Implementation of and reporting on corporate governance 2023

DNB Group

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 are followed in DNB. There are no significant deviations from the Code of Practice in DNB's operations. One deviation from Section 6 of the Code of Practice and one from Section 14 are explained below.

The Board of Directors of DNB Bank ASA (the Board) 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 Subsection 2 of the Norwegian Accounting Act and with the recommendation from the Norwegian Corporate Governance Board (NUES), the Norwegian Code of Practice for Corporate Governance (Code of Practice) of 14 October 2021, which is available on the website nues.no. DNB Bank 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.

- → The Board of Directors' report on corporate governance in the annual report 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 Subsection 2 of the Norwegian Accounting Act and with the Code of Practice.

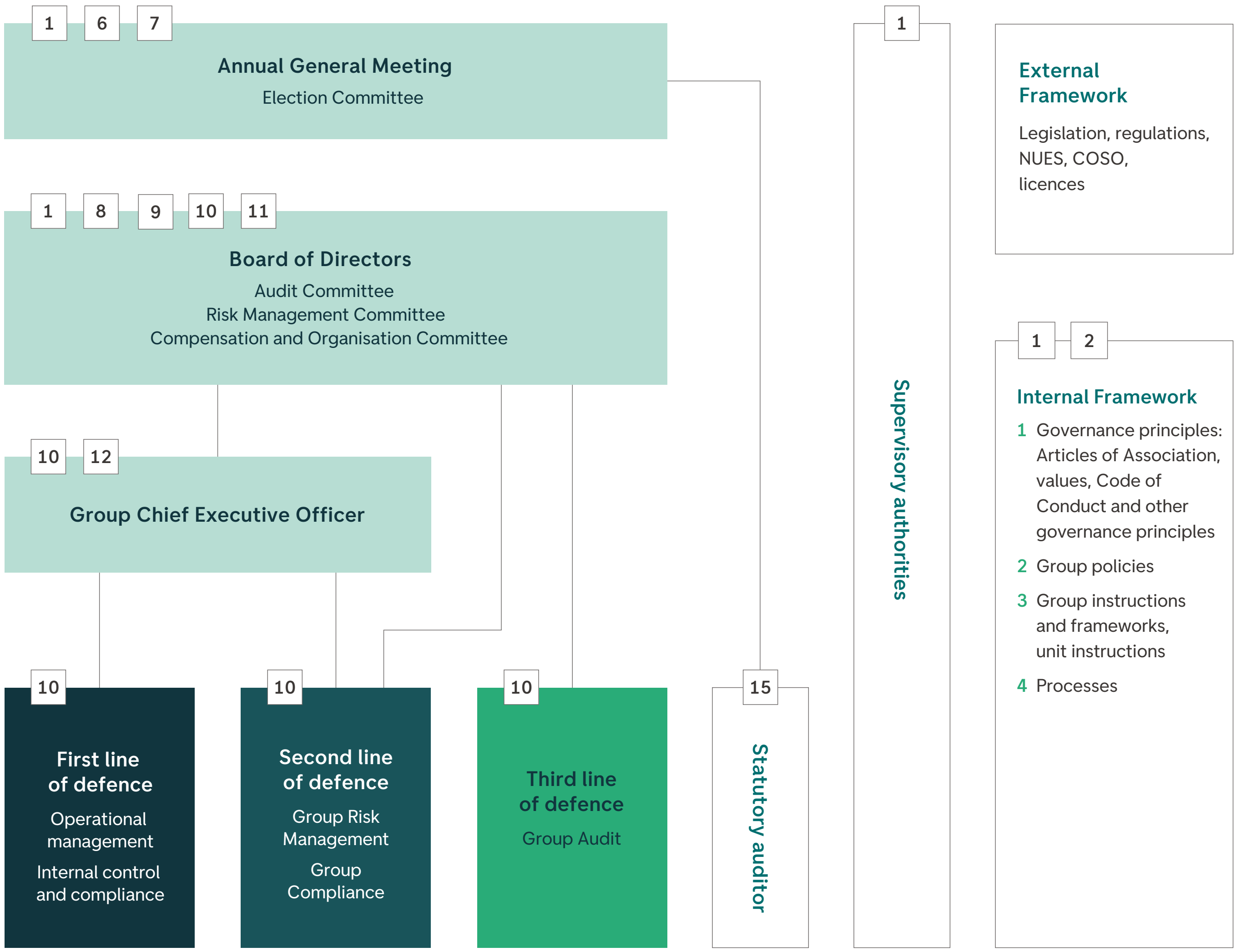
Contents

Section 1
Implementation of and reporting on corporate governance

DNB is a Norwegian financial services group with operations in a number of countries. The Group conducts several types of licensed business operations with the permission of the public authorities in different countries, and the operations are subject to supervision by these authorities. This entails strict requirements for compliance with extensive rules and legislation. The consequences of non-compliance can be serious. Good corporate governance and compliance with the requirements help maintain people's trust in DNB and safeguard the values of both the Group and our customers. This is crucial for DNB's competitiveness over time.

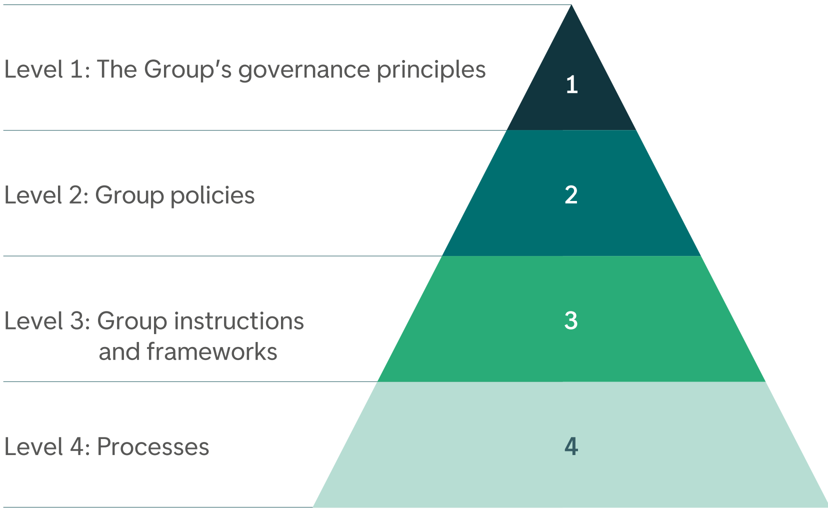
The figure below shows the governing bodies of DNB Bank ASA and the frameworks that set out requirements and principles for our business operations.

Governing bodies of DNB Bank ASA



The numbering refers to the 15 sections in the Norwegian Code of Practice for Corporate Governance (NUES)

DNB's hierarchy of governing documents



Corporate governance

Management and control of the activities of the DNB Group is based on, among other things, governing documents and processes that the individual managers are responsible for implementing and complying with in their respective units or entities. Managers are to promote compliance with good corporate governance and ensure that employees understand and comply with the Group's governing documents and processes, and carry out necessary training activities.

DNB's hierarchy of governing documents consists of four levels:

Level 1 Governance principles

The governance principles constitute the highest governance level in the Group and are based on, among other things, the rules, legislation and licences our business operations are subject to. The Board and the Group Management team identify areas of particular importance for the Group's governance and define the desired culture, conduct and division of responsibilities at an overarching level.

DNB's governance principles include:

- strategy and values
- principles for risk appetite, see more information under Section 10
- principles for safeguarding and developing employees
- ethical principles (Code of Conduct), see more information below
- principles for internal control, risk management and compliance
- application of DNB's governing requirements

DNB's governance principles are available on [dnb.no/sustainability-reports.](dnb.no/sustainability-reports)

Level 2 Policies

Policies contain more detailed descriptions of the overarching governance principles. Furthermore, a policy may elaborate on regulatory requirements and/or set the framework for managing the greatest risks related to such requirements. Each policy is drawn up to help ensure that the requirements of a governance principle or other external or internal requirements are made more concrete and specific for the various processes and units.

Level 3 Instructions and frameworks

Instructions contain further clarifications of the details of the policies at the level above and describe operational activities. Internal frameworks contain DNB's elaboration of more comprehensive sets of rules and legislation, for example, DNB's Global framework for personal data protection and DNB's Global AML framework.

Level 4 Processes

Processes describe how governing documents are complied with in the various parts of the Group's 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, units and entities.

DNB's Code of Conduct

In order to deliver on DNB's strategic goals in line with the company's values, everyone in DNB should act in a way that safeguards the interests of our customers, owners, employees and other stakeholders, now and in the future. This will allow DNB to continue to build trust. The trust of our customers, owners and the market in general is essential if DNB is to maintain profitable and 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 documents on the governance principles level and is the Group's main ethics framework. It sets out how permanent and temporary employees in the DNB Group, hired temporary personnel, members of the Board and other elected officers are expected, obliged and required to act.

DNB's Code of Conduct reflects the Group's values and culture. The document includes guidelines in areas such as corporate responsibility, customer service, communication, HSE, combatting 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. Violations of the governance principles in the Code of Conduct may have consequences under labour, tort and criminal law. The Code of Conduct has been adopted by the Board and is available on dnb.no/sustainability-reports.

Supervisory authorities

The DNB Group's operations in Norway are subject to supervision by the Norwegian authorities, including Finanstilsynet (the Financial Supervisory Authority of Norway), the Norwegian central bank, Norges Bank, and the Norwegian Data Protection Authority. DNB's operations in other countries are subject to supervision either by corresponding authorities in the country in question, by Norwegian supervisory authorities or by both foreign and Norwegian supervisory authorities. The Board 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 process for 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

Section 2 Business

The purpose of DNB Bank ASA is to conduct banking, financing and investment activities, and naturally related activities, as well as to have an ownership interest in or participate in other businesses within the scope of prevailing Norwegian legislation. The Articles of Association of DNB Bank ASA can be found on the Group's website, 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 other presentations. For an update on the corporate governance efforts of the Board in 2023, 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 below, and risk management and risk appetite are elaborated on in Section 10. 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.

Sustainability

One of DNB's main strategic ambitions is to deliver sustainable value creation. DNB is working to be a driving force for sustainable transition and will use its position and expertise to actively help its customers to move in a more sustainable direction, through the provision of advisory services, financing and clear expectations. Sustainability is integrated into the governance system through the Group policy for sustainability. The policy is available on dnb.no/sustainability-reports.

The materiality analysis from 2023 shows that the three main areas for DNB's sustainability work remain relevant:

- DNB finances the climate transition and is a driving force for sustainable value creation
- DNB is a driving force for diversity and inclusion
- DNB combats financial crime and contributes to a secure digital economy

An overarching goal was established in 2021 that **DNB will achieve net-zero emissions by 2050 – both from its financing and investment activities and from its own operations.** In October 2023, DNB launched a transition plan, in which the goals that were launched in 2021 are continued. The plan indicates which instruments need to be applied in order to achieve the goal of net-zero emissions. The goals in the plan cover about 70 per cent of the financed emissions in the Group's lending portfolio. In addition, the plan contains goals that describe how DNB will be a driving force for real-world emissions reductions through its role as investor.

To be a driving force for sustainable transition, the following targets have also been set:

1. DNB will finance and facilitate sustainable activities worth NOK 1 500 billion by 2030[1].
2. DNB's asset management company will increase total assets in mutual funds with a sustainability profile to NOK 200 billion by 2025.
3. In 2025, 50 per cent of net flows of total assets will go to mutual funds with a sustainability profile.

For more information about DNB's sustainability work, see DNB's annual report, DNB's transition plan and further information on dnb.no/sustainability-reports.

Deviations from the Code of Practice: None

Section 3
Equity and dividends

The Board 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 desired risk profile. See the Group's Pillar 3 report for a further description of the rules on capital requirements and expectations of the supervisory authorities, the principles applied by DNB to assess capital needs, and a more detailed explanation of the Group's capital adequacy. The report can be found on ir.dnb.no.

The Board considers the Group to be well capitalised in accordance with 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.

See the Directors' report in DNB's annual report for information about dividends.

Share buy-back

In order to have flexibility in the management of capital, the Board was again authorised by the General Meeting to buy back own shares in 2023. Implementation of a buy-back programme requires permission from Finanstilsynet, which was granted for the programmes that were initiated during 2023. A proposal will be made at the 2024 Annual General Meeting to delete the shares that have been bought back. In addition, an agreement has been entered into with the Norwegian government, represented by the Ministry of Trade, Industry and Fisheries, which entails that a proposal will be made to redeem a proportionate share of the government's shares, in order to keep its ownership interest constant.

See the Directors' report in DNB's annual report for information about share buy-backs.

Increases in share capital

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

Deviations from the Code of Practice: None

Section 4
Equal treatment of shareholders

DNB Bank ASA has one class of shares. In the Articles of Association and in the work carried out by the Board 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 waived due to special circumstances. In such cases, the reasons for a waiver will be specified. In cases when the Board asks the General Meeting for an authorisation to repurchase own shares, these shares are to be purchased through the stock market at market price.

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

Largest shareholder

The Norwegian government, represented by the Ministry of Trade, Industry and Fisheries, is DNB Bank ASA's largest shareholder, owning 34 per cent of the Group's shares. In accordance with the Norwegian State Ownership Report (Meld. St. 6 (2022–2023) *Greener and more active state ownership – The state's direct ownership of companies*), the purpose of state ownership in DNB Bank ASA is to retain a leading financial services group headquartered in Norway. The state's objective as an owner is to maximise the long-term return within sustainable limits. The Norwegian government points out that a state holding of more than one third of the share capital in a limited liability company gives negative control over the company's Articles of Association, including the location of the head office. The Norwegian government will maintain its 34 per cent ownership interest in DNB Bank ASA.

The shares held by the Ministry are managed by its Ownership Department, subject to special 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 groups of shareholders. The guidelines require that the Ministry acts in a manner conducive to equal treatment of DNB's shareholders.

Deviations from the Code of Practice: None

Section 5
Shares and negotiability

The shares in DNB Bank 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

Section 6
General meetings

The highest authority in DNB is the General Meeting, where DNB Bank 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 General Meeting. The registration deadline will be set as close to the meeting as possible. The notice includes an overview of matters for consideration. Shareholders can participate in person or online. The procedure for voting and for proposing resolutions is described in the notice of the General Meeting. Shareholders can vote on each individual item on the agenda 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 to the Board and the Election Committee 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, 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.

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.

Section 7
Nomination committee

In accordance with DNB Bank 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 and the Election Committee, and their remuneration. 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 the entire shareholder community. No member of the Board or representative of the Group Management team 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 eight meetings in 2023. Topics of discussion included recommendations for candidates for election to the Board and the Election Committee. Individual conversations were also conducted with the CEO and members of the Board. The Election Committee also prepared matters for consideration in 2024. An overview of the members of the Election Committee is available in the Board of Directors' report on corporate governance in DNB's annual report.

Information about the Election Committee and closing dates for proposing candidates can be found on dnb.no/en/agm.

Deviations from the Code of Practice: None

Section 8
Board of Directors: composition and independence

The Board is responsible for managing the company's affairs. The Board must ensure that the company's business operations are responsibly organised, which includes making sure that the requirements for the organisation of the business operations and the establishment of appropriate management and control systems are complied with.

The Board must represent broad and varied interests and will consist of nine to eleven members, with up to eight elected by shareholders and three as employee representatives. Members that are elected by shareholders hold office for up to two years at a time. When electing the Board's shareholder-elected members, emphasis must be placed on the interests of the shareholder community and DNB's need for competence, capacity and diversity. 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.

More information about the composition of the Board can be found in DNB's annual report in the chapter This is DNB.

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

The Board assesses the independence of its members, and the conclusion appears in the overview of governing bodies in the annual report. When new members of the Board 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 members of the Board. The Group has initiated processes to continually monitor which other assignments are held by the members of the Board.

Members of the Board 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-2023. The overview is available in the chapter This is DNB in the annual report.

Liability insurance has been taken out for the Board, to cover the legal liability that members of the Board and senior executives may face. The insurance covers any personal liability that members of the Board, deputy members and employees of DNB Bank ASA, including all subsidiaries, may incur. The insurance also covers the costs of processing any damage claims made, or documenting the facts related to these.

Deviations from the Code of Practice: None

Section 9
The work of the Board of Directors

The Board has the ultimate responsibility for the management of DNB. Through the CEO, the Board must ensure that business operations are responsibly organised. The Board 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. The instructions for the Board of Directors are available on dnb.no/en/about-us. The Board draws up an annual plan for its activities, covering duties stipulated in laws, regulations and resolutions passed by the authorities, as well as the Articles of Association and decisions made by the General Meeting. The Board also issues instructions for the CEO.

In the strategy process, the Board 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, among other things, 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 remuneration of executive and non-executive directors. See Section 12 below.

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

For an insight into the Board's work and main priorities in 2023, see The Board of Directors' report on corporate governance and the Directors' report in DNB's annual report.

Agreements with associated parties

In accordance with the instructions for the Board of Directors, the Board must approve agreements between DNB Bank ASA and the CEO or a member of the Board. The Board must also approve agreements between the company and third parties in cases where a member of the Board or the CEO can be perceived to have a prejudicial interest in the matter. Any agreements between DNB Bank ASA and other associated parties must be presented to the Board for consideration if they are of significant financial importance for the company. In each individual case, the Board considers whether it is necessary to obtain an independent valuation. However, an independent valuation is not necessary if the agreement is part of DNB's normal activities and is based on normal business terms and principles.

DNB Bank ASA can grant loans or guarantees to a member of the Board, the CEO or any company in which a member of the Board or the CEO is a general partner or member of the Board, when these loans or guarantees are granted with standard customer terms and conditions. Loans and guarantees that are not subject to normal customer terms and conditions may only be granted to persons and companies as mentioned above if the Board decides to do so, and the internal audit function or statutory auditor has confirmed to the Board that the loan or guarantee is adequately secured.

Agreements with associated parties are referred to in notes G48 and P43 to the annual accounts.

Conflicts of interest and impartiality

The instructions for the Board of Directors state that members of the Board cannot participate in consideration of or decisions on matters of such specific importance to them personally or to their close associates that the members of the Board must be seen as having a direct or indirect personal or financial interest in the matter.

The same applies to the CEO. It is the duty of each member of the Board to ensure that they are qualified to consider a matter.

Members of the Board must inform the Board 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 an agreement of this kind is signed by a company outside the DNB Group in which the member of the Board has an ownership interest, serves on the board or has a senior management position.

Members of the Board, or companies with which they are associated, should not take on special assignments for DNB Bank ASA, or other companies in the DNB Group, in addition to their board position. If they do so nonetheless, the entire Board must be informed. Remuneration for such assignments is subject to approval by the Board.

Board committees

The Board appoints its own Board committees to the extent it finds appropriate, or as stipulated by law. The committees are working committees for the Board, preparing matters for consideration and acting in an advisory capacity. Special instructions have been prepared for each of these committees, governing their members, authority and responsibilities, as well as their work tasks and reporting obligations to the Board. The Board committees have been established as joint committees for all companies in the DNB Group where such committees are required. In addition, DNB Livsforsikring AS has its own Risk Management Committee, which consists of external members of the Board. The purpose and organisation of the committees is described below. See the Pillar 3 report on ir.dnb.no for a more detailed description of the committees' tasks.

The committees are described below, and the members appear on the list of governing bodies in DNB's annual report.

The Audit Committee

The Board elects up to four members to the Audit Committee from among the Board members that have been elected by shareholders, and also appoints the Chair of the Committee. In addition, the Committee has a member from among the employee-elected Board members. The members of the Committee must collectively hold the competence which, based on the company's operations and organisation, is needed in order to satisfactorily perform the Committee's tasks. At least one of the shareholder-elected members of the Audit Committee must have accounting and/or auditing expertise.

The Audit Committee must ensure that the DNB Group has independent, effective and objective external and internal audits, and satisfactory financial reporting in accordance with applicable rules and legislation. The Committee also has specific tasks relating to quality assurance of the Group's sustainability reporting.

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 Risk Management Committee from among the Board members that have been elected by shareholders, and also appoints the Chair of the Committee. In addition, the Committee has a member from among the employee-elected Board members. The members of the Committee must collectively hold the competence which, based on the company's operations and organisation, is necessary to satisfactorily perform the Committee's tasks. At least one member of the Risk Management Committee must have experience from identifying, assessing and managing risk exposures in large, complex companies.

The Risk Management Committee is responsible for ensuring that the DNB Group has satisfactory risk management, and for preparing Board consideration of the Group's management and control systems.

The Compensation and Organisation Committee

The Board elects up to four members to the Compensation and Organisation Committee, of which one is the Chair of the Board, two are elected from among the Board members that have been elected by shareholders, and one is elected from among the Board's employee-elected members.

The Compensation and Organisation Committee is responsible for preparing guidelines, frameworks and matters concerning remuneration that require a decision by the Board, including variable remuneration for employees in all or part of the Group and other important personnel-related matters concerning executive and non-executive directors. 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

Section 10
Risk management and internal control

DNB Bank ASA, and the Group's subsidiaries that are financial institutions, are subject to strict requirements regarding risk management and internal control. Through sound risk management, DNB will at all times be able to identify, manage, measure, monitor and report risk that is relevant to DNB's target attainment.

The Group must only take on risk that 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 acceptable level (operational risk). The DNB culture is to be characterised by individual responsibility and transparent methods and processes that support sound risk management, compliance and internal control.

The Board of DNB Bank ASA reviews processes for financial and non-financial reporting and ensures that the Group's internal control, including the internal audit and risk management systems, functions effectively.

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

Principles for risk appetite

Risk appetite forms part of the strategic management of the Group and consists of principles for assessing the types of risks that are of significance to DNB. The Board uses risk appetite to determine DNB's long-term risk profile and to optimise the risk/earnings ratio. The risk appetite framework gives a comprehensive and balanced overview of the risk the Group is willing to accept to achieve its goals. This is a prerequisite for target attainment over time.

The risk appetite framework consists of risk statements with corresponding accepted levels of risk in DNB. The principles and levels of risk are linked to the following risk categories, which are considered particularly significant to DNB:

- risk associated with profitability and loss-absorbing capacity
- capital adequacy risk
- credit risk
- market risk
- liquidity risk
- operational risk
- reputational risk

Risk categories, risk statements and accepted levels of risk must be reassessed and adopted by the Board on an annual basis.

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.

Risk appetite monitoring

Managers are responsible for conducting business operations in accordance with the established principles for risk appetite, including ensuring adequate internal control.

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 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 set of emergency measures that are described in a recovery plan, which is intended to ensure that the Group can resume operations after a serious financial crisis without involving or receiving support from the authorities. The recovery plan is prepared as an integrated part of the Group's risk and capital management framework and can be activated if pre-defined indicators are breached. Breaches of indicators will trigger a thorough evaluation of the situation and an assessment of relevant actions.

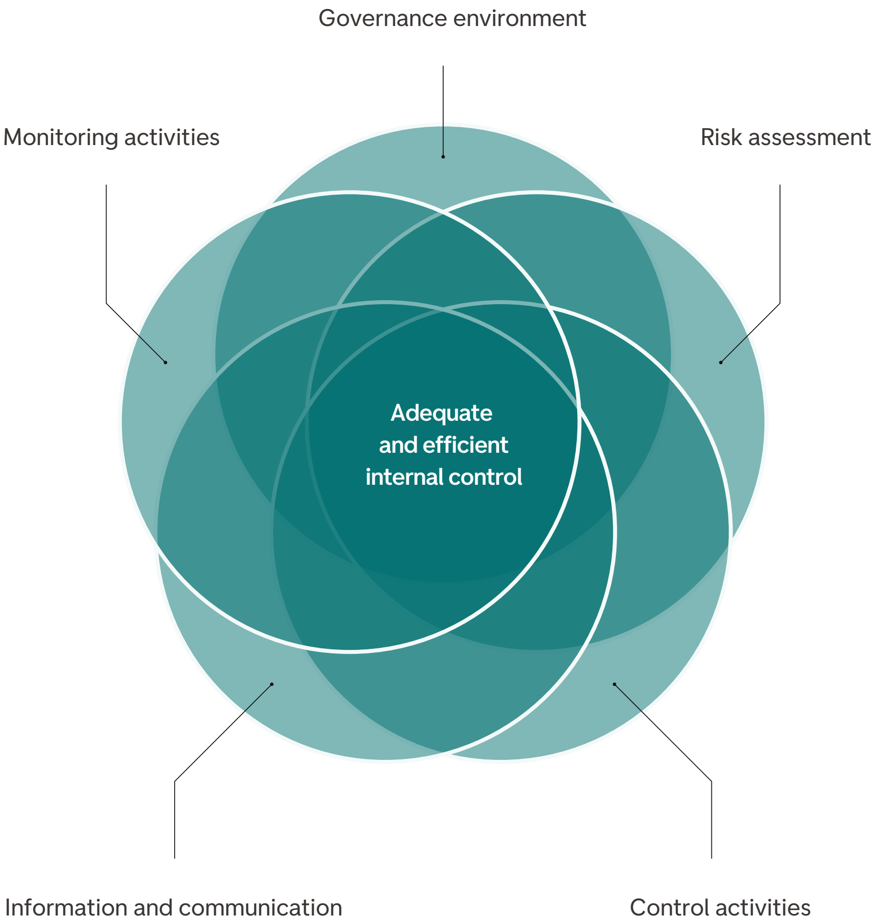
If recovery does not succeed, crisis management of DNB will be performed in accordance with the rules in Chapter 20 of the Financial Institutions Act. The authorities are responsible for establishing DNB's emergency measures plan. DNB will work to ensure that the preferred crisis management strategy for DNB is viable.

Because the risk appetite framework is intended to function 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: governance environment, risk assessments, control activities, information and communication, and monitoring activities. 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 internal control system is to contribute to the Group's target attainment through:

1. efficient operation;
2. responsible business operations;
3. reliable financial and non-financial information for both internal and external reporting;
4. sound administrative and accounting-related procedures;
5. appropriate identification, measurement and management of risk; and
6. compliance with laws, regulations and requirements from supervisory authorities, as well as the Group's governing requirements, guidelines, 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 (business areas and staff/support units). The operative managers are responsible for establishing, managing and following up internal control, including risk management and compliance, within their own area of responsibility. All risks are owned by the first line of defence. Risks must be owned at the lowest possible organisational level. Roles, responsibilities and the distribution of risk between business areas and staff and support units within the first line of defence are set out in the Group's governance model and are specified in the units' governing documents. Employees are responsible for ensuring good internal control in their daily work tasks.

- **The second line of defence** consists of the risk management function and the compliance function. These are intended to be independent control functions that report to the CEO, and they must have the opportunity to report their assessments to the Board. The functions must have the necessary authority, expertise, competence and resources, as well as access to all relevant information. The functions must be Involved in and contribute to assessing risk when introducing new strategies, organisational changes and other changes in the operations, provided that such changes are considered to be significant. The areas of responsibility of the functions and how the tasks are to be performed are specified in more detail in the frameworks for the risk management and compliance functions.
- Group Audit is **the third line of** defence and assists the Board in ensuring that all significant elements of the Group's internal control, including risk management and compliance, are of satisfactory quality. Group Audit receives its mandate from the Board, which also approves Group Audit's annual plans and budgets. Group Audit is responsible for ensuring the establishment and implementation of adequate and effective internal control and risk management procedures. Group Audit must also assess whether management processes and control measures are effective and contribute to the Group's target attainment. More information about Group Audit is given in a separate section below.

DNB has defined processes for how the Board works to identify, evaluate and manage significant risks. These processes include:

- the Risk Management Committee's responsibility for evaluating the quality of the Group's risk management and internal control;
- the Audit Committee's responsibility for evaluating the quality of the Group's financial reporting;
- the Board's review of the plans for both external and internal audits;
- an 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, as 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;
- adoption of DNB's governance principles, including principles for internal control, risk management and compliance.

The Group's report on capital requirements and risk management, the Pillar 3 report, contains a description of risk and capital management, internal control and capital calculation in DNB, as well as 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 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 is DNB's internal audit function and receives its mandate from the Board, which also approves Group Audit's annual plans and budgets.

Group Audit's responsibilities are broadly twofold:

- on behalf of the Board, the CEO and the Boards of Directors of major subsidiaries: ensuring the establishment and implementation of adequate and effective risk management and internal control;
- assessing 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 entities 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. 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. 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. They also specify responsible persons and deadlines for implementation of the measures. The audit reports are sent to the heads of the audited entities. An audit summary, reviewing the overall risk management and internal control in the DNB Group, is presented to the Board of Directors of DNB Bank ASA every six months. The Board also receives a monthly summary of the audit reports for all entities in the Group.

The main elements of internal control over financial reporting

The Board has established guidelines for financial reporting in the Group. The guidelines must comply 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. The Group instructions for internal control over financial reporting set explicit requirements for processes and procedures to ensure high-quality financial 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 the financial reporting.

The results of the internal control over financial reporting are reported by all entities 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, 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. The Committee also has specific tasks relating to quality assurance of the Group's sustainability reporting. The Committee has the authority to investigate all matters relating to the Group that the Committee finds relevant for performing its tasks. The Audit Committee is answerable to the Board in connection with the implementation of its tasks.

The Committee is responsible for ensuring that the Group has independent and effective external audit procedures. The Board has prepared guidelines to ensure reliable, relevant, timely and uniform reporting to shareholders and other capital market participants. The guidelines also cover in-house needs. Together, these are called guidelines for financial reporting. The guidelines set quality assurance requirements for the financial reporting process that apply to all entities in the Group, including requirements to avoid any manipulation of the accounts.

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

- monitoring the systems for internal control, risk management and internal auditing in relation to the company's financial reporting;
- considering the Group Management team's annual self-assessment of the level and effectiveness of the internal control over financial reporting;
- discussing the plan and scope of the auditing work with the statutory auditor and internal auditor, including having ongoing contact with the statutory auditor and internal auditor relating to the audit of the annual accounts and the sustainability reporting;
- preparing the Board's follow-up of the reporting process, including reviewing and assessing the Group's quarterly and annual financial reports;
- reviewing and discussing points on which the auditors may disagree with the Group Management team, and/or where great uncertainty has been pointed out by the auditors;
- assessing and monitoring the impartiality of the statutory auditor, including, in particular, making sure that services other than auditing that are delivered by an auditor or audit firm do not represent a threat to impartiality;
- meeting with the statutory auditor on behalf of the Board 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 any representatives from Group Management present;
- informing the Board of the results of the statutory audit and explaining how the audit process contributed to the integrity of the financial and sustainability reporting, and describing the role of the Audit Committee in the process;
- being responsible for preparing the company's choice of auditor.

External auditing

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

Group Audit assesses the established internal control over financial reporting in selected processes as part of the audit. Every year, the statutory auditor prepares a report that 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.

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

Group Management

On an ongoing basis, the Group Chief Executive Officer (CEO) considers the financial and non-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 relating to statutory requirements, results for legal entities 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 access to accounting functions 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 compliance with these requirements.

A process has been established for self-assessment of the level and effectiveness of the internal control over financial reporting. When necessary, a summary of this self-assessment is discussed with the Group Chief Financial Officer (CFO), the Group Management team, the Audit Committee and the Board in connection with the processing of the quarterly and annual accounts.

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

See Section 15 for more information about the statutory auditor.

Deviations from the Code of Practice: None

Section 11
Remuneration of the Board of Directors

Remuneration paid to members of the Board, which is proposed by the Election Committee and approved by the Annual General Meeting, is not performance-based or linked to options in DNB Bank ASA. The Board must approve any remuneration from the company to members of the Board other than ordinary remuneration for their service on the Board, the Audit Committee, the Risk Management Committee or the Compensation and Organisation Committee. Note G47 to the annual accounts and the separate remuneration report for the DNB Group, which will be presented to the Annual General Meeting on 29 April 2024, shows remuneration to executive and non-executive directors in DNB Bank ASA.

Deviations from the Code of Practice: None

Section 12
Salary and other remuneration for executive personnel

The Board's guidelines for the remuneration of executive and non-executive directors

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 can consist of fixed salary (main element), fixed salary in the form of shares, salary supplements, benefits in kind, variable remuneration, fees, and pension and insurance schemes.

The Board presents a statement to the Annual General Meeting proposing a binding decision regarding guidelines for remuneration to executive and non-executive directors, in accordance with the Norwegian Public Limited Liability Companies Act. The Board's guidelines for the remuneration of executive and non-executive directors were adopted by the Board and approved by the General Meeting in 2022. In order to adapt to the new provisions in the Financial institutions Act, the Board adopted new provisions in the guidelines at the beginning of 2023. The guidelines are available on dnb.no/en/agm. Information about the remuneration of each member of the Group Management team is provided in note G47 to the annual accounts and in the remuneration report for executive and non-executive directors that will be presented to the Annual General Meeting on 29 April 2024. At the same time, the Board will present a proposal for new guidelines adapted to new ownership expectations, as expressed in the Norwegian government's guidelines on executive pay.

Performance-based remuneration

Variable remuneration is awarded on the basis of financial and strategic performance criteria set out in the Board's guidelines for the remuneration of executive and non-executive directors. For the CEO and the rest of the Group Management team, variable remuneration was limited to 50 per cent of the agreed fixed salary up to and including the accrual year 2023. DNB will submit a proposal for new guidelines for remuneration of executive and non-executive directors valid for the accrual year 2024 at the Annual General Meeting on 29 April 2024. The new guidelines will, among other things, be adapted to the new maximum limits for variable remuneration given in the Norwegian government's guidelines on executive pay. For more information on variable remuneration of the CEO and executive and non-executive directors, see note G47 to the annual accounts and the remuneration report for executive and non-executive directors.

Other matters

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 G47 to the annual accounts and the remuneration report for executive and non-executive directors.

Deviations from the Code of Practice: None

Section 13
Information and communications

The Group's guidelines for communication provide the framework for communication with investors and other stakeholders. 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.

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.

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.

Deviations from the Code of Practice: None

Section 14
Takeovers

The Board 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 ownership interest in DNB Bank 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 has a 34 per cent ownership interest 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.

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 pre-approval of other services than auditing carried out by the statutory auditor, including restrictions on what additional services can be undertaken and the approval of fees.

The Audit Committee is responsible for preparing the company's choice of auditor and making its recommendation in accordance with the EU's Audit Regulation and the Norwegian Auditors Act. The Board submits a recommendation regarding the choice of statutory auditor to the Annual General Meeting. At least once each quarter, the Audit Committee has separate meetings with the statutory auditor on behalf of the Board, without any representatives from Group Management present.

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

In order to strengthen DNB's work on internal control related to financial reporting, the auditor, in accordance with the Auditors Act, presents an additional report to the Audit Committee each year in which they declare their independence and explain the results of the statutory audit. This means that the statutory auditor provides 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 significant 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 other services provided.

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

Deviations from the Code of Practice: None