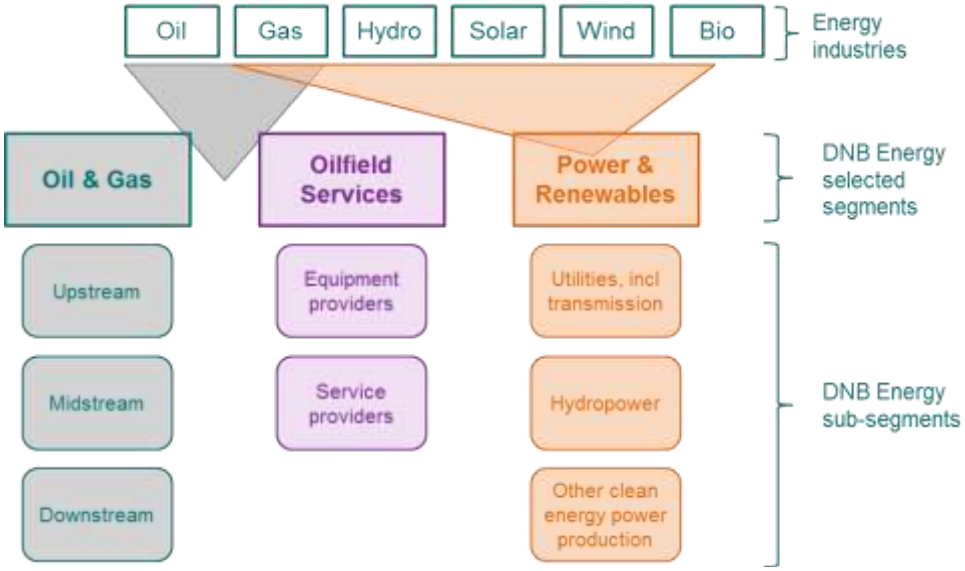
CSR/ESG sector guidance – energy

Purpose

The purpose of the sector-specific CSR/ESG guidance for energy is to

- highlight key elements of our sector strategy
- describe important environmental, social and governance risks in the sector segments
- highlight DNB's commitment to encouraging its customers to work for continuous improvement of environmental, health and safety management and best practice in the industry
- document the thresholds imposed with regard to customers' degree of involvement in activities requiring escalated credit decisions. When the degree of involvement exceeds the defined thresholds, an elevated credit decision is required.
- document thresholds imposed with regard to customers' degree of involvement in activities where an enhanced CSR/ESG risk assessment is required.

The CSR/ESG sector guidance – energy applies to lending activities offered by DNB to entities operating in the energy sector. Energy-related activities within the scope of the guidance are:



CSR/ESG risks in the energy sector

The energy sector fuels the economy. It is essential for growth and an important source of value creation and human prosperity. At the same time, the sector entails risks for negative social and environmental impacts. In DNB's opionin, most of such impacts can either be avoided or minimised to an acceptable level if companies in the sector follow well-established international industry standards and utilise the best available technologies. DNB is committed to addressing social and environmental risks when the Group is involved in financing of the sector and discuss with customers how they manage their activities and mitigate their risks in a responsible manner.

Oil and gas: Exploration and development of oil and gas assets may take place in complex operating environments, such as deep offshore waters, remote locations and countries with weaker governance or conflict zones. Key environmental and social risks may include:

- adverse impacts on natural habitats and protected areas, including offshore marine habitats
- air emissions, including significant greenhouse gas generation and release of toxic gases, such as sulphur and nitrogen oxides
- water contamination and water use in water-scarce areas
- oil spills and leakages

Hydro power: Dams play an important role in providing renewable energy, flood control and water services. However, they can also cause significant, and sometimes irreversible, social and environmental damage to local communities and ecology. Key environmental and social risks may include:

- economic and physical displacement of people for the reservoir
- loss of traditional land, recreational areas, access to water use rights and damage to local fisheries
- ecological damage, reduction of water quality and disruption of river flow patterns
- safety issues related to dam failure or malfunctioning

Other renewable energies: Renewable energy is a cleaner form of energy generation which is considered essential to the transition to a low carbon economy. However, the development of wind, solar, geothermal and biomass power

generation may have environmental and social impacts that need to be carefully considered. Key environmental and social risks may include:

- impacts on legally protected areas or critical natural habitats or ecosystems due to land conversion, and introduction of alien species
- noise, interference of radio signals, odour (biomass) and visual impacts
- use of toxic chemicals such as pesticides, mercury, arsenic, boron, and salt

Nuclear power: Project financing of nuclear power is outside DNB's strategy. The Group does, however, finance some integrated energy corporations that have some nuclear power assets in their portfolio, but only in countries that have demonstrated a high level of nuclear safety and reliability in the operation of nuclear power plants (NPP). Reference nuclear countries are high income OECD countries with top tier experience in operating NPP.

Key environmental and social risks may include:

- damaging effects from uranium mining
- damaging effects from the treatment and storage of nuclear waste
- severe radioactive contamination caused by accidents or sabotage or similar
- its use in some countries could enable the development of nuclear weapons

Coal-fired power: Project financing of coal-fired power is outside DNB's strategy. The Group does, however, finance some integrated energy corporations that have some coal-fired power assets in their portfolio. Key environmental and social risks may include:

- greenhouse gas (GHG) emissions
- leakages associated with carbon capture storage (CCS)
- large volumes of water extraction for cooling operations which affect water flow and quality
- controversies and public debate around participation in internationally recognised carbon trading schemes (voluntary or regulatory)

Environmental, health and safety client management in the energy sector
DNB encourages customers in the energy sector to seek continuous improvement in environmental, health and safety management and to follow best practice.

Corporate governance risks in the energy sector
The energy industry is present all over the globe and consequently in range of different cultures and jurisdictions. Key corporate governance risks may include:

- corruption
- money laundering
- illegal price fixing
- unclear business code of ethics
- unclear ownership transparency
- breach of established accounting standards

Exclusions
Our CSR/ESG framework is built on DNB's values and underlying commitment to respect human rights and the environment. On this basis and with reference to the group guidelines for CSR – credit activities, chapter 5, the following practice has been defined on exclusions for project-based lending activities within the energy industries:

Theme/industry sector	Exclusion
Energy	No project financing of coal-fired power plants No project financing of nuclear power plants No project financing of upstream open pit mining in oil sand

Escalated credit decision
With reference to the group guidelines for CSR – credit activities, chapter 6.0, DNB applies the following thresholds with regard to customers' degree of involvement in activities for which escalated credit decisions are required:

Activity	Threshold	Escalation to
Utilities with nuclear power production	New customers with revenues from production of nuclear power	Group Advisory Credit Committee for Large Corporates & International
Utilities with coal-fired power production	New customers where more than 30% of total corporate revenues stems from coal-fired power	Group Advisory Credit Committee for Large Corporates & International
Oil companies involved in the production of oil from open pit mining in oil sands	New customers where more than 30% of total corporate revenues stems from open pit mining in oil sands	Group Advisory Credit Committee for Large Corporates & International

The thresholds and escalation procedure described above, are addressing financing of corporates that on a group level exceeds the defined thresholds. It will not be applicable for non-recourse or corporate financing of subsidiaries in a corporate structure where the purpose of the financing is for other activities than in the table above (e.g. solar, wind, hydro or gas-fired projects or utilties).