technologies and more climate-friendly solutions, so that we are a valued partner for customers that are actively working towards the climate transition. Active dialogue and clear expectations of our customers relating to reducing their emissions and to their associated climate transition strategies is one of our key levers. We will push for concrete engagement on the part of our customers.

DNB will also work actively across the industry to share knowledge and insights on how companies can work towards further reducing their emissions.

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26. Field to fork: global food miles generate nearly 20% of all CO^2 emissions from food. https://environment.ec.europa.eu/news/field-fork-global-food-miles-generate-nearly-20-all-co2-emissions-food-2023-01-25_en
27. Sintef, Greenhouse gas emissions of Norwegian seafood products https://www.sintef.no/contentassets/25338e561f1a4270a59ce25bcbc926a2/report-carbon-footprint-norwegian-seafood-products-2017_final_040620.pdf/

Segment	Metric	Scope	2022 baseline	2030 target	2030 target percent increase/decrease	Target method	Scenario selected	2019 PCAF score
Asset management	Share of AUM with science-based targets	1, 2 and 3	24%	58%	+34%	Portfolio coverage	IEA NZE2050	n/a
	Number of high emitting companies with have dialogue with on climate	1, 2 and 3	n/a	30 (2023)	n/a	Engagement	n/a	n/a

Investments

A large part of DNB's business stems from investing capital on behalf of our customers. Individuals who put their savings in funds, companies that save for their employees' pensions, and global institutional investors seeking a return for their clients are all customers that trust us to manage their assets. This is a responsibility we take seriously. Responsible and sustainable investment strategies have therefore been fundamental to our work for many years and are integrated across all strategies and asset classes.

With total assets under management (AUM) of NOK 809 billion at year-end 2022[28], we have an opportunity to make a difference, and we seek to encourage both the companies we invest in and the customers we invest on behalf of to participate in our efforts to reach net zero.

DNB Asset management

Why is this material?

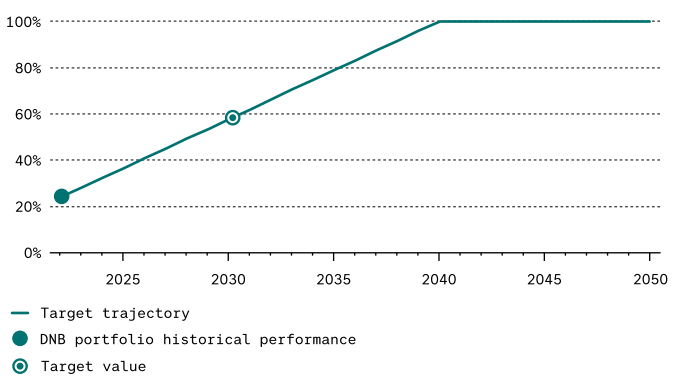
DNB Asset Management (DNB AM) seeks to drive real-world impact in terms of emissions reductions. As an asset manager, we are dependent on emissions reductions from the companies we invest in. We have therefore been engaging with companies on setting emissions reduction targets for years and we see this as our main lever for contributing to emissions reductions in our portfolios.

Explaining our targets

DNB Asset Management has set a target based on the SBTi's portfolio coverage methodology, in line with market practice for asset managers. The target entails that we increase the proportion of our investments that have science-based

Portfolio coverage target DNB AM

Share of AUM with science-based targets



emissions reduction targets. Our target covers equities and corporate bonds. We have set a target based on the baseline AUM with science-based targets (SBTs) at year-end 2022. A linear path was drawn to 100 per cent in 2040, giving a target for 2030 of 58 per cent of AUM with science-based targets.

In order for the targets of the companies we invest in to count towards our target, they should be approved by the SBTi. However, DNB AM may accept targets that are not SBTi-approved but that are science-based. We have developed an in-house framework to review companies' science-based targets and can accept targets and actions by companies that meet our criteria. The framework was developed using the framework of Climate Action 100+ (CA100+, of which DNB AM is an investor signatory) as a basis, along with input from other sources including the Carbon Disclosure Project (CDP), the Institutional Investors Group on Climate Change (IIGCC), the Task Force on Climate-Related Financial Disclosures (TCFD), and the SBTi. We see that our approach is well-aligned with target assessment frameworks from sell-side research houses. Our approach will allow companies within sectors that do not currently have an SBTi methodology to be given credit for their transition efforts if they meet our criteria.
In addition to the portfolio coverage target, DNB AM currently reports overall weighted average carbon intensity (WACI) figures in the annual report for responsible investments and uses these figures as a governance tool for seeing the long-term trends and the effect of the work on active ownership and engagements related to emissions.

How we will reach our targets

To achieve our targets, we will utilise active ownership and work with companies to reduce their emissions within a recognised, scientifically developed carbon budget. In addition, investment decisions are made by fund managers on an ongoing basis through selection decisions. Formal exclusion may also be exercised where necessary. In DNB AM, we will continue our work on climate change and net-zero 2050 targets. This will include:

- → continued active ownership with a focus on our largest holdings in the most carbon-intensive sectors, with regard to emissions reductions and target setting, both in direct operations and in supply chains;
- → continued collaboration with investor groups for greater impact;
- → enhanced reporting of emissions metrics and the use of more forward-looking metrics in our assessment of companies' trajectories; and
- → discussions with our customers (both large institutions and retail customers) on ESG-related matters, so as to provide product solutions that suit their specific ESG preferences and ambitions for carbon emissions.

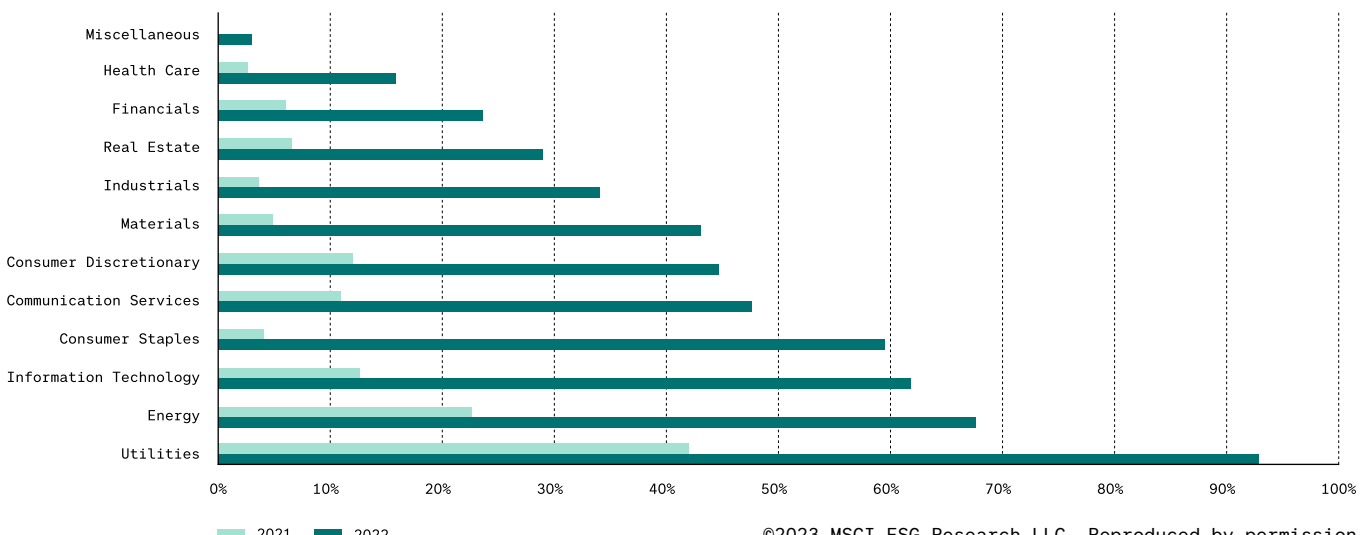
28. https://www.ir.dnb.no/sites/default/files/pr/Factbook_2Q23.xlsx

We have already seen positive developments across our portfolio when it comes to companies setting net-zero targets. In an assessment of DNB AM's holdings at year-end 2022, we calculated the percentage of each sector's WACI linked to the companies in the sector that have set emissions reduction targets aimed at achieving net zero by 2050 (see figure 4). Compared with 2021, there has been a considerable increase in sectoral emissions stemming from companies with emission reduction targets aimed at achieving net-zero 2050.

It is through our active ownership approach that DNB AM can have the greatest impact, and more specifically by engaging with companies to set science-based emissions reduction targets and holding them accountable for delivering on these targets. While it has been indicated that previous divestment decisions made can be a signal to companies to change practices, academic research on the topic as of today remains inconclusive[29]. While exclusions remain a tool for DNB AM, we believe that an engagement approach will give the best overall positive impact and drive real-world emissions reductions.

Our net-zero efforts are mutually reinforced by our constantly evolving approach to monitoring and managing climate risk. We are increasingly looking beyond backwards-looking data such as carbon emissions, towards forward-looking metrics. These forward-looking metrics include scenario analysis, target setting and capital allocation, which give us greater insight into the future transition of companies. We are working continuously to strengthen our approach and efforts in this area, and this will remain a topic of key focus in the years to come.

Figure 4: Percentage of sectoral emissions reduction targets committed to net zero 2050



Dilemmas and challenges

The implementation of a net-zero carbon approach presents several challenges – of which the shortcomings in emissions data quality and coverage are the most prominent. While there have been significant improvements in the last years, not least due to the significant increase in disclosure via the CDP, several gaps remain, particularly in some markets and for small and medium-sized enterprises (SMEs). Another prominent challenge relating to emissions data is data quality. A recent study[30] has shown significant misalignment in companies' reported data. In addition, many companies do not have their carbon data audited. This makes it difficult to use emissions data in isolation when steering investments towards net zero. Although we purchase carbon data from a third-party provider, there are still significant data lags, and carbon data can lag by years.

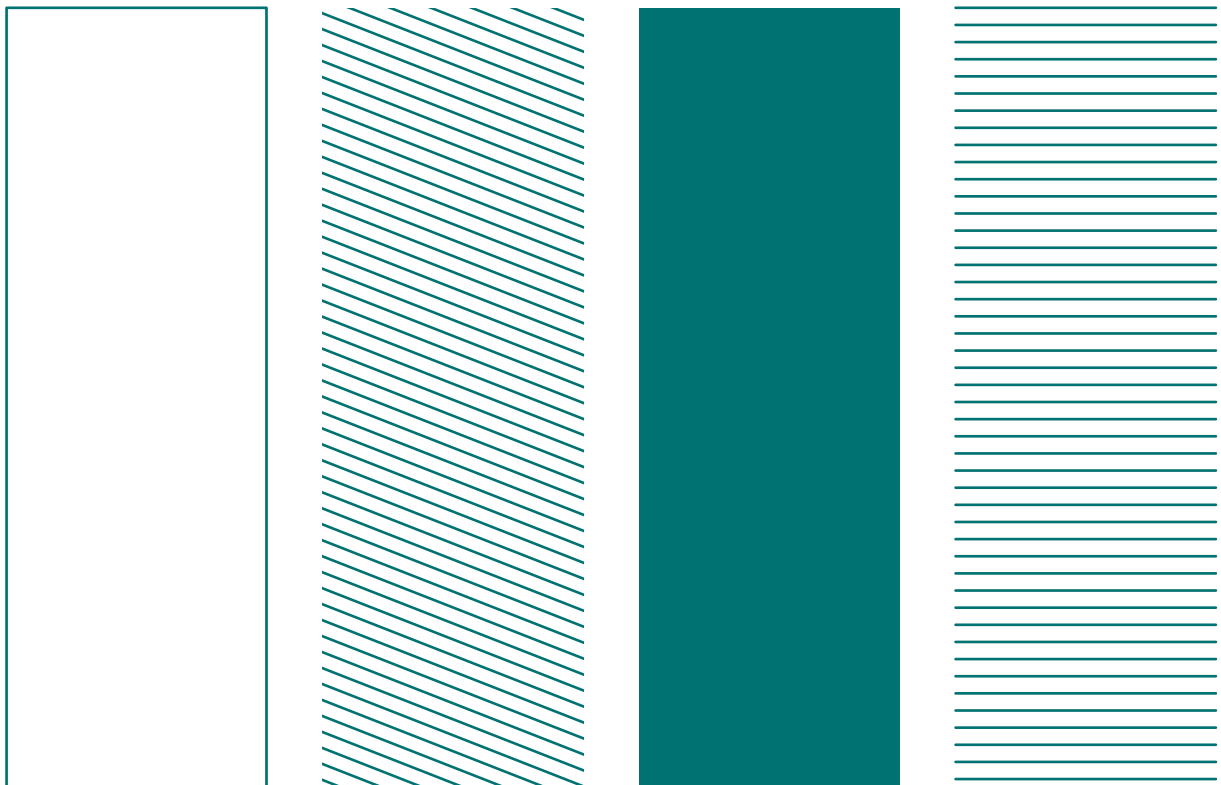
29. https://journals.sagepub.com/doi/full/10.1177/1086026620919202

30. https://newclimate.org/resources/publications/corporate-climate-responsibility-monitor-2022

Responsible investment approach

Our work with responsible and sustainable investments rests on four main pillars: Standard setting, active ownership through voting and dialogue, exclusions, and ESG integration. The responsible investment approach forms the basis of our work for reaching our transition targets.

Figure 5: DNB AM's approach to responsible investments



31. https://www.dnb.no/portalfront/nedlast/en/about-us/corporate-responsibility/2022/Group_instructions_responsible_investments.pdf
32. https://s3.eu-north-1.amazonaws.com/dnb-asset-management/EN-Art-3-DNB-AM-Sustainability-risk-integration-policy-Updated-Dec-22.pdf
33. https://s3.eu-north-1.amazonaws.com/dnb-asset-management/DNB-Asset-Management-Engagement-Policy-1.pdf
34. https://www.dnb.no/portalfront/nedlast/en/about-us/corporate-responsibility/2022/Group_instructions_responsible_investments.pdf

Standard setting

The DNB Group instructions for responsible investments[31] seek to ensure that our investments safeguard internationally recognised norms and standards and comply with our product-based exclusion criteria. In addition to this, we draw up and publish policy documents such as our Sustainability Risk Integration Policy[32] and our Engagement Policy[33], which explain how DNB AM is adapting to investing responsibly. Furthermore, expectation documents covering defined focus areas have been developed to communicate our expectations concerning best practice to companies. These expectation documents are a good starting point for dialogues with companies, both reactively and proactively.

Exclusions

DNB AM strives to promote best practice and prefers active ownership over exclusions, but companies may be excluded from the DNB AM investment universe if they are found to be in breach of the DNB Group instructions for responsible investments. We screen companies prior to inclusion in our investment universe, quarterly for benchmark rebalancing, and on a weekly and daily basis for changes to ESG ratings or alerts on potential or actual breaches of international norms and standards.

Active ownership

Active ownership, through company engagements and voting, is undertaken to ensure that DNB AM's investment universe adheres to DNB's Group instructions for responsible investments[34]. DNB AM engages with companies on specific ESG-related incidents, or to improve companies' general sustainability-related practices, which could otherwise lead to underperformance. We also vote in accordance with carefully developed voting guidelines. Voting can be a powerful tool for ensuring transition progress in companies, for example through voting in favor of shareholder proposals or for changes in the board.

ESG integration

All active funds managed by DNB AM utilise integration of ESG risks, although the process may differ between teams with different mandates. There is close dialogue between the responsible investment team and portfolio manager teams on assessing ESG-related risks and opportunities for companies in the investment universe. ESG data, including carbon data, is also incorporated into our portfolio management system and is available to all of DNB AM's investment professionals. Portfolio managers receive alerts on both changes in ESG scores and actual or potential controversies once companies enter the portfolio.

Segment	Metric	Scope	2022 baseline	2030 target	2030 target percent increase/decrease	Target method	Scenario selected	2019 PCAF score
Savings and pensions	Share of AUM with science-based targets	1, 2 and 3	15%	53%	+38%	Portfolio coverage	IEA NZE2050	n/a
	WACI*	1 and 2	2019: 107.2	48.2	-55%	Emission reductions	IEA NZE2050	n/a
	Engagement target: Highest emitters	1, 2 and 3	n/a	15 per annum	n/a	Engagement target	n/a	n/a
	Engagement target: Asset managers	1, 2 and 3	0%	100% with SBT and action plan by 2025	+100%	Engagement target	n/a	n/a

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DNB Livsforsikring

Why is this material?

DNB Livsforsikring is a life insurance and pensions company with 1.3 million personal customers in Norway. We aim to create value that benefits society, and at the same time generate attractive returns for our customers. Therefore, when investing on behalf of our customers, we seek to do so in a manner that is aligned with the Paris Agreement. We do this by steering more of the capital we invest towards companies that are vital to the transition, for instance within green infrastructure and renewable energy.

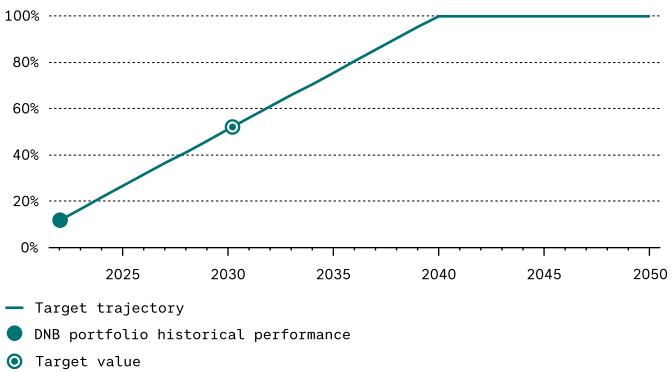
DNB Livsforsikring has defined a set of 2030 interim targets. The targets are based on recommendations by the Net Zero Asset Owner Alliance (NZAOA) and the SBTi. We have set both an engagement target and an emissions reduction target to track emissions associated with our investments and monitor whether our engagement activities have the desired impact. Combining these two targets will give us an overview of our portfolio emissions, in combination with a forward-looking perspective on our investees' plans for emissions reduction.

DNB Livsforsikring's targets cover listed equities and corporate bonds. As a diversified investor, our portfolio is spread across various asset classes, but as of today, the data quality and access to data are considered insufficient for setting targets for these asset classes. We will continue our work on increasing portfolio coverage in the coming years.

Our investments in commercial real estate are covered by a separate emissions reduction target (see section below on DNB Næringseiendom).

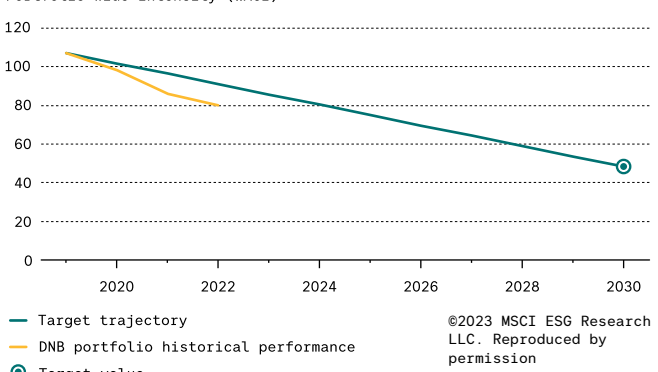
Portfolio coverage target DNB Livsforsikring

Share of AUM with science-based targets



Emission reduction target DNB Livsforsikring

Portfolio-wide intensity (WACI)



Portfolio coverage target

Explaining our targets

DNB Livsforsikring has set a portfolio coverage target based on SBTi guidance[35], following market practice for asset owners. The target aims to increase the proportion of our investments with science-based emission reduction targets. Our target covers equities and corporate bonds. We have set a target based on the baseline AUM with science-based targets at year-end 2022, and have drawn a linear path to 100 per cent in 2040, giving a target in 2030 of 53 per cent of AUM with science-based targets.

This target is calculated as a percentage of the holdings within scope, which includes equities and corporate bonds. For DNB Livsforsikring, the AUM within scope is 62 per cent of total AUM for the baseline year.

Emissions reduction target

Explaining our target

DNB Livsforsikring has updated the existing emissions reduction target set in 2019 to reduce the carbon intensity of our portfolio. Our updated interim 2030 target entails a 55 per cent reduction in carbon intensity (WACI) for equities and corporate bonds. The target covers listed equities and corporate bonds, and approximately 65 per cent of our total AUM. It allows us to compare companies within an industry and select the most carbon-efficient players within that industry, independent of the size of a company.

For asset managers and owners, a weighted average carbon intensity (WACI) measure is commonly used. WACI is a metric that shows the portfolio's exposure to carbon-intensive companies. WACI is calculated by summing the product of each company's weight in the portfolio with that company's carbon-to-revenue intensity (tonnes CO_2e / USD million revenue).

Carbon intensity is a useful tool for informing DNB Livsforsikring's capital allocation decisions. It is also a useful tool in the construction of investment portfolios with reduced carbon intensity, and in measuring progress on carbon emissions targets by portfolio companies.

35. https://sciencebasedtargets.org/resources/files/Financial-Sector-Science-Based-Targets-Guidance.pdf

Engagement target – highest emitters

Explaining our target

Our progress towards the portfolio coverage target hinges on developments within the companies we invest in, as the target is based on these companies adopting science-based emissions reduction targets. DNB Livsforsikring has thus set a target to engage with 15 of the highest-emitting companies in our portfolio annually, urging them to set science-based targets (SBTs) or net-zero targets. Dialogues with high-emitting companies will be prioritised. Notably, a significant portion of our investments are managed by specialised asset managers, amongst others, DNB AM, constituting a strategic synergy within the DNB Group. DNB Asset Management will conduct the company dialogues on behalf of DNB Livsforsikring, utilising the existing set-up for exercising ownership rights.

Engagement target – asset managers

Explaining our target

As an asset owner, DNB Livsforsikring has limited direct means by which to drive change in companies to reduce emissions. Instead, we rely on the actions of the asset managers managing DNB Livsforsikring's investments. For this reason, DNB Livsforsikring works closely with its asset managers to make sure that they are aligned and make progress relative to our targets. We encourage them to engage and work with companies to set targets and reduce emissions.

How we will reach our targets

DNB Livsforsikring's approach to achieving a net-zero investment portfolio target involves multiple key components:

- **Engagement with companies:** Our strategy hinges on collaborating closely with the companies we invest in. These companies are tasked with establishing net-zero targets and actively working towards reducing their carbon emissions.
- **Engagement with fund managers:** DNB Livsforsikring is committed to engaging with our fund managers. We encourage them to set their own net-zero targets and develop comprehensive climate action plans. We expect our fund managers to take an active role in engaging with high-carbon companies we invest in, guiding and influencing them to align their operations with the 1.5°C target.
- **Capital allocation:** Our investment decisions will give priority to funds that show a clear commitment to emissions reduction and sustainable transition efforts. We will direct capital towards investments that are aligned with climate solutions and ongoing transition activities.
- **Product development:** If we are to achieve a real-world impact, it is not enough to provide carbon-efficient products, we also need our customers to invest in them. DNB Livsforsikring provides pension products with the objective of achieving superior returns compared with the market indices we benchmark against. The products we offer should also cater to our customers' preferences and ambitions regarding emissions reduction and the transition to a low-carbon economy. We have therefore developed a new pension profile that allows our customers to steer their savings in a more climate-friendly direction. This pension profile has a clear focus on low-carbon and transition investments, by investing in companies that are climate-solution providers aligned with the EU Taxonomy.
- **Exclusions:** Companies that fail to display a willingness or capability to adapt to the climate transition may be subject to divestment. However, exclusions will be employed as a last resort, and as a supplement to our engagement strategy, which aims to drive meaningful change through direct interaction and emissions reduction initiatives.
- **Transparency:** A crucial element in achieving a net-zero investment portfolio is transparency. We are committed to reporting and communicating our objectives, actions, and progress, thus ensuring that stakeholders are well-informed about our journey towards a sustainable future.

Dilemmas and challenges

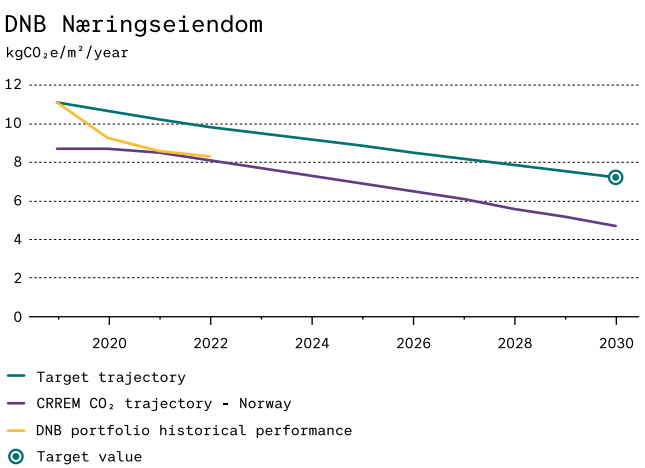
Dependency on asset managers: DNB Livsforsikring mainly makes investments through other asset managers. This poses a challenge in our target attainment, as we are dependent on the asset managers we employ to perform necessary dialogue and engagement with the companies we invest in. To address this challenge, DNB Livsforsikring requires asset managers to engage and work with companies to set targets. Thus, DNB Livsforsikring's main levers for action are the selection of asset managers and engaging and following them up on their progress relative to the set targets.

Portfolio coverage target: This target approach depends on the companies we invest in setting targets that are aligned with net-zero emissions in 2050. Currently, not all sectors have available options for having their science-based targets validated. This is a challenge outside our control that has a direct impact on the achievement of our targets. For instance, there is no SBTi methodology for companies in the oil and gas sector, which accounts for a significant proportion of the Norwegian economy – and consequently a significant proportion of our AUM. We therefore allow other science-based targets to be approved if they comply with our stringent criteria.

Data quality and fluctuations in our WACI: Despite significant developments in recent years, carbon emissions data is still insufficient, and data gaps are widespread. Moreover, company disclosures only cover a small proportion of our investment universe. Therefore, data is sourced from third parties. A significant share of the carbon data is based on estimates, and data quality is inadequate. As a result, low-quality data may lead to large fluctuations in our WACI from year to year, as methodology changes and develops.

In addition, WACI is a calculation that can fluctuate based on the different inputs to the calculation. The financial input factors for the calculation may fluctuate significantly for specific companies and sectors over time, while the companies' or sectors' emissions may stay the same. Nevertheless, this could mean that the WACI goes down, while the total emissions stay the same or even increase. We therefore use WACI as a long-term portfolio governance tool and seek to avoid focusing exclusively on developments year on year.

Segment	Metric	Scope	2019 baseline	2030 target	2030 target percentage change	Target method	Scenario selected	2019 PCAF score
Commercial real estate	$kgCO_2e/m^2/year$	1 and 2	11.3	7.2	-35%	SDA	CRREM	n/a



DNB Næringseiendom

Why is this material?

With NOK 28 billion invested in commercial real es tate, DNB Livsforsikring is a major owner of commercial real estate in the Norwegian market. DNB Næringseiendom manages DNB Livsforsikring's real-estate investments.

The real estate sector accounts for around 16 per cent of national carbon emissions[36], and is one of the sectors that is vital in the transition to a low-carbon economy. DNB Næringseiendom has therefore been committed to reducing the emissions intensity of its portfolio for many years. The target set in 2022 has now been reviewed following the introduction of the new CRREM standard and CRREM's newly launched 1.5°C-aligned target-setting tool.

Explaining our target

DNB Næringseiendom's updated target entails a 35 per cent reduction of carbon intensity by 2030. The target covers 84 per cent of DNB Næringseiendom's portfolio. The share of the portfolio that is partly owned by DNB Næringseiendom and does not have direct management, undeveloped properties, and DNB Næringseiendom's most recently established fund, are not included. We are currently working to establish routines for following up the new fund, and it will be included in 2023.

Our 2030 target is set above the newly developed CRREM pathway. Although the emissions intensity of DNB Næringseiendom's portfolio is close to the CRREM pathway today, it is deemed unrealistic to maintain the current trend, which is heavily influenced by developments caused by the COVID-19 pandemic.

DNB Næringseiendom has also set targets beyond 2030. For the period 2030 to 2040, the emissions intensity reduction target is set to 40 per cent and for the period 2040 to 2050, the reduction target is set to an additional 40 per cent.

How we will reach our target

An emissions reduction target enables DNB Næringseiendom to track emissions associated with investments, and thus get a clear picture of whether building upgrades and renovation activities are having the desired impact. Individual environmental targets are planned, measured, and evaluated for all properties.

Our two main measures for reaching net zero by 2050 are the reduction of energy related emissions from the operations of DNB Næringseiendom's properties, and carrying out sustainable projects when properties need upgrading.

DNB Næringseiendom uses a set of key performance indicators, aimed at enhancing the environmental quality of the portfolio, with an emphasis on:

- → a reduction in greenhouse gas emissions;
- → a reduction in energy consumption;
- → third-party building certification.

Each individual building in the portfolio has its own set of targets with measures and a plan for achieving the respective targets. The two main elements in the environmental work are tracking progress through EOS (an energy monitoring system), and close cooperation between property managers, operations managers and users of the buildings.

The portfolio consists of a mix of older buildings and new buildings, and performs well compared with similar portfolios.

Product development: DNB Scandinavian Property Fund (SPF) is a core property fund that invests in offices, retail premises, hotels and community buildings in Norway and Sweden. The fund's goal is to build a broad and diversified property portfolio. The fund aims to contribute to reduced emissions by improving the environmental standard of the commercial buildings in the portfolio, in line with new technology and in accordance with all applicable requirements, on behalf of investors, tenants, and society.

As a result of systematic work over a long period of time to promote sustainability and the green transition, our fund now has a score of 95 out of 100 possible points in the Global Real Estate Sustainability Benchmark (GRESB), achieving five green stars for the third year in a row. By continuously pursuing innovative behavioral patterns, products, services, and technological solutions, we will proactively work to reduce our impact on the environment and climate and cut our emissions.

Dilemmas and challenges

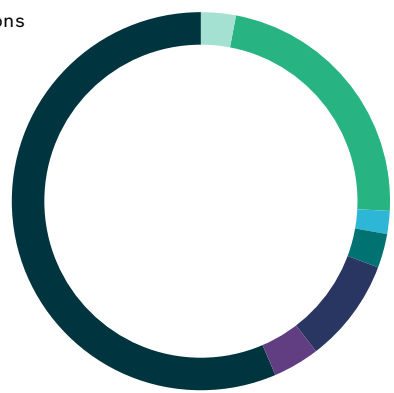
Setting a target above the CRREM pathway: DNB Næringseiendom has been working systematically to achieve the target set in 2022, by aligning business plans and investing in emissions reduction efforts. For this reason, DNB Næringseiendom does not expect to be able to upgrade existing properties sufficiently by 2030 to align with the CRREM pathway. Moreover, current long-term property agreements and lease contracts are aligned with DNB Næringseiendom's 2022 target. DNB Næringseiendom could sell less energy-efficient properties from the portfolio, but this might be at the expense of financial results and we do not believe that it would contribute to real-world emissions reductions.

The cost of decarbonising the portfolio: There is uncertainty with regard to whether DNB Næringseiendom's customers would be willing to bear the cost of the investments necessary to reach the emissions reduction targets. There are high costs associated with upgrading inefficient and energy-intensive properties. However, it is important to highlight that experience shows that sustainable buildings are traded at a premium, and usually have a steeper increase in value.

36. https://byggalliansen.no/kunnskapssenter/publikasjoner/infopakkek limakjempen/#1610543721156-39143120-001d

Segment	Metric	Scope	2022 baseline	2030 target	2030 target percentage change	Target method	Scenario selected	2019 PCAF score
Motor vehicles	gCO_2e/pkm	1	83.77	62.39	-25.5%	SDA	SBTi SDA Transport Tool - B2DS scenario	n/a
Commercial real estate	$kgCO_2e/m^2/year$	2	EU: 4.7 USA: 24.8 Asia: 51.5	EU: 4.4 USA: 18.4 Asia: 33.1	-6% -26% -36%	SDA	CRREM	n/a

Figure 6: Emissions breakdown, own operations, 2022



Own Operations

Why is this material?

DNB's ambition is to be a driving force for sustainable value creation. This ambition starts with leading by example through our own operations.

Emissions from our own operations consist of the emissions associated with the input variables needed for DNB to deliver its services to customers, i.e., everything from direct emissions from company-owned cars to indirect emissions from the energy we consume when operating our offices and technological equipment. There has been significant progress in reducing emissions from our own operations over the years, but we are continuously working to expand our efforts.

Emissions breakdown

The emissions from our own operations measured across Scope 1, 2 and 3 amounted to 6 663 tonnes CO_2e in 2022. This includes emissions from actual and estimated energy consumption from all locations where the Group has operations. Figure 6 shows the breakdown of emissions across Scope 1, 2 and 3 using the location-based method[37]. Note that the Scope 3 reporting to date is non-exhaustive, and that we are working to expand the coverage of Scope 3 data.

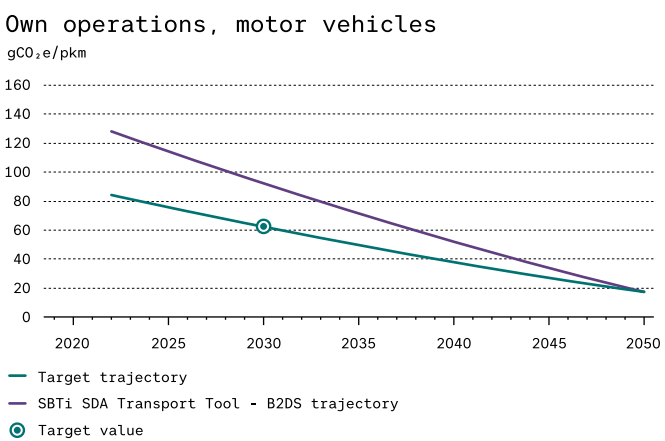
Explaining our targets

We have set targets for our own operations across Scope 1 and 2. Scope 3 emissions are not included in the targets now due to limited data availability, and lack of guidance. We aim to expand our set of targets to include Scope 3 in the next version of the transition plan.

All emission parameters from our own operations are converted into tonnes of CO_2 equivalents (tCO_2e), to ensure comparable measurements over time.

Motor vehicles target: For Scope 1, DNB has set a physical emissions intensity target of a 25.5% reduction by 2030.

Following the approach taken for financed emissions for our motor vehicles lending portfolio, we have used the SBTi SDA tool for the Transport Sector. We have selected the Beyond 2°C pathway. Our baseline of 83.77 gCO_2e/km in 2022 is well below the related trajectory, resulting in a more gradual emissions reduction trajectory towards 2050 than the scenario pathway. DNB will review the target once a 1.5°C-aligned sector-specific scenario is available.



Office space – energy consumption target:
For Scope 2 emissions that stem from leased office space, we have used the Carbon Risk Real Estate Monitor (CRREM) tool. We have set three overarching targets, with corresponding pathways:

- → Europe – 6% reduction in $kgCO_2e/m^2/year$
- → USA – 26% reduction in $kgCO_2e/m^2/year$
- → Asia – 36% reduction in $kgCO_2e/m^2/year$

The tool does not currently have a methodology for some of the countries where DNB has offices (Chile, Brazil and India) and therefore these locations are not included. For each of the three baselines, DNB is well below the related trajectory.

How will we reach our targets?

For Scope 1, the targets will be reached through a combination of shifting the car fleet over to electric vehicles and reducing the use of company cars. For Scope 2, the carbon intensity target requires energy efficiency measures to be implemented across all DNB's locations, and that the estimated projections for a cleaner energy mix in the CRREM scenarios develop as expected.

Norway: DNB has 93 per cent of its total office space in Norway. These offices account for about 46 per cent of our Scope 2 emissions. For our locations in Norway, DNB is the main tenant, which gives us an opportunity to influence the property owner to implement energy efficiency measures. To reduce energy consumption, and increase energy efficiency, we have implemented a structured energy monitoring system. There is a continuous focus on identifying new measures to reduce energy consumption per square metre. A few examples of this are optimising our heating and cooling systems, identifying energy-inefficient equipment, and moving to more energy-efficient buildings when leases expire. Around half of DNB's leased office space is managed by DNB Næringseiendom which has net-zero ambitions as described in the previous chapter, hence we expect these properties to develop in line with the set targets for 2030.

International locations: for international offices where DNB is one of many tenants, our influence is limited, yet we seek to influence landlords and other tenants to collaborate with us in reducing energy consumption.

Reducing as much as we can and offsetting the rest: To reduce emissions to the minimum, we draw up annual action plans that set out measures for achieving this, as is expected from our ISO 14001:2015 environmental certification. Examples are measuring and following up waste handling and recycling rates, reducing employee air travel, reducing food waste, and setting goals for the CO_2 footprint per meal served in our offices.

We have been carbon-neutral since 2014, by buying carbon credits for all current, measured direct and indirect

emissions (e.g. from air travel and waste management). Moreover, since joining the RE100 Initiative in 2016, we have procured 100% of the energy for our own operations from renewable sources using guarantees of origin (GOs) across locations.

Although mapping all emissions from our value chain under Scope 3 is work in progress, we acknowledge the importance of working with our suppliers to reduce emissions. All suppliers undergo a mandatory risk assessment where sustainability is one of the evaluation parameters. In addition, all strategic suppliers and suppliers in risk countries or risk categories are required to accept and implement a desktop Corporate Social Responsibility analysis, such as EcoVadis.

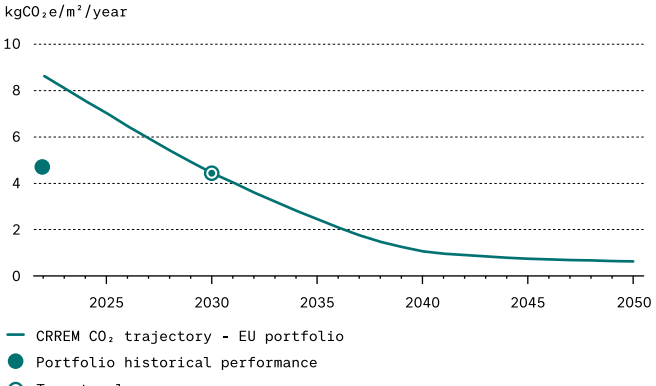
Dilemmas and Challenges

To date, tools to set targets aligned with a 1.5°C scenario for the emissions stemming from our own operations are not available. CRREM recently launched its 1.5°C aligned tool, but the tool is still lacking input variables to make it possible to set targets for many geographical locations. This has an impact on our ability to set targets covering our entire own operations emissions.

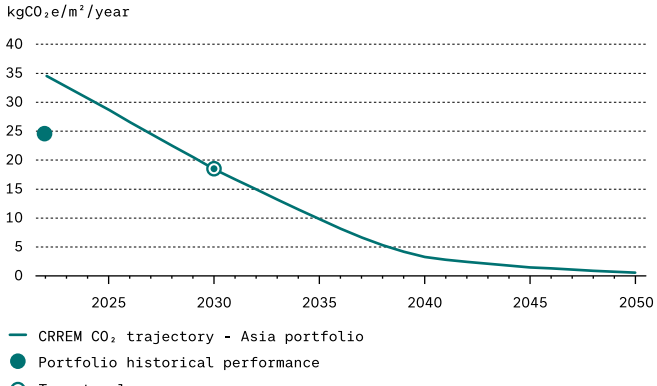
As the emissions reduction trajectory provided by the CREEM tool is based on assumptions for the future energy mix, the energy mix and consequently the emission factor of the electricity we consume for our own operations might not develop in line with the scenarios. The likelihood of this is increased by the fact that we are setting emissions reduction targets for multiple locations, as emissions from energy vary significantly from country to country based on the local energy mix.

37. https://ghgprotocol.org/sites/default/files/2023-03/Scope3_Calculation_Guidance_0%5B1%5D.pdf

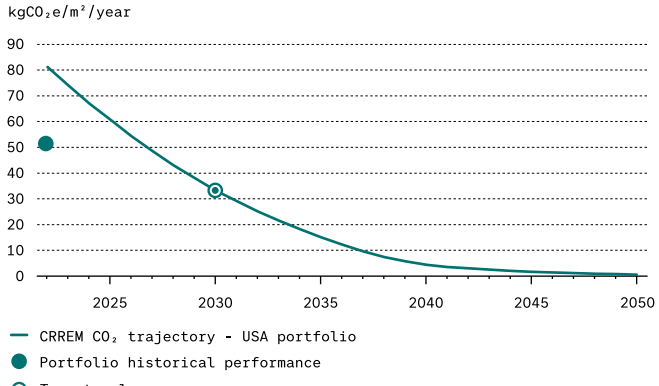
Own Operations, commercial real estate EU



Own Operations, commercial real estate USA



Own Operations, commercial real estate Asia



Chapter 3

Financing the transition

DNB's financing targets

Sustainable finance and investment products constitute an important lever for supporting real-economy decarbonisation. We will offer proactive advice and financing solutions to our customers that will enable them to make use of the opportunities in the climate transition and succeed with sustainable solutions. In turn, this will bolster DNB's long-term competitiveness.

We have therefore set a target to finance and facilitate sustainable activities worth NOK 1 500 billion by 2030, as well as two targets for our mutual funds with a sustainability profile.

To achieve our sustainable financing targets, it is important that DNB's product offering is relevant for meeting our customers' transition needs. We are proactively working with our product offering to maintain a high level of integrity in terms of real-economy impact, as well as ensuring that we have the expertise necessary to provide relevant financial advice.

The products covered by this target will contribute to reducing our financed emissions and mitigating portfolio climate risk. However, they do not exclusively focus on the climate transition, but also on other related sustainability themes (e.g. biodiversity and resource efficiency).

The targets further help ensure that sustainable financing, investments, and advisory services remain a strategic priority for the Group as a whole.

Figure 7: DNB's sustainable financing targets

To be a driving force for sustainable transition, we have set ourselves the following targets

Finance and facilitate

NOK 1 500 billion

for sustainable activities by 2030[1)]

Net-zero emissions by

2050

Increase the total assets in mutual funds with a sustainability profile to

NOK 200 billion

by 2025

In 2025

50%

of net flows of total assets is to go to mutual funds with a sustainability profile

1. These activities are not based on the definition in the Taxonomy Regulation or the classification system.

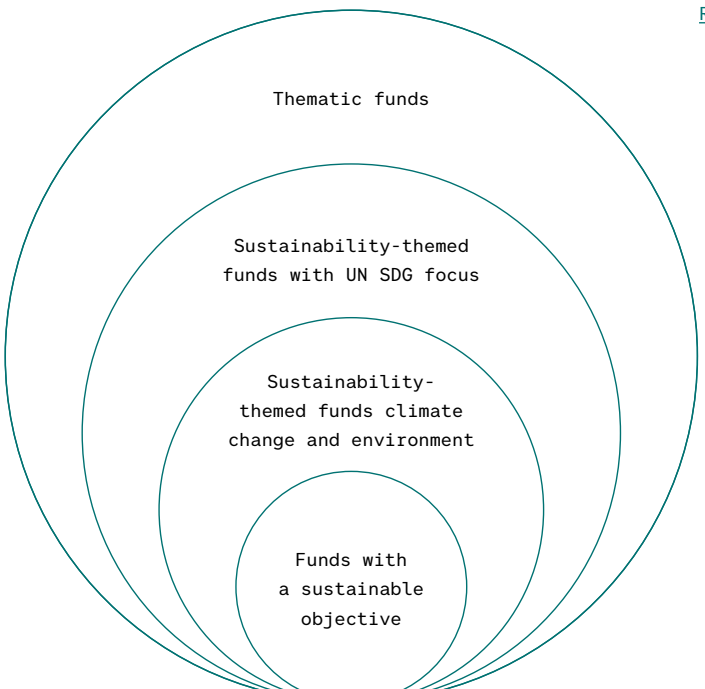
Criteria and products

The financing target is made up of a set of products and advisory services, with related criteria (see Figure 8)[38]. Both our target and criteria are dynamic and may be changed to reflect current market practice. The following principles form the basis for the target:

- → The target period is from 1 January 2020 to 31 December 2029.
- → The target applies to the accumulated volume of financing throughout the period.
- → DNB's committed share of the loans counts towards the target figure, in addition to the relevant share of syndicated loans.
- → For DNB's bonds and advisory services, only DNB's share of syndicated transactions is included under the target.

The targets for mutual funds with a sustainability profile cover a selection of DNB Asset Management's sustainability-themed funds. The relevant funds fall within the following fund profiles: funds with a sustainable objective, sustainability-themed funds with a climate change and environment focus, sustainability-themed funds with a UN SDG focus, or thematic funds (see Figure 9).

Figure 9:
DNB Asset Management sustainability-themed fund offering



38. https://www.ir.dnb.no/sites/default/files/pr/202303097878-2.pdf?ts=1685008054"DNB Group - Annual Report 2022, p. 72

Figure 8: Products and criteria for the financing target

Further sustainable financing products can be included in the future in accordance with developments in the market and best practices.

Product category	Product description	Inclusion criteria[1]
Bonds	→ Green, social and sustainable bond transactions	Bonds labelled as green, social, sustainable and/or sustainability-linked in accordance with the ICMA Principles, with an external verification confirming this.
	→ Sustainability-linked bonds	Bonds that are adapted in line with the ICMA principles for sustainability-linked bonds where income covers ordinary corporate purposes, and the financial aspects of the turnover associated with this type of bond are linked to the issuers' realisation of sustainability-related performance targets. Subject to external verification that confirms adaptation.
	→ Ordinary bonds for the financing of sustainable activities	Bonds issued by companies primarily engaged in renewable energy and/or related infrastructure and services, or where financing proceeds are specifically earmarked for such activities. Subject to an internal review process to ensure consistency and integrity.
Advisory services	→ Advisory services relating to sustainable debt	Loans that comply with the principles for green loans from the LMA/LSTA principles for sustainability-linked loans from LMA/LSTA or loans thatmeet the criteria specified above for 'ordinary loans for the financing of sustainable activities'.[2]
	→ Advisory services regarding equity financing for sustainable activities/companies	Advisory services for facilitation of listed/unlisted equity capital market transactions, private placements or sale/purchase of project rights/shares and M&A transactions, for companies whose primary activity is renewable energy and/or related infrastructure and services, or where financing proceeds are specifically earmarked for such activities.
Green loans	→ Green loans	Green loans aligned with DNB's framework for sustainable products, with a third-party assessment. Ordinary loans for corporate purposes may also qualify if at least 90 per cent of the recipient's projected income comes from activities that qualify, in accordance with the framework.
	→ Green guarantees	Green guarantees for new projects/investments that are in line with DNB's Sustainable Product Framework or that are associated with renewable energy and associated infrastructure.
Sustainability-linked loans	→ Sustainability-linked loans (SLL)	General corporate loans aligned with the LMA Sustainability-Linked Loan Principles, with loan margins linked to sustainability performance targets.
Financing of renewable energy and other sustainable activities	→ Ordinary loans for the financing of sustainable activities	Loans to companies whose primary activity is renewable energy and/or associated infrastructure or where income is particularly earmarked for such activities.
Environmentally-friendly transport	→ Financing provided by DNB Finans for passenger, transport and construction vehicles	Loans for electric or hydrogen-fuelled cars, or other passenger vehicles with zero direct emissions. Loans for transport and construction vehicles with zero direct emissions. Vehicles used for the transportation of fossil fuels are not included.

1 Transactions meeting the criteria may still be excluded from the calculation on the basis of an internal review process. The criteria may be extended to cover additional sustainable activities in the future.

2 ICMA: International Capital Market Association. LMA: Loan Market Association. LSTA: Loan Syndications and Trading Association.

DNB's product offering

Our financial products and advisory services are key levers for allocating and securing capital for low-carbon solutions and emissions reductions in the real economy. These products and services are employed to support the transition journeys of our customers[39]. Similarly, DNB's investment products can be used to provide our customers with low-carbon savings alternatives, and to support portfolio companies with clear transition or climate strategies. The roll-out of products and services to accelerate climate solutions and transition strategies also signals to customers and portfolio companies that the net-zero transition is a priority for DNB.

To further these ends, GFANZ recommends that financial institutions should assess whether and how existing products and services support and de-risk the net-zero transition, whether existing products need modifications to do so, and whether new products and services are required. Based on the GFANZ recommendations and guidance on net-zero product design, we have developed and conducted a product assessment of all our products that aim to finance climate solutions, emissions reductions, or transition activities.

Climate transition product assessment

The climate transition product assessment process covers several aspects, so as to evaluate how the products in question contribute to real-economy decarbonisation and DNB's net-zero objectives, as well as effective deployment.

The assessment process covers climate-related products offered across DNB. The scope of the product assessment overlaps with the products covered by DNB's sustainable financing target and DNB Asset Management's target for mutual funds with a sustainability profile. The assessments have been carried out by product owners/experts in the respective business units, in cooperation with the Group's Public Affairs & Sustainability division.

Our assessment began by evaluating each relevant product on eight questions or criteria, including its real-economy impact, to what extent it provides incentives for decarbonisation activities, its transparency, integrity and alignment with available best practice, data availability, and the scale of our own roll-out of the product (see figure 10). Each product was assessed as having either high, medium, or low alignment with the corresponding criteria. The questions and assessment criteria are based on the recommendations for – and key aspects of – net-zero product design, as laid out in the GFANZ guidance[40].

	Assessment	Evaluation		
1	What is the real economy impact of the product?	H	M	L
2	How does the product incentivise decarbonisation on the part of the client?	H	M	L
3	Is the product tied to an industry standard?	H	M	L
4	Is the product verified by a 3rd party?	H	M	L
5	Is data availability and maturity satisfactory to ensure the integrity of the product?	H	M	L
6	How is the impact of the product measured?	H	M	L
7	Is there an internal KPI to measure and/or determine the relative usage/roll-out/capital allocation of the product?	H	M	L
8	Total assessment – alignment to net-zero	H	M	L

Figure 10: Product assessment methodology based on the GFANZ recommendations and guidance

H - High
M - Medium
L - Low

The results from each product assessment were then aggregated into key findings, gaps and action points to inform our continued work in the various business areas.

The results of the assessments indicate that DNB's climate-related product offering follows best market practice and has significant potential to support our customers' decarbonisation efforts.

The assessments also find that there are differences in the maturity of our products. Notably, sustainability-linked financing products comprise a relatively nascent market and are subject to increased scrutiny. DNB's in-house sustainable product experts will continue to review and refine processes and monitor guidance and methodologies for these products to ensure their integrity, transparency and positive climate impact. We have, among other things, started a process to integrate key elements of the principles underlying sustainability-linked loans into the credit decision process. We have also entered into our first sustainability-linked derivatives transactions.

Through the product assessment we see opportunities to expand volumes across the Group (see Figure 11). Further development and roll-out of our transition-related products, such as sustainability-linked loans and bonds, will be particularly important for underpinning our strategy and portfolio decarbonisation. We will continue to raise the level of in-house competence across the organisation on our sustainable product offering, so as to integrate this topic more fully into our customer dialogue.

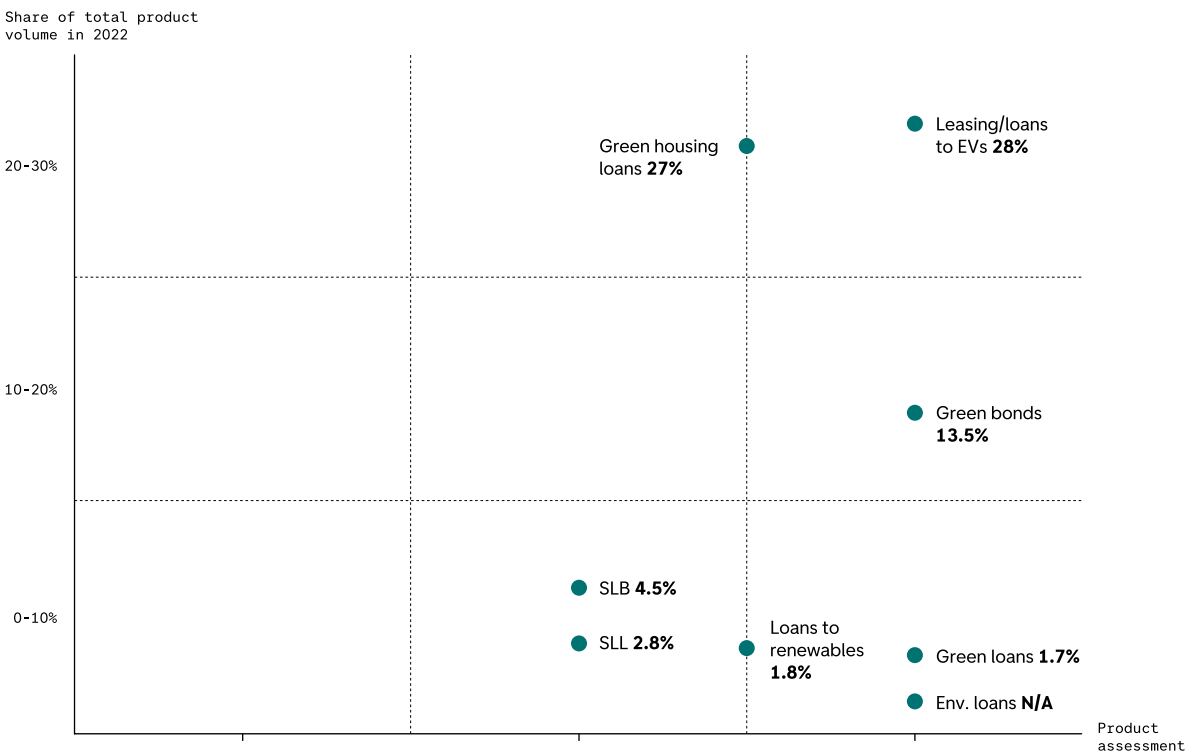
Best practice, regulations and market expectations are rapidly evolving, and we will continue to monitor these developments and ensure the involvement of in-house sustainable product experts, as well as external reviewers, to further develop our product offering.

Data availability and quality remain a challenge when it comes to ensuring the comparability and integrity of sustainable finance. Going forward, improved climate data collection and structuring will be important for further developing the products we offer.

In the assessment we have focused our analysis on our product offering to customers. However, our advisory services are and will be of increasing importance going forward. Through our advisory services and competence sharing, we will proactively help our customers to meet new expectations and make the transition to a low-carbon economy. In addition to ordinary financing products, DNB offers guarantees and derivatives such as interest, currency and commodities swaps in connection with green loans and bonds. These products are key for enabling customers to manage risks and to realise investment and financing opportunities.

39. https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf
40. GFANZ (2023) Financial Institution Net-zero Transition Plans, Final Report, p. 40

Figure 11: Illustration of findings of product assessments



Calculations

- **Green bonds/sustainability-linked bonds (SLB):** Share of bond transaction volume in 2022 with green/sustainability-linked label
- **Sustainability-linked loans (SLL):** Share of new committed lending with sustainability-linked label in 2022
- **Green loans:** Share of new committed lending to green loans under sustainable finance framework in 2022
- **Loans to renewables:** Share of new committed lending towards renewables in 2022
- **Leasing/loans to EVs:** Share of new sales (leasing/loans) tied to green assets in 2022
- **Green housing loans:** Share of new commited lending to green housing loans in 2022*
- **Environmental loans:** Volume share not disclosed as product was launched in 2023

* Green housing loans include new loans as well as the reclassification of certain loans to green for existing customers.

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