

# Implementation of and reporting on corporate governance

This report describes how the 15 points set out in the Norwegian Code of Practice for Corporate Governance (the recommendation from the Norwegian Corporate Governance Board, NUES, hereafter 'the Code of Practice') are followed in DNB. There are no significant deviations from the Code of Practice in DNB's operations. One deviation from section 6 and one from section 14 are accounted for below.

The Board of Directors of DNB ASA and the management of the DNB Group carry out an annual assessment of the Group's principles and practices for corporate governance. This report has been prepared in accordance with section 3-3b, second subsection of the Norwegian Accounting Act and with the Code of Practice, which is available on the website [nues.no](https://nues.no). DNB ASA follows the rules on the governance of financial institutions, as set out in the Norwegian Financial Institutions Act and appurtenant regulations.

This report must be viewed in conjunction with the information on the main priorities and important measures relating to corporate governance described in DNB's annual report for 2020.

- The chapter The Board of Directors' report on corporate governance in the annual report for 2020 describes the Board's main priorities and significant changes in or deviations from the Code of Practice.
- This document describes and gives an account of DNB's corporate governance, and is prepared in accordance with section 3-3b, second subsection of the Norwegian Accounting Act and with the Code of Practice.



# Contents

<b>Section 1: Implementation of and reporting on corporate governance</b>	<b>3</b>
Corporate governance	4
Ethical principles (Code of Conduct) in DNB	5
Supervisory authorities	5
<b>Section 2: Business</b>	<b>5</b>
Targets, strategy and risk profile	5
Sustainability and corporate responsibility	6
<b>Section 3: Equity and dividends</b>	<b>6</b>
Dividends	6
Repurchase of shares	6
Increases in share capital	6
<b>Section 4: Equal treatment of shareholders and transactions with close associates</b>	<b>6</b>
Largest shareholder	6
Transactions with close associates	7
<b>Section 5: Shares and negotiability</b>	<b>7</b>
<b>Section 6: General meetings</b>	<b>7</b>
<b>Section 7: Nomination committee</b>	<b>7</b>
<b>Section 8: Board of Directors: composition and independence</b>	<b>8</b>
<b>Section 9: The work of the Board of Directors</b>	<b>8</b>
Conflicts of interest and partiality	8
Board committees	9
<b>Section 10: Risk management and internal control</b>	<b>9</b>
Risk management and framework for risk appetite	10
Recovery plan	10
Internal control framework	10
Internal audit	12
The main elements of internal control over financial reporting	12
<b>Section 11: Remuneration of the Board of Directors</b>	<b>13</b>
<b>Section 12: Remuneration of executive personnel</b>	<b>14</b>
Group Chief Executive Officer	14
Other senior executives	14
The Board of Directors' statement concerning remunerations for senior executives	14
Other aspects	14
<b>Section 13: Information and communications</b>	<b>15</b>
Financial information	15
<b>Section 14: Takeovers</b>	<b>15</b>
<b>Section 15: Auditor</b>	<b>15</b>

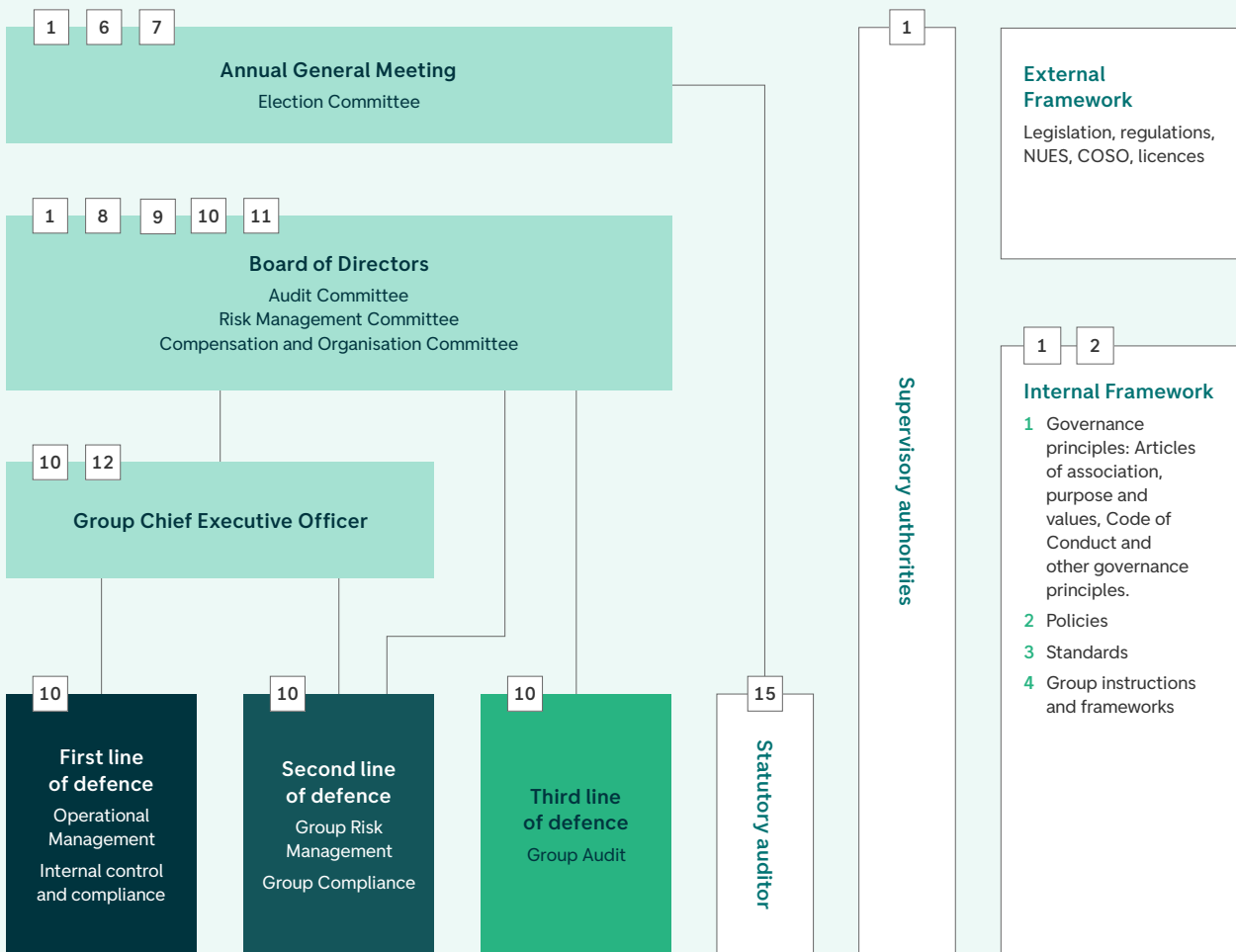
**SECTION 1:**

## Implementation of and reporting on corporate governance

DNB is an international financial services group with operations in a number of countries. The Group has licences from several public authorities. The regulatory requirements are very complex, and the consequences of any non-compliance could be severe. The DNB Group is subject to both Norwegian and international rules and legislation, as well as local rules and legislation in other countries.

The figure below shows the governing bodies of DNB ASA and the framework that sets out requirements and principles for our business operations. The holding company DNB ASA owns the subsidiaries DNB Bank ASA, DNB Livsforsikring AS and DNB Asset Management AS, along with their underlying companies. Each of the subsidiaries has its own Board of Directors. The General Meeting has adopted a simplified group structure for the DNB Group, which will be achieved through a merger between DNB ASA and DNB Bank ASA, with DNB Bank ASA becoming the new parent company. The merger is expected to be completed by mid-2021.

**Governing bodies of DNB ASA**  
As at 31 December 2020



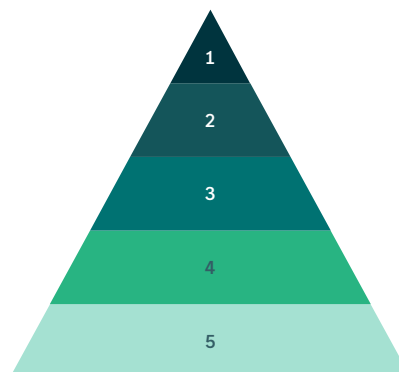
The numbering refers to the descriptions given in the relevant sections of the Code of Practice.

## CORPORATE GOVERNANCE

Managers in DNB must promote compliance with principles for sound corporate governance in the Group and ensure that employees understand the obligations that follow from the governing documents. They must also take an active approach to compliance and carry out the necessary training activities.

### Internal framework for governing documents

DNB's hierarchy for internal governing documents has five levels:



#### Level 1: Governance principles

Overarching framework for all governance of operations as adopted by the Board of Directors. These principles may be based on legal requirements or cover areas that are of special importance to the Group, and they define the desired culture, behaviour and distribution of responsibility at Group level.

DNB's governance principles include:

- the company's Articles of Association, available at [dnb.no/en/about-us/about-dnb/board-of-directors.html](https://dnb.no/en/about-us/about-dnb/board-of-directors.html)
- purpose and values
- ethical principles (Code of Conduct)
- principles for corporate responsibility, available in the [sustainability library](#) on [dnb.no](https://dnb.no)
- risk appetite principles, described in more detail in section 10
- governance model and division of responsibilities, described in more detail in Corporate governance in DNB, available in the [sustainability library](#) on [dnb.no](https://dnb.no)
- instructions for the Board of Directors and Group Management, available at [dnb.no/en/about-us/about-dnb/board-of-directors.html](https://dnb.no/en/about-us/about-dnb/board-of-directors.html)

#### Level 2: Policies

The Board has adopted nine key policies for the DNB Group to support corporate governance:

- |                        |                          |
|------------------------|--------------------------|
| 1 Compliance           | 6 Operational excellence |
| 2 Financial management | 7 Risk Management in DNB |
| 3 People (personnel)   | 8 Security               |
| 4 Communication        | 9 Tax                    |
| 5 Supplier management  |                          |

#### Level 3: Standards

Standards elaborate on principles set out in policies and should be warranted in a single policy. The responsibility for ensuring that the standards are rooted in the overarching governing documents adopted by the Board of Directors is delegated to the Group Executive Vice Presidents.

#### Level 4: Instructions and frameworks

Instructions and frameworks contain further clarifications of the details of the overriding standards and describe operational activities. The credit manual, the anti-money laundering framework and the accounting manual are examples of documents at this level.

#### Level 5: Processes

Processes describe how governing requirements are met in the various parts of the business operations and consist of operative work processes and routines. The processes give a clearer description of the points of contact and deliveries between the various roles and units.

## ETHICAL PRINCIPLES (CODE OF CONDUCT) IN DNB

In order to deliver on DNB's purpose and strategic goals in line with the company's values, everyone in DNB must act in a way that safeguards the interests of the bank's customers, owners, employees and other stakeholders, now and in the future. In this way, DNB continues to build trust. The trust of our customers, owners and the market in general is essential if DNB is to maintain sustainable operations over time. To earn this trust, it is important to have high ethical standards for our operations.

The Code of Conduct is one of DNB's governance principles and the Group's main ethics framework and describes how permanent and temporary employees in the DNB Group, hired consultants, board members and other elected officers are expected, obliged and required to act. See overview of DNB's hierarchy for internal governing documents on the previous page.

DNB's Code of Conduct reflects the Group's values and culture and includes guidelines in areas such as: corporate responsibility, customer service, communication, HSE, discrimination and harassment, confidentiality and protection of information, privacy protection, whistleblowing, conflicts of interest, tax, inside information, substance abuse, anti-corruption and anti-money laundering. Knowledge of and compliance with the Code of Conduct is mandatory for all employees and is therefore part of the introduction programme for new employees and a permanent part of the training of new managers in DNB. Breaches of this governance principle may trigger liability under labour law. The Code of Conduct has been adopted by the Board of Directors of DNB ASA and is available in the sustainability library on DNB's website.

### Implementation of and compliance with governing documents

Managers are responsible for ensuring implementation of and compliance with DNB's governing documents in their respective units. DNB offers a wide-ranging selection of training material for use on PCs and mobiles, including courses, dilemma training and quizzes. This material plays an important role in raising awareness about the governing documents throughout the organisation. The completion rate for mandatory courses is monitored by managers.

The Group's business areas and support units have functions that coordinate the work of implementing and complying with the Group's governing requirements. The Group has a Group coordinator for corporate governance, who supports the operational units by providing training, templates and tools for practical implementation. The Group coordinator contributes to cooperation and the exchange of information between the subject matter experts responsible for governing requirements and the managers responsible for implementation. The Group coordinator is also responsible for developing and maintaining the framework for corporate governance at Group level, and for reviewing and approving the need for new governing documents.

Group managers at levels 2 and 3, Group Executive Vice Presidents and Executive Vice Presidents, and the heads of international offices and major subsidiaries report on the results

of the implementation of the governing documents for their respective units. A number of the Group's managers at level 4 also report on the results of the implementation of particularly important governing documents. The Group coordinator for corporate governance assesses the outcome of the reporting and whether measures are necessary, together with those who have operative responsibility. A summary report is considered by the Group Management team and sent to the Board of Directors, and the measures are followed up.

## SUPERVISORY AUTHORITIES

The DNB Group's operations in Norway are subject to supervision by Norwegian authorities, including Finanstilsynet (the Financial Supervisory Authority of Norway), Norges Bank and the Norwegian Data Protection Authority. DNB's operations abroad are subject to supervision either by the corresponding authorities in the country in question, by Norwegian supervisory authorities or by both foreign and Norwegian supervisory authorities. The Board of Directors seeks to have an open and constructive dialogue with all such authorities.

Finanstilsynet reviews and evaluates, among other things:

- The results of the Group's internal capital valuation process, which is based on the Internal Capital Adequacy Assessment Process (ICAAP) and the assessment of the Group's liquidity and financing situation (Internal Liquidity Adequacy Assessment Process, ILAAP). This is done in an annual supervisory review and evaluation process (SREP) in which the Group receives feedback from Finanstilsynet.
- The Group's recovery plan, see separate paragraph under section 10.

Deviations from the Code of Practice: None

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## SECTION 2: Business

The purpose of DNB ASA is to own or have ownership interests in other enterprises engaged in banking, insurance and financing and activities related to this, within the scope of prevailing Norwegian legislation. The complete Articles of Association of DNB ASA can be found on the Group's website, [dnb.no/en/agm](https://dnb.no/en/agm).

## TARGETS, STRATEGY AND RISK PROFILE

DNB's annual report contains an account of the Group's targets and strategies, and the market is kept updated through investor presentations in connection with quarterly financial reporting, capital markets days and presentations on special topics. For an update on the Board's corporate governance efforts in 2020, see the Board of Directors' report on corporate governance in the annual report. The Board's work in more general terms is described in section 9. Risk management and risk appetite are elaborated on in section 10 below. For more detailed information on risk management, risk measurement and capital adequacy, reference is made to the Group's report on risk and capital management (the 'Pillar 3 report') on [ir.dnb.no](https://ir.dnb.no).

## SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Long-term value creation and responsible corporate governance form the basis of everything we do in DNB, and they are part of our corporate responsibility. This is also a matter of how we work with competence development and compliance, and what we, as a responsible financial player, require of our customers. DNB plays an important role in society through its efforts to bring together capital, labour and expertise.

DNB takes an active approach to how corporate responsibility is exercised by creating value, both for owners and for other stakeholders (employees, customers and the wider society).

DNB takes the following approach to sustainability and corporate responsibility:

- 1 DNB generates long-term and sustainable financial value creation for its owners.** This means that we emphasise corporate responsibility in all decision-making processes.
- 2 DNB contributes positively to society.** This means that we define specific goals and measures relating to specific UN Sustainable Development Goals and work systematically to reach these goals.
- 3 DNB is honest and trustworthy.** This means that our products and services are always tailored to our customers' needs. We want the best for our customers. In a world with new market entrants and major change, we aspire to be a bank that customers trust.
- 4 DNB is transparent about its operations.** This means that we are open about the dilemmas we face when balancing short-term and long-term considerations. Through dialogue with stakeholders, we listen and identify what society expects of us.

For more information on the Board's follow-up of the EU action plan on sustainable finance, see the Board of Directors' report on corporate governance in the annual report.

**Deviations from the Code of Practice: None**

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## SECTION 3:

### Equity and dividends

The Board of Directors continually reviews the capital situation in light of the requirements and expectations of Finanstilsynet and other supervisory authorities, as well as the company's targets, strategy and intended risk profile. See the Group's report on risk and capital management (the Pillar 3 report) for a further description of the rules on capital requirements and the expectations of the supervisory authorities, the principles applied by DNB to estimate capital requirements, as well as a more detailed explanation of the Group's capital adequacy. The report can be found on the Group's website, [ir.dnb.no](http://ir.dnb.no).

The Board of Directors considers the Group to be well capitalised in relation to current regulatory requirements. DNB is continually adapting its operations to new liquidity and capital requirements. In this work, anticipated future changes are also taken into account.

## DIVIDENDS

DNB's overall objective is to create long-term value for its owners, partly through a positive development in the share price and partly through a predictable dividend policy. The Group's long-term dividend policy is to have a payout ratio of more than 50 per cent of profits as cash dividends, provided that the Group's capital adequacy is at a satisfactory level. DNB's ambition is to increase the nominal dividend per share every year. Excess capital will be paid out to the owners, through a combination of cash dividends and share buy-back programmes.

See the Board of Directors' report in the annual report for information on the Board's authorisations to decide on and distribute dividends for 2019 in 2021.

## REPURCHASE OF SHARES

In order to have flexibility in the management of capital, the Board has been authorised by the General Meeting to buy back own shares. An agreement has been entered into with the Norwegian Government, represented by the Ministry of Trade, Industry and Fisheries, on the redemption of a proportional share of Government holdings to ensure that the Government's ownership percentage remains unchanged.

## INCREASES IN SHARE CAPITAL

At the present time, no authorisation has been granted to the Board of Directors for an increase in the share capital of DNB ASA.

**Deviations from the Code of Practice: None**

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## SECTION 4:

### Equal treatment of shareholders and transactions with close associates

DNB ASA has one class of shares. In the Articles of Association and in the work carried out by the Board of Directors and Group Management, the strong protection of minority shareholders is emphasised in the form of equal treatment, requirements for majority votes and the obligation to disclose transactions with close associates. All shares carry equal voting rights. In connection with increases in share capital, existing shareholders will be given pre-emptive rights, unless such rights are derogated from due to special circumstances. In such cases, the reasons for a derogation will be specified. In cases when the Board of Directors asks the General Meeting for an authorisation to repurchase own shares, shares are to be purchased through the stock market at market price.

## LARGEST SHAREHOLDER

The Norwegian Government, represented by the Ministry of Trade, Industry and Fisheries, is DNB ASA's largest shareholder, owning 34 per cent of the Group's shares. In accordance with the Norwegian State Ownership Report (Report No. 8 to the Storting, 2019-2020, *The state's direct ownership of*

companies), the purpose of the state's ownership in DNB ASA is to retain a leading technology and financial services group with headquarters in Norway. The state's objective as an owner is to maximise the long-term return. The Government refers to the fact that a state holding that gives negative control contributes to this end. The Government will thus maintain its holding in DNB ASA and has come to the conclusion that the holding will not be reduced below 34 per cent.

The shares held by the Ministry are managed by its Ownership Department, subject to special management guidelines that stipulate, among other things, that the Norwegian Government cannot have representatives on the boards of directors of financial institutions, but that the Government, through participation in election committees, must ensure that the governing bodies include representatives from all shareholder groups. The guidelines require that the Ministry acts in a manner conducive to equal treatment of DNB's shareholders.

#### TRANSACTIONS WITH CLOSE ASSOCIATES

Conflicts of interest and the impartiality of Board members are described in more detail under section 9 below. With respect to the Group's other employees and elected officers, the Group's Code of Conduct sets out detailed rules regulating transactions with close associates. As a general rule, an employee or elected officer will be considered disqualified if circumstances exist that may lead others to believe that he or she promotes interests other than those of the DNB Group. Employees must be aware of potential conflicts of interest if they combine positions of trust with other roles in the Group.

Where a transaction is not immaterial for either the DNB Group or the close associate involved, unless it is a matter for consideration by the General Meeting according to stipulations in the Public Limited Companies Act, the Board of Directors will ensure that a valuation by an independent third party is available. This also applies to any transactions between companies in the DNB Group where minority shareholders are involved. Not immaterial transactions with close associates are described in a note to the annual accounts.

**Deviations from the Code of Practice: None**

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#### SECTION 5:

### Shares and negotiability

The shares in DNB ASA are listed on Oslo Børs (the Oslo Stock Exchange) and are freely negotiable. The Articles of Association include no form of restriction on negotiability.

**Deviations from the Code of Practice: None**

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#### SECTION 6:

### General meetings

The highest authority in DNB is the General Meeting, where DNB ASA's shareholders exercise their ownership control through the power of their votes. According to the Articles of Association, the Annual General Meeting (AGM) is to be held before the end of June each year. The notice and registration form will be sent to shareholders and published on the Group's website no later than 21 days prior to the date of the AGM. The registration deadline will be set as close to the meeting as possible. The notice includes an overview of cases for consideration. The procedure for voting and for proposing resolutions is described in the notice of the AGM. Shareholders can vote on each individual case and are given the opportunity to vote in advance. Shareholders can also authorise someone to act on their behalf. Voting for individual candidates in elections has so far not been allowed, as the need to take into consideration the overall skills mix has outweighed other considerations.

The Chair of the Board, the Chair of the Election Committee and the Group Chief Executive Officer (CEO) are normally present at the General Meeting. The meeting is chaired by an independent presiding chair.

The General Meeting elects shareholder representatives to the Board of Directors, and members of the Election Committee. The General Meeting also selects the statutory auditor.

The minutes from the AGMs are available on [dnb.no/en/agm](https://dnb.no/en/agm).

**Deviations from the Code of Practice: Voting for individual candidates in elections has so far not been allowed, as the need to take into consideration the overall skills mix has outweighed other considerations.**

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#### SECTION 7:

### Nomination committee

In accordance with DNB ASA's Articles of Association, the General Meeting has established an Election Committee consisting of four members. The Election Committee submits justified recommendations to the General Meeting for the election of members to the Board of Directors and the Election Committee. The General Meeting has laid down instructions for how the Election Committee should carry out its duties. The members of the Election Committee must be shareholders or representatives of shareholders and must, as far as possible, represent all shareholders. No member of the Board of Directors or representative of the Group Management is a member of the Election Committee.

According to the instructions for the Election Committee, efforts should be made to ensure rotation among the committee members. The Election Committee held 12 meetings in 2020. The Committee proposed candidates for election to the Board of Directors and the Election Committee. The Election Committee

also prepared matters for consideration in 2021. An overview of the members of the Election Committee is available in the Board of Directors' report on corporate governance in the annual report.

Information about the Election Committee and closing dates for proposing candidates can be found on [dnb.no/en/agm](https://dnb.no/en/agm).

**Deviations from the Code of Practice: None**

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## SECTION 8:

### Board of Directors: composition and independence

The Board of Directors of DNB ASA ('the Board') is responsible for administering the company's affairs. The Board must ensure that business operations are responsibly organised, which includes making sure that the requirements for the organisation and establishment of appropriate management and control systems are fulfilled.

The Board of Directors has up to seven members, up to five of whom are elected by the shareholders and two of whom are employee representatives. Shareholder-elected members are elected for up to two years at a time. When choosing the Board's shareholder-elected members, the interests of the shareholder community and DNB's need for competence, capacity and diversity must be emphasised. In addition, emphasis is placed on the Board being able to function well as a collegiate body, and on it being composed so that it can act independently of special interests. None of the company's senior executives are members of the Board.

To strengthen the Board members' representation and the competence of the Boards, joint meetings are held for the Boards of DNB ASA and DNB Bank ASA.

An overview of the Boards of DNB ASA and DNB Bank ASA is provided in the chapter Governance in the annual report. The overview shows the backgrounds of the individual Board members, including other key positions of trust and participation in Board meetings and Board committees.

The Board of Directors assesses the independence of its members, and the conclusion is noted in the overview of governing bodies in the annual report. When new Board members are nominated, a suitability assessment is carried out, which includes an assessment of their independence. The assessment is followed up on an annual basis by requesting a written confirmation from the Board members. The Group has initiated processes to continually monitor which other assignments are held by the Board members. See also the description given under section 9 of transactions with close associates.

Board members are encouraged to hold shares in the company. The overview of governing bodies specifies the number of DNB

shares held by members of the governing bodies and their close associates as at end-2020. The overview is available in the chapter Governance in the annual report.

**Deviations from the Code of Practice: None**

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## SECTION 9:

### The work of the Board of Directors

The Board of Directors has the ultimate responsibility for the management of DNB. Through the CEO, the Board must ensure that business operations are responsibly organised. The Board of Directors has approved instructions governing its work and administrative procedures, including matters to be considered by the Board, the CEO's tasks and obligations towards the Board and rules on convening and conducting meetings. Instructions for the Board of Directors are available at [dnb.no/en/about-us/about-dnb/board-of-directors.html](https://dnb.no/en/about-us/about-dnb/board-of-directors.html).

The Board of Directors draws up an annual plan for its activities, covering duties stipulated in laws, regulations, resolutions passed by the authorities, the Articles of Association and decisions made by the General Meeting. The Board of Directors also issues instructions for the CEO.

In the strategy process, the Board of Directors considers whether goals and guidelines are clear, adequate, well-operationalised and easily comprehensible for all employees. The Board decides on the principal goals, strategic choices and financial plans for the Group. The Board keeps up to date on DNB's financial position and development by approving quarterly and annual reports, and through monthly reviews of the Group's financial position and development. Furthermore, the Board must ensure that operations are subject to adequate control and that the Group's capital position is satisfactory relative to the risk and scale of operations. The Board's responsibilities in the area of reviewing and monitoring risk management and internal control are described in section 10 below. The Board also presents a statement to the General Meeting proposing guidelines for remunerations to senior executives. See section 12 below.

The Board evaluates its own work and working methods annually, and the evaluation forms the basis for any adjustments and measures. In addition, the Board's competence, both overall and of each board member, is evaluated.

For an insight into the Board's work and main priorities in 2020, see the annual report's chapters Governance and Directors' report.

### CONFLICTS OF INTEREST AND PARTIALITY

The instructions for the Board of Directors of DNB ASA state that a Board member cannot participate in deliberations or decisions on issues where he or she personally, or his or her close associates, would be seen as having a direct or indirect personal or financial interest in the matter. The same principle is set out in the Group's Code of Conduct. It is the duty of each Board member to ensure that he or she is not disqualified in the processing of a matter. The Board of Directors must approve



agreements between the company and a Board member or the CEO. The Board must also approve agreements between the company and third parties in cases where a Board member or the CEO can be perceived to have a prejudicial interest in the matter.

Board members must inform the Board of Directors if they have a direct, significant interest in an agreement entered into by the company or another company in the DNB Group. The same applies if such an agreement is signed by a company outside the DNB Group in which the Board member has an ownership interest, serves on the board or has a senior management position. A notification of this should be sent to the Chair of the Board, with a copy to the Group Secretariat.

Board members, or companies with which they are associated, should not take on special assignments for companies in the DNB Group other than their Board membership. If they nevertheless do so, the Board must be informed. Remuneration for such assignments is subject to approval by the Board.

#### **BOARD COMMITTEES**

The Board has three Board committees, and instructions have been established for all three. The committees are working committees for the Board of Directors, preparing matters and acting in an advisory capacity. The members are elected for a term of up to two years. The chair is appointed for one year at a time. The committee members must, collectively, have the competence required to fulfil their duties based on the organisation and operations of the Group.

The objectives, responsibilities and functions of the committees are in compliance with international rules and standards and are described in Group instructions. The purpose and organisation of the committees is described below. See the Pillar 3 report for a more detailed description of the committees' tasks, under Financial reports and presentations on [ir.dnb.no](http://ir.dnb.no).

The members of the committees are included in the overview of governing bodies in the annual report.

#### **The Audit Committee**

The Board elects up to four members to the Committee from the Board's shareholder-elected members and appoints the Chair of the Committee. At least one of the members of the Audit Committee must have accounting and/or auditing expertise.

The Committee must ensure that the Group has independent and effective external and internal audits and satisfactory accounting reporting in accordance with applicable rules and legislation. The Audit Committee's tasks relating to internal control over financial reporting are described in more detail in section 10 below.

#### **The Risk Management Committee**

The Board elects up to four members to the Committee from the Board's shareholder-elected members and appoints the Chair of the Committee. In the Risk Management Committee, at least one member must have experience from identifying, assessing and managing risk exposures in large, complex companies.

The Committee must ensure that the Group and its entities have satisfactory procedures for risk management.

#### **The Compensation and Organisation Committee**

The Board elects up to four members to the Committee. Two members are elected from shareholder-elected Board members and one member is an employee representative. The Committee meets six or seven times a year.

The Committee is responsible for preparing guidelines, frameworks and matters concerning remuneration that require the approval of the Board, including variable remuneration for employees in all or part of the Group and other important personnel-related matters concerning senior executives. The Committee is also responsible for preparing selected matters for the Board relating to culture, management and succession planning.

**Deviations from the Code of Practice: None**

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### **SECTION 10:**

## **Risk management and internal control**

The ability to identify and manage risk is at the core of DNB's financial operations and a prerequisite for long-term value creation in DNB.

Risk management is a strategic tool which will help DNB reach the Group's targets. The main purpose of risk management in DNB is to achieve an optimal balance between risk and earnings in a long-term perspective. Through sound risk management, DNB should at all times be able to identify, manage, monitor and report risk that is relevant to the Group's target attainment.

The Group must only take on risk which is understood and can be managed. DNB distinguishes between risk taken actively, to maximise returns (such as credit risk), and risk that generates no return and should be kept at an acceptably low level (operational risk). Hallmarks of DNB's culture should be individual responsibility, transparent methods, and processes that support sound risk management.

The Board of Directors of DNB ASA, represented by the Audit Committee, reviews the financial reporting process and ensures that the Group's internal control, including the internal audit and risk management systems, functions effectively. In addition, the Committee is responsible for ensuring that the Group has independent and effective external audit procedures.

The following key elements of DNB's risk management are discussed below: frameworks for risk appetite, recovery plan, internal control (framework for internal control) and internal auditing. In addition, the main elements of internal control over financial reporting are described.

## **RISK MANAGEMENT AND FRAMEWORK FOR RISK APPETITE**

The risk appetite framework forms part of the strategic management of the Group and consists of limits and assessment principles for the types of risks that are of importance to DNB. Principles for risk appetite are part of the governance principles at the highest level in DNB's hierarchy of governing documents.

The Board uses the framework to determine DNB's long-term risk profile, by optimising the risk/earnings ratio. The risk appetite framework gives a comprehensive and balanced overview of the risks the Group is willing to accept to achieve its goals. This is a prerequisite for target attainment over time. Sound risk management involves the effective identification, handling, monitoring and reporting of relevant risks in DNB.

The Group's risk appetite consists of both risk statements and related limits for risk management in DNB. Statements and limits are linked to the following risk categories, considered to be of particular significance to DNB:

- profitability and earnings
- capital adequacy
- credit risk
- market risk
- liquidity risk
- operational risk
- reputational risk

Several dimensions may be included in the individual risk categories, each of which has specified limits and/or assessment principles that determine the limits of acceptable risk. Each category, and its related limits, has a designated coordinator in the second line of defence, responsible for establishing follow-up routines, and for monitoring changes in the utilisation of limits.

Financial risks and risks related to environmental, social and governance (ESG) factors have been integrated into the credit process. See also the discussion of DNB's work on climate risk in the annual report.

### **Risk appetite monitoring**

Managers are responsible for conducting business operations in accordance with the established risk framework and accepted levels of risk.

Risk appetite is reported to the Board through risk reports every quarter. In addition, the Group Management team receives a monthly report. The Group's status is assessed against the risk appetite limits, and appears in the form of a green, yellow, orange or red status light. Each status has a clearly defined meaning, and defined courses of action apply if limit values are breached.

The Group's risk appetite must be assessed at least once a year in a renewal process initiated by the Group Chief Risk Officer (CRO). The framework is approved by the Board of Directors in the course of the first quarter, and subsequently forms the basis for risk reporting throughout the year. The renewal process

must be carried out independently of strategic and financial planning processes. The current risk appetite should be a point of reference for the Group's strategic and financial plans.

### **RECOVERY PLAN**

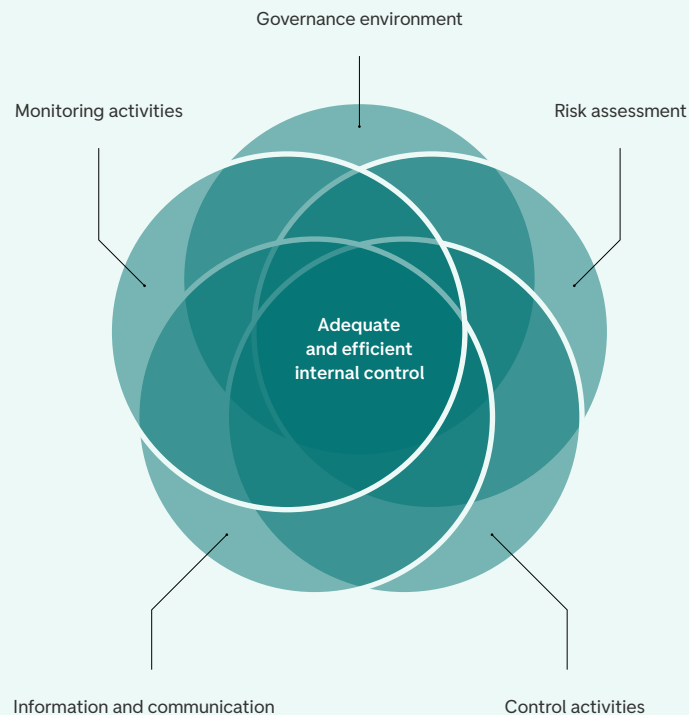
DNB has a hierarchy of emergency measures described in a recovery plan. The recovery plan is meant to ensure that the Group can resume operations after a serious emergency situation without involving or getting support from the authorities. The recovery plan is prepared as an integrated part of the Group's risk and capital management framework and will be activated if pre-defined recovery indicators are breached. Recovery indicator breaches will trigger a thorough evaluation of the situation and an assessment of relevant actions. If the recovery is unsuccessful, the authorities will take over the operation of the company. The authorities are responsible for developing a plan for this phase.

Because the risk appetite framework functions as an early warning system, there are a number of overlaps between the indicators in the risk appetite framework and the recovery plan.

### **INTERNAL CONTROL FRAMEWORK**

Internal control in DNB consists of the following main components: control environment, risk assessments, control activities, information and communication, and monitoring. This model is based on the European Banking Authorities' Guidelines on Internal Governance and the framework from the Committee of Sponsoring Organizations of the Treadway Commission, COSO.

## DNB's internal control system



The purpose of DNB's system for internal control is to ensure:

- 1 efficient operations
- 2 responsible business operations
- 3 sufficient identification and measurement of risk, and risk-mitigating measures
- 4 reliable financial and non-financial information reported both internally and externally
- 5 responsible administrative and accounting procedures
- 6 compliance with laws, regulations, supervisory requirements and the organisation's internal guidelines, processes, rules and decisions

The responsibility for risk management and internal control is divided between three lines of defence:

→ **The first line of defence** includes all of the Group's operative functions. It is the operative managers' responsibility to establish, manage and follow up internal control within their own area of responsibility, including processes and activities to reach defined goals relating to operational efficiency, reliable financial reporting, risk management and compliance with rules and legislation. The employees are responsible for carrying out the established internal control through their daily work tasks.

- **The second line of defence** consists of independent and autonomous control functions, which use a risk-based approach to monitor, report on and give advice about risk-related issues and compliance, and follow up the internal control activities carried out by the management and employees in the Group's operative functions. In DNB, second line of defence functions are organised under Group Risk Management and Group Compliance.
- **The third line of defence** is the internal audit function (hereafter referred to as Group Audit), which uses a risk-based approach to review and assess the Group's processes for governance and internal control. Group Audit is independent of the Group's executive management and reports to the Board of Directors of DNB ASA.

DNB has defined processes to identify, evaluate and manage significant risks. These processes include:

- The Risk Management Committee: responsible for evaluating the quality of the Group's risk management and internal control
- The Audit Committee: responsible for evaluating the quality of the Group's financial reporting
- The Board's review of the plans for both external and internal audits

- The annual summary and presentation of the management's reporting of internal control work to the Board
- The Board's review of the internal auditor's assessment of the internal control, described below
- The statutory auditor's summary of the results of the audit, see below and section 15
- Discussions with management regarding necessary measures to address areas where the risk is too high

The Group's report on capital requirements and risk management, the Pillar 3 report, includes a description of risk management and internal control, capital management and capital adequacy calculation in DNB, as well as an assessment and follow-up of various types of risk. Furthermore, the report gives an account of DNB's adaptations to and fulfilment of the capital requirements legislation. The report is available on the Group's website [ir.dnb.no](http://ir.dnb.no).

### INTERNAL AUDIT

Independent and effective audits will help ensure satisfactory risk management and internal control, as well as reliable risk and financial reporting. Group Audit receives its mandate from the Board of Directors of DNB ASA, which also approves Group Audit's annual plans and budgets.

Group Audit's responsibilities can broadly be divided in two:

- On behalf of the Board of Directors of DNB ASA, the CEO and the Boards of Directors of major subsidiaries: ensure the establishment and implementation of adequate and effective risk management and internal control
- Assess whether risk identification, established management processes and control measures effectively contribute to strengthening the Group's ability to reach its targets

Group Audit carries out audits of units in the DNB Group. An audit plan is prepared, which is discussed with Group Management, reviewed by the Audit Committee and approved by the Board of Directors. Group Audit's risk assessments form the basis for determining which units should be given priority in the auditing process, and are prepared in consultation with Group Management, the Audit Committee and the Board of Directors. After the audits have been completed, audit reports are prepared, which include the results of the audit, a description of any identified weaknesses or deficiencies and proposed measures, and which specify responsible persons and deadlines for implementation of the measures. The audit reports are sent to the heads of the relevant audited units. An audit summary, reviewing the overall risk management and internal control in the DNB Group, is presented to the Boards of Directors of DNB ASA and DNB Bank ASA every six months. The Boards of Directors also receive a monthly summary of the audit reports for all units in the Group.

### THE MAIN ELEMENTS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors has established guidelines for financial reporting in the Group. The guidelines must be in compliance with relevant laws, regulations and internal guidelines for the business operations, including requirements for quality assurance

of financial information for all entities in the Group. DNB aims to have a low level of operational risk, and the Group instructions for internal control over financial reporting sets explicit requirements for processes and procedures to ensure high-quality reporting.

Ongoing risk assessments are carried out of processes that entail a risk of errors in financial reporting. Key controls have been established to ensure internal control of all processes in which there is a risk of significant errors. In addition, risk-mitigating measures are established for processes that continue to involve high or medium risk after key controls have been implemented.

The results of the internal control over financial reporting are reported by all units to Group Finance each quarter, and followed up on an ongoing basis. The Group Management team and the Audit Committee receive annual updates.

The process for internal control over financial reporting follows the general framework for internal control in DNB.

### The role of the Audit Committee

The Board of Directors of DNB ASA, represented by the Audit Committee, reviews the financial reporting process and ensures that the Group's internal control, including the internal audit and risk management systems, functions effectively. In addition, the Committee is responsible for ensuring that the Group has independent and effective external audit procedures. The Board of Directors has prepared guidelines to ensure reliable, relevant, timely and uniform reporting to shareholders and other capital market participants. The guidelines also cover internal needs. Together, these are called guidelines for financial reporting. The guidelines set quality assurance requirements for the financial reporting process that apply to all units in the Group, including requirements to avoid any manipulation of the accounts.

Among other things, the Audit Committee has the following tasks and responsibilities in connection with internal control relating to financial reporting:

- Reviewing financial reporting on a quarterly basis and making a discretionary assessment of estimates in addition to any changes in accounting practices
- Initiating discussions with management, Group Audit and the statutory auditor on selected topics of particular importance, including any significant weaknesses in the internal audit uncovered by the statutory auditor in connection with financial reporting
- Considering the Group Management's annual self-assessment of the level and effectiveness of the internal control over financial reporting
- Having separate meetings with the statutory auditor on behalf of the Board of Directors at least once a quarter, without any representatives from Group Management present
- Meeting the Group Executive Vice President for Group Audit at least once a year without representatives from Group Management present
- Processing quarterly financial statements and proposals for financial statements for DNB ASA and the DNB Group before the financial statements are processed in the respective boards of DNB ASA and DNB Bank ASA

→ Considering the proposed statutory and consolidated accounts of DNB Bank ASA and DNB Livsforsikring AS and the statutory accounts of DNB Boligkreditt AS. The Board of Directors of DNB Livsforsikring AS considers the quarterly accounts and the proposed annual accounts. The annual accounts are approved by the General Meetings of the respective companies.

### External auditing

The annual accounts of all the companies in the DNB Group are audited by the statutory auditor, who, within the limits stipulated in international standards on auditing and quality control, ISA, cooperates with Group Audit.

As part of the audit, Group Audit assesses the established internal control over financial reporting in selected processes. Every year, the statutory auditor prepares a report which summarises the results of the financial audit. The report gives an account of any weaknesses and deficiencies in the internal control over financial reporting. The report is sent to those who are responsible for financial reporting in the audited units and companies for comment, before being considered by the Audit Committee and the Board of Directors of DNB ASA.

More information about the statutory auditor can be found in section 15 below.

### Group Management

On an ongoing basis, the CEO and the Group Chief Financial Officer (CFO) consider the financial results and target attainment of the business areas, as well as critical circumstances and events that will affect their future performance and optimal resource utilisation.

Once a month, the Group Management team reviews financial reporting and risk appetite, including trends in profit and loss and balance sheet items, the current status relative to statutory requirements, results for legal units and analyses of and comments concerning the financial performance of business areas and support units.

The Group Executive Vice Presidents for the business areas and support units are responsible for ongoing financial follow-up and reporting. All units have management teams and accounting units adapted to their organisation and operations. Managers must ensure that adequate and effective internal control is implemented in accordance with established requirements, and are responsible for complying with these requirements.

The staff and support unit Group Finance is headed by the CFO. Group Finance has responsibility for financial reporting for the DNB Group, and ensures that such reporting is in line with prevailing legislation, accounting standards, established accounting principles and guidelines from the Board of Directors. Group Finance also prepares guidelines explaining the requirements to be met by local units, including an accounting manual. Processes and a number of control measures have been established to ensure that financial reporting is of high

quality. The measures include rules relating to authorisations, the division of responsibilities, reconciliation, change management, IT controls and management reviews.

Group Finance has also, in a set of Group instructions, elaborated on the responsibility for internal control over financial reporting in the business units and support areas, and it is carrying out assessment and follow-up of internal control over financial reporting in close cooperation with the units.

A process has been established for self-assessments of the level and effectiveness of the internal control over financial reporting. A summary of this self-assessment is discussed when necessary with the CFO, the Group Management team, the Audit Committee and the Board of Directors of DNB ASA in connection with the processing of the quarterly and financial statements.

The results of any such audits of financial reporting are described in Group Audit's semi-annual report to the Boards of Directors of DNB ASA and DNB Bank ASA and the Audit Committee.

See section 15 for more information about the statutory auditor.

**Deviations from the Code of Practice: None**

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## SECTION 11:

# Remuneration of the Board of Directors

Remuneration paid to members of the Board of Directors, which is proposed by the Election Committee and approved by the General Meeting, is not performance-based or linked to options in DNB ASA. The Board of Directors must approve any remuneration from the company to members of the Board of Directors other than ordinary remuneration for their service on the Board of Directors, the Audit Committee, the Risk Management Committee and the Compensation and Organisation Committee. Note 46 to the annual accounts for the DNB Group shows remunerations to senior executives and elected officers in DNB ASA.

**Deviations from the Code of Practice: None**

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## SECTION 12:

# Remuneration of executive personnel

DNB's guidelines for determining remuneration to the CEO and other members of the Group Management team should, at all times, support the Group's prevailing strategy and values, while contributing to the attainment of the Group's targets. The total remuneration to the CEO and other senior executives consists of basic salary (main element), fixed salary in the form of shares, salary supplements, benefits in kind, performance-based pay, and pension and insurance schemes.

DNB's remuneration scheme is in line with Chapter 15 of the Financial Institutions Act and Chapter 15 of the Financial Institutions Regulations, which implement the requirements for remuneration schemes arising from the EU Capital Requirements Directive (CRD IV), as well as Section 2-16 of the Securities Funds Act and section 3-6 of the Act on the Management of Alternative Investment Funds, with accompanying regulations. The Group has identified senior executives, risk takers and employees who have independent control functions, referred to below as other senior executives. The Group's guidelines are also in keeping with the Norwegian Government's guidelines for remuneration of senior executives.

### GROUP CHIEF EXECUTIVE OFFICER

The total remuneration to the CEO is determined on the basis of a total evaluation of performance, in addition to comparisons with remuneration levels for corresponding positions in the market. The remuneration should be competitive, but not market-leading.

The variable remuneration of the CEO is performance-based and is determined on the basis of the Group's return on equity and cost/income ratio. In addition, a broad set of KPIs are included, as defined in the Board's follow-up of the strategic focus areas, including customer satisfaction, reputation and efficiency measures. The variable remuneration of the CEO must not exceed 50 per cent of fixed salary. Payment of a minimum of 50 per cent of variable remuneration is deferred and conditional in the form of DNB shares. The remuneration provided in the form of shares is divided into three, subject to minimum holding periods (deferred and conditional), with one-third payable each year over a three-year period.

In addition, the CEO receives an additional 30 per cent of ordinary fixed salary paid in the form of shares. This amount is set aside throughout the year, and the net amount after tax is used to purchase shares in DNB ASA after the end of the year, with a minimum holding period for as long as the person is part of the Group Management team.

### OTHER SENIOR EXECUTIVES

The total compensation of other senior executives is determined according to the same framework as described for the CEO above, with the exception of fixed salary in the form of shares, which is only applicable to certain Group Executive Vice Presidents, and then with an identical agreement to that of the CEO. The total

remuneration should ensure that DNB attracts and retains senior executives with the desired skills and experience. The level of variable remuneration in DNB is considered to be moderate compared with prevailing levels in international financial institutions and other large Norwegian corporate groups.

Variable remuneration is awarded to individual employees within limits allocated to each unit and an overall assessment of the individual's attainment of predetermined financial and non-financial targets.

The variable remuneration scheme is performance-based without exposing the Group to unwanted risk. This is ensured by the strong correlation between individual targets and the Group's governance model. Payment of a minimum of 50 per cent of variable remuneration is deferred and conditional in the form of DNB shares. The remuneration paid in shares is divided into three, subject to minimum holding periods (deferred and conditional), with one-third payable each year over a three-year period. Variable remuneration cannot exceed 50 per cent of fixed salary for senior executives.

Variable remuneration is not awarded to employees in the control functions internal audit, risk management and compliance.

### THE BOARD OF DIRECTORS' STATEMENT CONCERNING REMUNERATIONS FOR SENIOR EXECUTIVES

In accordance with the Norwegian Public Limited Liability Companies Act, the Board of Directors presents a proposal to the Annual General Meeting regarding a binding decision on guidelines for remunerations to senior executives. Information about information about remuneration paid to individual members of the Group Management team can be found in note 46 to the annual accounts for the DNB Group.

### OTHER ASPECTS

No employees in the DNB Group have any outstanding subscription rights or similar. See also the description of the Compensation and Organisation Committee in section 9 above. For more information about the Group's remuneration schemes, see note 46 to the annual accounts.

**Deviations from the Code of Practice: None**

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## SECTION 13:

### Information and communications

The communication policy sets the framework for communication guidelines with investors and other stakeholders in financial markets. Communication must be open, honest and clear, and reflect a high ethical standard. DNB's target groups must be given equal treatment through complete, timely and understandable communication. Information practices must, on an ongoing basis, be further developed based on what is perceived to be best practice.

#### FINANCIAL INFORMATION

Guidelines have been drawn up for the reporting of financial information to shareholders, investors and analysts. These guidelines also cover the Group's contact with shareholders other than through Annual General Meetings. The guidelines are based on openness and take into account the requirement for equal treatment of all participants in the market. They can be found on the Group's website [ir.dnb.no/about-dnb/ir-policy](https://ir.dnb.no/about-dnb/ir-policy).

An overview of the dates for major events such as the Annual General Meeting, the publication of interim reports, public presentations and dividend payments is published on the Group's website, [ir.dnb.no](https://ir.dnb.no).

**Deviations from the Code of Practice: None**

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## SECTION 14:

### Takeovers

The Board of Directors of DNB ASA will handle any take-over bids in compliance with the principle of equal treatment of shareholders. Parallel to this, the Board will help ensure that shareholders are given as complete information as possible in all situations that will affect shareholder interests. See also section 4, which gives an account of the Norwegian Government's intention to retain its 34 per cent holding in DNB ASA, as required by the Storting (Norwegian parliament).

**Deviations from the Code of Practice:** The Board has chosen not to prepare any explicit guiding principles for responding to takeover bids. The reason for this exception is that the Norwegian state owns a 34 per cent stake in DNB. The purpose of the state ownership of DNB is, among other things, to ensure that DNB has a Norwegian head office, which makes such principles less relevant.

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## SECTION 15:

### Auditor

DNB's statutory auditor is EY. Each year, the statutory auditor submits a plan for the audit to the Audit Committee. Guidelines have been drawn up for the use of the statutory auditor, including restrictions on what additional services can be undertaken, approval of fees and guidelines on inviting tenders for external audit services. The auditor responsible for carrying out the audit can hold this responsibility for a maximum of seven years. The selected audit firm can hold this responsibility for a maximum of 20 years, and calls for tenders for audit services must be made at least every 10 years.

The Audit Committee submits a recommendation regarding the choice of statutory auditor to the Board of Directors, which submits a recommendation to the General Meeting. At least once each quarter, the Committee has separate meetings with the statutory auditors on behalf of the Board of Directors, without any representatives from the Group Management team present.

The committee recommends the auditor's fee for approval by the Board, which presents the remuneration proposal to the Annual General Meeting for approval.

The statutory auditor must provide a report to the Audit Committee on the main features of the audit carried out in the previous accounting year, including particular mention of any material weaknesses identified in the internal control relating to the financial reporting process. The auditor must also provide the Audit Committee with:

- an audit plan
- a confirmation of the auditor's independence
- an overview of services provided

The Audit Committee evaluates the work performed by the statutory auditor on an annual basis.

**Deviations from the Code of Practice: None**

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