

CSR/environmental, social and corporate governance (ESG) sector guidance note – arms and defence

DNB's governing document on CSR/ESG, "Group Guidelines for Corporate Social Responsibility – Credit Activities", contains all common information valid for all sectors in DNB.

Purpose

The purpose of the sector-specific CSR/ESG guidance for arms and defence is to

- highlight key elements of our sector strategy
- describe important environmental, social and governance risks in the sector
- point to DNB's encouragement to have its clients work for continuous improvement of environmental, health and safety management and best practice in the industry
- document activities that are excluded by DNB
- document activities that require an elevated credit decision
- document thresholds that we have imposed with regard to our customers' degree of involvement in activities where enhanced CSR/ESG risk assessment is required.

The CSR/ESG sector guidance note – arms and defence applies to credit services offered by DNB to entities operating in the arms and defence sector.

DNB's strategy within the arms and defence sector is limited to Norwegian companies, and at present only encompasses two clients. As the Norwegian government has more than 50% ownership in these companies, we also expect our clients to follow the expectations and limitations set out by the Norwegian government.

DNB only handles companies which consistently comply with the requirements posed by the Ministry of Foreign Affairs for the application process, reporting and statistics, as well as comply with the export control rules regarding defence material, technology and services issued by the Ministry of Foreign Affairs.

Environmental and social risks in the arms and defence sector

The Arms and Defence sector is very large and seen as critical for most nations worldwide. The sector will see growth and innovation for providing the best protection of personnel and equipment, as well as always strive to have the most precise weapons in case of war. There is a general understanding that all nations need a defence to be able to protect themselves against aggression. At the same time, the sector entails risks for negative social and environmental impact both on account of the type of weapons used as well as military aggression against other nations or groups.

We believe we cannot stop production and sale of controversial weapon types or stop nations aggression towards each other, however we can decide not to finance companies that are producing controversial weapons or supporting specific nations/groups. DNB is committed to addressing social and environmental risks when we involve ourselves in financing of the sector and to making sure that our clients manage and mitigate negative effects of their activities in a responsible way.

Industry standards in the arms and defence sector

DNB encourages clients in the arms and defence sector to seek continuous improvement in environmental, health and safety management and to follow best practices in the industry, not limited to but including:

- No arms are produced which do not distinguish between combatants and non-combatants (i.e. which violate international humanitarian law)
- Arms are not supplied to repressive regimes, fragile states, and non-state actors;
- Corruption is eliminated and transparency in reporting is improved;
- Products and services supplied/sold do not affect the sustainable development of poor countries.

Exclusion of companies within the arms and defence sector

All excluded activities for the arms and defence sector are defined in the Group Guidelines for Corporate Social Responsibility – Credit Activities, chapter 5.0.

Escalated credit decision

In addition to activities in the arms and defence industry included in the Group Guidelines for Corporate Social Responsibility – Credit Activities, chapter 7.1, DNB will escalate credit decisions if customers are involved in activities as described below:

Activity	Escalation to	Reference
Production of conventional weapons	Level I	Corporate Banking Credit Manual chapters 3.8.3 and 3.8.4

Enhanced ESG assessment

In addition to any activities in the arms and defence industry included in the Group Guidelines for Corporate Social Responsibility – Credit Activities, chapter 7.2. DNB applies the following thresholds with regard to our customers' degree of involvement in activities as described below:

Activity	Threshold	Consequence
Supply of components to military use or production of conventional weapons	More than 20% of revenue	Perform CSR/ESG risk assessment as described in the Group CSR Guidelines chapter 8.0