

DANISH SHIP FINANCE 2021

› Sustainability Report

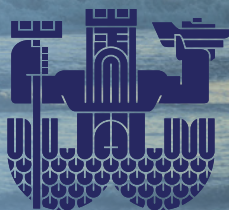


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About this report

This report provides an overview of Danish Ship Finance's approach to sustainability. We present our sustainability progress, targets and ambitions and discuss the issues that are material to our business and our stakeholders.

This report also represents Danish Ship Finance's Communication on Progress to the UN Global Compact and covers the financial year from 1 January 2021 to 31 December 2021. Additionally, this year's sustainability report draws upon the recommendations set forth by the Task Force on Climate-related Financial Disclosures.

With this report, we also fulfil the requirements stated in sections 135 and 135a of the Danish Executive Order on Financial Reports for Credit and Investment Companies. Danish Ship Finance's annual reporting also includes our Annual Report 2021 and Risk Report 2021. The compilation of ESG data draws upon standards developed by FSR – Danish Auditors (Danske Revisorer), Nasdaq and CFA Society Denmark (Finansforeningen).

We always strive to improve our reporting, and we value any feedback you may have regarding this report.

Please contact us at:

→ sustainability@shipfinance.dk



CEO statement

Our vision is to be the obvious choice in ship finance and a core focus for us is to be perceived as a competent and trustworthy partner by our stakeholders.

To uphold our strong position in the market and maintain our positive reputation of our organisation, we aim to raise the bar not only for ourselves, but also for our clients and the shipping industry in general.

We intend to leverage the influence we have as a financial institution to enable the transition to a more sustainable shipping industry. Seaborne trade must become carbon neutral, and in the coming years and decades this will be an integral part of our mission. In order to deliver true change, it is crucial to set progressive yet specific goals. With the introduction of our new strategy, Financing the transition, we set out a number of ambitious goals that not only take our CO2 emissions (Scope 1 and Scope 2) into account, but more importantly target our financed emissions.

The targets we have set will ensure progress. A number of these targets are focused on supporting and encouraging our clients in their transition to a more sustainable shipping industry and are both short and long term. Other targets are aimed at integrating sustainability even further into the core of our business and enable us to reflect more on how we can fully live up to the responsibilities of corporate citizenship. The common denominator for them all is our ambition to facilitate real change, both internally in our organisation and in the industry at large.

We are acutely aware that for this transition to be successful, we need to work together with all relevant stakeholders. That is why we became a founding signatory to the Poseidon Principles in 2019, which has enabled us to monitor the sustainability performance of our portfolio over the past two years. In 2021, we were pleased to see continued cooperation from our clients in this process.

Aside from the Poseidon Principles, we have previously committed to the Getting to Zero Coalition, and in 2021, we became a signatory to the Call to Action for Shipping Decarbonization, along with more than 200 other international industry leaders and organisations, representing the entire maritime value chain. Together, we called on governments prior to COP26 to deliver the policies and investments needed. In 2021, we also committed to the Responsible Ship Recycling Standards initiative, which aims to minimise the negative impacts from ship breaking. We provide a more detailed description of our engagement efforts in this Sustainability Report.

We look forward to continuing our work and supporting our clients on the journey to becoming carbon neutral.

Erik I. Lassen
Chief Executive Officer



We support efforts to increase the transparency of sustainability impacts, and our efforts rest on our continued commitment to the UN Global Compact.



Danish Ship Finance at a glance

Danish Ship Finance is a dedicated provider of financing to reputable shipowners, focused on supporting the shipping industry in its transition towards carbon neutrality, while generating attractive returns for our shareholders.

When founded in 1961, our mandate was to finance Danish-built vessels. As shipping evolved so did our business and in the late 1990s we began to expand our presence outside Denmark with select international clients, although our ties to the Danish shipping community remained a priority.

Today, while Danish clients still account for around one-third of our loan book, we are proud to be one of the largest dedicated lenders in ship financing and a top 20 shipping financier globally.

We strive to conduct our business in a proper and highly professional manner and to be a long-term partner to our clients and investors. In 2021 we obtained a global no. 1 Prospera ranking in ship finance and maintained a class-leading credit performance and a very robust capital and liquidity position.

Our ability to issue covered bonds on competitive terms remains a cornerstone of our business and we are proud of our solid investment grade 'A (Stable)' covered bond rating, which was confirmed by Standard & Poor's in 2021.



We have a loan book of DKK 37.5 billion



Sustainability ratings on 100% of our loan portfolio



803 vessels in our portfolio



20% of new loans were sustainability-linked



Shipping Market Review published since 2004



25% women in leadership positions



Senior Client Executives with on average more than 15 years of experience



Poseidon Principles climate-alignment score: +5.6%



Moving towards a sustainable shipping industry



Material sustainability topics

Based on a thorough materiality assessment, the highlighted topics are the ones we consider most significant for Danish Ship Finance.

As a niche financial institution, our material sustainability topics are directly linked to the ones of our clients, and their material topics thus become a reflection of our prioritizations and how we approach sustainability.



Governance

Anti-corruption and bribery
Transparency



Social

Human rights
Safety and health



Leadership & Governance

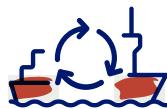
Ethics and compliance
Risk Management
KYC procedures
Client sustainability ratings

The industry we fund



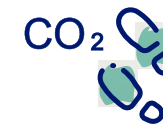
Portfolio's environmental performance

GHG emissions
Energy efficiency



Ship recycling

Environmental and social concerns



Our footprint

Scope 1, 2 and 3 emissions



Responsible Employer

Diversity and inclusion
Attract and retain employees

Financing the transition

Our approach to sustainability is mainly focused on working towards a carbon-neutral shipping industry.

Our mono-line business model enables us to keep a strict focus on the shipping industry. It also makes it possible for us to set forth clear, focused and ambitious goals all centred around our vision of a sustainable, carbon-neutral shipping industry.

Even though environmental and climate-related issues take up a great deal of our focus and work due to the nature of the industry we fund, we still aim to take a holistic approach to the sustainability agenda.

Our framework for conducting sustainability ratings is a concrete example of our broad perspective on sustainability issues, as our framework takes account of environmental, societal and governance matters. We continuously adjust the framework to reflect developments in the sustainability discourse in society.

To extend our work aligned with the broad perspective on sustainability, we also joined the voluntary initiative Responsible Ship Recycling Standards in 2021. The initiative is a collaboration between banks to provide common standards for ship recycling. Ship breaking is a core sustainability issue in shipping, associated with substantial human cost and environmental harm.


Finally, we acknowledge the necessity of critically assessing our own internal practices and procedures, so that we continue to uphold the same high standards of ourselves as we expect for our stakeholders. To achieve this, we focus on further developing our own organisation in a more sustainable direction, and set goals accordingly.

In the following section, we provide further details on our new sustainability strategy and goals, which are based on a thorough materiality assessment.


Our targets



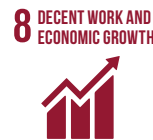
Carbon-neutral shipping industry
2050 Carbon-neutral portfolio
2025 Only new loans to clients who are actively engaged in sustainable transition



Sustainable finance
2025 Loan portfolio is fully aligned to the Poseidon Principles trajectory
2022 30% of new lending are sustainability-linked



Our contribution
2030 40-60% women in leadership positions
2023 25% female board members
2023 Annually reduce DSF's own direct climate impact by at least 5%



Carbon-neutral shipping industry

Our ultimate aim is for the shipping industry to be carbon neutral. In order to support this transition, we have set long-, medium- and short-term goals.

It is our overall long-term goal to have a carbon-neutral portfolio by 2050, meaning that by that date we will only be financing carbon-neutral vessels. We consider this a sensible target, due to the amount of investment needed in order for the industry to become aligned with this target. However, through our supporting goals and action plans we will assist our clients in preparing for the transition that needs to take place. The efforts that are required to achieve a carbon-neutral portfolio in 2050 are already in process, and we will continue to take the necessary steps towards achieving our ambitious goal.

A crucial step along the way is that by 2025 we aim to only offer new loans to clients who are actively engaged in and preparing for the transition to carbon neutrality.

We will continue to engage with our clients in order to support them in their journey towards sustainability. In addition to close dialogue and cooperation with our clients, we will continue to assign sustainability ratings to all clients in order to assess their level of engagement. We will continuously update our internal rating framework to ensure that our assessments are aligned with society's expectations in terms of, for example, transparency.

We also contribute to the decarbonisation of the shipping industry through our Innovation and Research team, which supports the identification of possible pathways to decarbonisation by engaging in cross-industry collaborations. Twice a year, our team also publishes the Shipping Market Review, providing our stakeholders with specialised knowledge relating to possible pathways to zero-carbon emissions. Read more about our cross-industry collaborations for a sustainable transition in the "Engaging with society" section on page xx.

"It is our overall long-term goal to have a carbon-neutral portfolio by 2050, meaning that we will only finance carbon-neutral vessels in 2050"

Our targets

2050 › Carbon-neutral portfolio

2025 › Only new loans to clients who are actively engaged in sustainable transition



Sustainable finance

Our sustainability strategy, *Financing the transition*, serves as our roadmap for how we will work to fulfil our mission of a carbon-neutral shipping industry.

The combination of medium- and short-term goals provides important milestones for us to reach in the coming years, while still maintaining our strong position in the market.

How and what we choose to finance is directly linked to the success of the shipping industry's transition. In full awareness of this, we take the necessary steps in terms of adjusting our internal instruments and processes to support the industry in this transition.

Financing the transition sets forth the goal for at least 30% of our loan offers in 2022 to have sustainability-linked pricing. Thus, we will continue to push for loans with margin adjustments based on clients' sustainability performance.

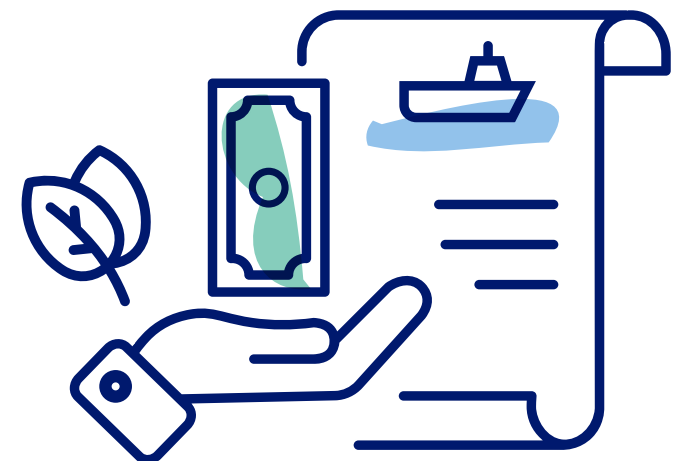
In order to accommodate this, we developed a standard framework for sustainability-linked loans in 2021 as an instrument for ensuring more loans are directly linked to the carbon performance of the financed vessels. The framework will be presented to clients in 2022, and is aligned with the trajectories set by the Poseidon Principles. This is consistent with our goal of having a 100% Poseidon Principles-aligned portfolio in 2025, as clients taking out sustainability-linked loans will be incentivised to improve the performance of their vessels.

"Financing the transition, serves as our road map for how we will work towards our mission of a carbon-neutral shipping industry"

Our targets

2025 › Loan portfolio is fully aligned to the Poseidon Principles trajectory

2022 › 30% of new lending are sustainability-linked



Our contribution

As a financial institution and part of the service sector, our main focus in terms of sustainability is, of course, on the activities we fund.

However, we also have a great responsibility to ensure that our own internal activities and processes are sustainable. We aim to uphold the same high standards ourselves as we expect from our stakeholders. In line with this, our sustainability strategy also includes targets for how we develop our own organisation.

Assessing our internal activities and consumption patterns has made us determined to reduce our own direct climate impact by at least 5% annually. In order to achieve this goal, we need to take a holistic approach to improving the necessary areas. Additionally, we strive to support the wellbeing and job satisfaction of our employees, and we aim for our organisation to reflect the society we are part of. Thus, we have set a target to increase diversity by having no fewer than 40-60% of leadership positions filled by women by 2030 and ensuring that the proportion of female board members is at least 25% by 2023.

"Assessing our internal activities and consumptions patterns have made us determined to annually reduce our own direct climate impact"

Our targets

2030 > 40-60% women in leadership positions

2023 > 25% female board members

2023 > Annually reduce DSF's own direct climate impact by at least 5%



ESG key figures

Environmental data	Unit	2021	2020	2019	2018
CO ₂ e Scope 1	Metric tonnes	13.2	13.2	13.2	-
CO ₂ e Scope 2	Metric tonnes	17.7	17.3	49.8	-
CO ₂ e Scope 3	Metric tonnes	22.0	36.6	129.9	-
Energy consumption (electricity and heat)	MWh	-	505.1 ¹	348.5	376.2
Heat	MWh	205			
Electricity	kWh	135,465			
Water consumption	m ³	789	890	977	1007
Social data					
Full-time workforce	HC	78	78	79	80
Gender diversity	%	36	34	37	34
Female leadership	%	25	15	15	15
Females on executive board	%	0	0	0	0
Gender pay ratio	Times	1.5	1.5	-	-
Employee turnover ratio	%	8,9	11.8	11.9	7.9
Employees receiving external training	%	41	41	61	53
Sickness absence	Days per employee	4.5	3.2	5.7	3.8
Employee survey					
Employee satisfaction	Index	77	78	77	78
Healthy work-life balance	Index	80	79	77	77
No longer periods of stress experienced	Index	78	79	77	75
Governance data					
Gender diversity, board ²	%	25	25 ²	0	0
Board meeting attendance rate	%	98	98	90	89
CEO pay ratio	Times	4.5	4.7	-	-

1) Danish Ship Finance purchased a new domicile in 2020, which is being renovated before we move out of the current office building

2) All AGM-elected members of the Board are male

Our sustainability policy:

→ www.shipfinance.dk/sustainability/our-approach/

Our stakeholders

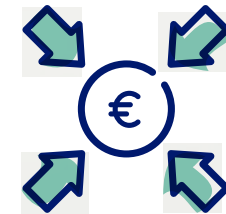


Responsible stakeholder management

Danish Ship Finance has a wide range of stakeholders that are crucial to our business. It is our most important task to obtain long-term value for our stakeholders ranging from clients over investors to cross-industrial alliances. As we are proponents of traditional relationship banking, maintaining ongoing dialogue and strong relationships is key for our long term success.



Clients



Investors

Our stakeholders



Employees



Engaging with society

Clients



As part of the financial sector, Danish Ship Finance carries a significant responsibility in relation to the global transition towards carbon-neutrality.

Financial institutions have great influence over to whom and to what activities they channel their capital. We take this very seriously, which is also why sustainability now constitutes one of the two pillars in our corporate strategy.

Our financed emissions – i.e. the vessels constituting 100% of our portfolio – account for the overarching majority of the climate impact of our business. It is therefore our no. 1 priority to steer our portfolio in the right direction and support our clients in their sustainable transition. We do so in a number of ways:

"These measures allow us to ensure that we only enter into business with the most reputable shipowners"

Responsible client selection

Our most important task is to deliver a good customer experience and providing attractive solutions that match our clients' needs, while acting with integrity and not compromising on our core values or obligations to the client relationship.

Our client portfolio consists of reputable, top-tier shipowners. Competition for these clients is intense, but we are confident that our value proposition is one of the most attractive in the industry. Most of our clients have been with us for many years, and when we take on new clients, we are diligent in our assessment process.

We take a number of steps to ensure that we preserve our reputation and track record before we embark on new client relationships (figure).

Together, these measures allow us to ensure that we only enter into business with the most prudent, reputable shipowners. Thus, the regulatory KYC requirements for screening our customers are merely a formality, albeit a very important one. As expected, we have not detected any problematic client relationships through our extensive screening procedures

Checks and balances for client relationships



In-person meetings with management teams



Requirements for flag state and class society



Know-your-customer controls



Internal sustainability rating



Physical inspections of vessels



Track record of management



Alignment of management's incentive schemes with creditors



Energy efficiency and design-specification of vessels



Poseidon Principles

Climate-aligned portfolio

In 2019, we joined the Poseidon Principles initiative, and this year we reported our second portfolio climate alignment score as part of our commitment to the initiative.

Our portfolio climate alignment score improved in 2020 versus 2019, despite the challenging circumstances for the shipping industry in 2020³ caused by the global pandemic. We are on the right track, but we have further to go before we are aligned with or below the trajectory.

3) The score of our portfolio is based on the underlying data that shipowners reported to the IMO at year-end 2021, and the score therefore reflects the performance of the in-scope vessels in our portfolio in 2020.

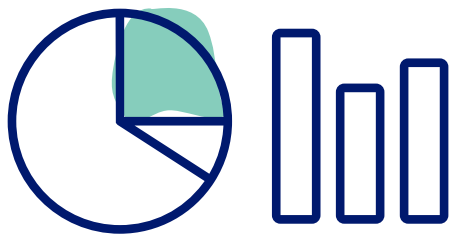
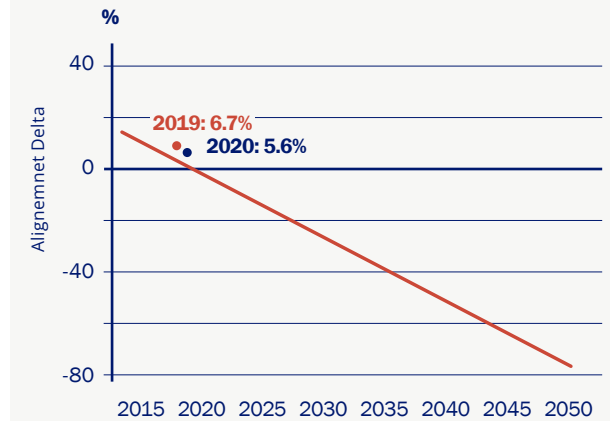
While we find it encouraging to see that our clients are working actively to reduce their climate impact, there is no doubt that we have a way to go.

We might face difficult decisions in the coming years and will potentially forgo business that used to be common practice, as this could be a necessity for us to reach our goal of having a 100% Poseidon Principles-aligned portfolio.

Looking ahead, we hope to continue our positive collaboration with clients as we embed the reported data more deeply into our credit and risk assessments.

Finally, we will in 2022 continue the work in the Poseidon Principles Steering Committee, aiming to further increase the level of ambition.

Portfolio climate alignment score: 5.6%



2025 › 100% Poseidon Principles-aligned portfolio

It is our target that by 2025 all our financed vessels will be climate-aligned in accordance with Poseidon Principles trajectories.

7 PARTNERSHIPS FOR THE GOALS





Poseidon Principles

Key interpretations on client performance

As it was expected, we found large differences in performance, between vessels and clients, both within and across different shipping segments. Vessel characteristics and trading patterns vary greatly between sectors, as do ship-owners' business models.

All these differences impact the degree to which an owner is in control of a vessel's performance. Based on the insights we have obtained from working with the Poseidon Principles data, we will initiate discussions with clients about how their vessels are performing and how this impacts our portfolio.

We believe that the adoption of the Poseidon Principles will have an increasing impact on our lending criteria.

At the same time, we appreciate that the transformation will take time. We will therefore continue to support and assist owners in this process. We believe that working with clients that are on the right path will have a bigger long-term impact on the decarbonisation of shipping than abandoning responsible clients just to be able to accelerate our own alignment with the IMO 2050 trajectory.

"We believe the adoption of the Poseidon Principles will have an increasing impact on our lending criteria"

Poseidon Principles: Climate-aligned and decarbonisation trajectories

Climate alignment measures the difference (as a percentage) between a vessel's carbon intensity and the carbon intensity required to be in line with the vessel's decarbonisation trajectory.

A decarbonization trajectory is a representation of how many grams of CO₂ a single ship can emit to move one tonne of goods one nautical mile (gCO₂ /tnm) over a time horizon. There is one decarbonisation trajectory for each ship type and size category. This ensures that ships are compared on an apples-to-apples basis given carbon intensities vary as a function of ship type and size.

[→ Read more here](#)



**POSEIDON
PRINCIPLES**

**7 PARTNERSHIPS
FOR THE GOALS**





Sustainability-linked loans

In 2021, we continued the push for more new loans to be sustainability-linked. Our efforts have been well-received among several clients, and we are seeing a clear change in mindsets as our clients become familiar with the concept, recognising that adhering to the underlying principles can bring benefits.

We believe that sustainability-linked loans will become best practice among leading shipowners in the coming years, and we look forward to expanding our loan book with more sustainability-linked facilities.

In 2022, it is our target for at least 30% of our loan offers to have sustainability-linked pricing. We aim to achieve this via the introduction of our own standard sustainability-linked loan framework.

The framework has an incentive-based structure, meaning that the margin on a loan can be both reduced and increased, depending on the fleet sustainability score. By taking this approach, we ensure that our framework supports the continuous progress made by our clients. Moreover, our framework for sustainability-linked loans is directly linked to the AER targets and trajectories set by the Poseidon Principles.

"We ensure that our framework supports the continuous progress made by our clients"



2022 › 30% sustainability-linked loans

It is our target that by 2025 all our financed vessels will be climate aligned in accordance with Poseidon Principles trajectories.



Sustainability ratings

In recent years, we have conducted sustainability ratings of our clients. The purpose of the sustainability ratings is to enhance dialogue about sustainability with clients, more specifically to push for broader transparency in their information-sharing. The dialogue with our clients is part of our advocacy for a more sustainable shipping industry.

We have received positive feedback on our approach from clients, and our experience is that working systematically with the ratings as part of our credit assessment provides an important extra layer of insight.

The ratings framework is a valuable tool allowing us to get to know new clients and has also helped us learn more about long-standing clients. Moreover, it helps us in our endeavour to only finance shipowners who are progressive in terms of the sustainability agenda, and those with the most solid and viable business models.

The sustainability rating of each client forms part of our credit assessment and underpins the importance of sustainability performance in relation to our willingness to finance clients. Additionally, the information and data we gather from each client to arrive at a sustainability rating give us a better understanding of the client’s strategic approach to sustainability. This understanding is crucial for us to engage in constructive and meaningful dialogue with the client.

In 2021, our sustainability assessments and associated sustainability ratings were in several cases the catalyst for clients to start reporting on key sustainability metrics.

Sustainability rating framework

We assess clients’ internal policies, processes and available data through which they document their performance based on the parameters belows

Environment	Fuel consumption and energy efficiency
	GHG emissions (particularly CO ₂ emissions)
	Pollution prevention
Social	Safety and health
	Human rights
Governance	Anti-corruption and bribery
	Organisational anchoring of sustainability
Ship recycling	Ship recycling policies
Quality of information	Public reporting and other information shared



We have conducted sustainability ratings on **100% of our lending portfolio**



Investors



Our investors form a key group of stakeholders. Danish Ship Finance is subject to increased regulation and requirements for transparency, as are our investors.

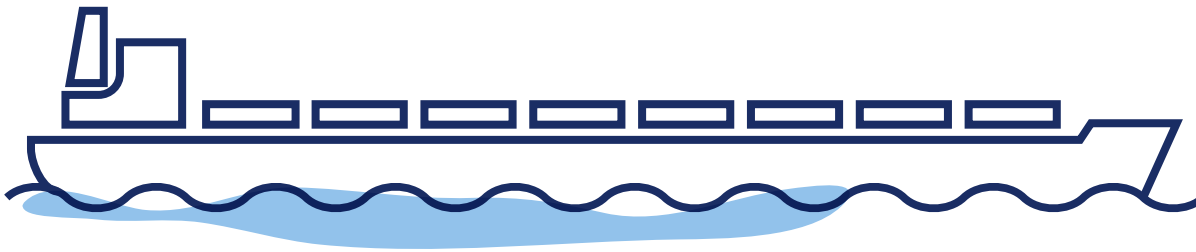
In the same way that we raise the bar for our clients in terms of sustainability performance, our investors raise the bar for our performance. This means that we too face some expectations in terms of providing our investors with insights into our sustainability approach, e.g. action plans, targets and metrics. Our focus on accommodating these expectations increases every year, and we put our absolute best efforts into delivering satisfactory information.

It is a top priority to engage actively with our investor base, predominantly institutional investors in Northern Europe. In this regard, it is especially relevant for us to maintain transparency in relation to our sustainability efforts, in order to ensure that we remain an attractive investment. We continuously seek to improve our transparency level, and as such we continued our investor dialogue around our sustainability efforts in 2021. We will continue these efforts in 2022, and regularly provide our investors with sustainability updates.

Our investors fund the transition

We want to finance the transition. Striving to do so, we have set a range of climate-related targets to support the journey to a carbon-neutral shipping industry by 2050. This also means that our investors, by funding us, are helping to fund the transition.

"We put our absolute best efforts into delivering satisfactory information"



Employees



Our employees are our greatest asset at Danish Ship Finance. That is why we strive to support the wellbeing and job satisfaction of our employees.

Accommodating COVID-19-challenges: New onboarding programme

During the Covid-19 pandemic, working from home was the new normal. This can challenge the sense of belonging among employees, as is the case for most companies. In order to address this, we have paid special attention to the onboarding of new employees, both during the recruitment process and after they have joined us. We have made extra efforts to maintain continuous dialogue between new employees and HR, and we have established well-defined and structured induction programmes for all new employees, ensuring they have a good start in our company.

Additionally, we have prioritised the wellbeing and motivation of new employees by encouraging follow-up dialogue. Despite the fact that Covid-19 has challenged our usual practices, we experienced a high level of retainment in 2021.

Employee wellbeing

As 2020 was indeed defined by Covid-19, so was the beginning and end of 2021. Having learnt from our experiences in 2020, we introduced several online initiatives in 2021, e.g., online workouts and mindfulness sessions. During periods when we were permitted to return to the office, we prioritised efforts to strengthen our team spirit, arranging multiple events, both professional and social.

Diversity

We are pleased to announce that we increased the percentage of women in leadership positions from 15% in 2020 to 25% in 2021.

We value the diversity of our employees' backgrounds, experience, qualifications, and personal qualities. Each employee makes a unique contribution to our organisation and culture. We recognise that there is still room for improvement in terms of reflecting the composition of society in our organisation, and we believe that a more diverse workforce will improve our overall performance. We strive to always have at least one person from each gender represented in all final recruitment rounds for leadership position. With this in mind, we have set a target for 40-60% of management positions to be held by women by 2030, as well as 25% of board positions by 2023.



We increased the percentage of women in leadership positions from **15% in 2020 to 25% in 2021**

8 DECENT WORK AND
ECONOMIC GROWTH



5 GENDER
EQUALITY



The Danish Maritime Fund



Through our contribution of 15 pct. of our annual net profit to The Danish Maritime Fund, we indirectly fund initiatives supporting the development and growth of the Danish shipping and shipbuilding industries and their suppliers.

The grants and seed funding from The Danish Maritime Fund are particularly earmarked activities in the Danish maritime sector that strengthen the green and digital transition as well as activities that focus on accommodating the UN Sustainable Development Goals.

Examples of supported projects

In 2021, The Danish Maritime Fund supported a project by the joint venture 'Dan-Unity CO2' (Evergas and Ultragas). The purpose of the project is, amongst others, to develop a cargo tank design that enable storage and transportation of CO2 in a much bigger scale than what is possible today.

The project 'Fuel Table Accuracy, Validation & Benchmark', established by ZeroNorth A/S, strive to develop a fuel consumption model accuracy standard that will allow for the shipping industry to estimate the fuel consumption more precisely in order to optimize energy efficiency and reduce total CO2 emissions.

New seed fund to support maritime start-ups

In 2021, The Danish Maritime Fund enhanced its focus on supporting maritime start-ups. In order to accelerate the green transition of the Danish shipping industry, the fund will spark innovation and strengthen digitalisation through new seed funding. The new seed fund will be open for applications from 2022. Read more here (insert link when applicable).

The Danish Maritime Fund

The Danish Maritime Fund is a commercial fund established by law in 2005 upon the transformation of Danish Ship Finance into a private limited liability company.

The objective stated in the Fund charter is i) to provide grants and financing to initiatives and activities that will grow and develop the Danish shipping and shipbuilding industries, and ii) to ensure the perpetual existence of a ship finance institution in Denmark.

The Fund's trust funds consist of a 10% permanent shareholding in Danish Ship Finance, and each year the Fund receives 15% of Danish Ship Finance's profits in the form of a preferred dividend. Danish Ship Finance is not involved in the operation of the Fund or the distribution of grants.

Only Danish maritime companies or organizations are eligible for support from the Danish Maritime Fund.

→ [Read more here](#)



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



Engaging with society

Initiatives joined

Engaging with various stakeholders in society is central for Danish Ship Finance in order to accelerate the transition of the shipping industry.

Engaging with a wide variety of both national and global stakeholders is therefore highly prioritized on all levels throughout our organization, and a lot of effort went into dialogue with cross-industry relationships during 2021.

Poseidon Principles

A global framework for responsible ship finance initiated by the Global Maritime Forum and leading ship finance banks. The principles provide a framework for assessing and disclosing the climate alignment of ship finance portfolios and are in line with the policies and ambitions of the IMO for reduction of greenhouse gases from shipping.



UN Global Compact

An initiative aimed at encouraging businesses to align their strategies and operations with ten universal principles for building on UN conventions in the areas of human rights, labour standards, the environment and anti-corruption.



UN Guiding Principles on Human Rights

The first global standard for preventing and addressing the risk of human rights abuses linked to businesses' activities. It continues to be the internationally accepted framework for enhancing standards and practices regarding businesses and human rights.



Getting to Zero Coalition

A multi-stakeholder initiative by the Global Maritime Forum, the World Economic Forum and Friends of Ocean Action to unite stakeholders across the maritime, energy, infrastructure, and finance sectors around the shared ambition to make zero-emission vessels commercially viable by 2030.



Responsible Ship Recycling Standards

An initiative aimed at increasing accountability in ship recycling and minimising the dangers associated with hazardous materials onboard ships. Through RSRS, the member banks aim to engage in active dialogue with members of the wider sector, particularly shipowners, to ensure the ongoing safety of crew members onboard ships, minimise the adverse effects on the environment, and contribute to greater protection of workers involved in the ship-breaking process.

Call to Action for Shipping Decarbonization

Signatories call on governments to work together with industry to deliver policies and investments needed to reach critical tipping points in the decarbonisation of global supply chains and the global economy.

17 PARTNERSHIPS FOR THE GOALS





Our footprint

Our carbon footprint

As a financial institution, Danish Ship Finance has a low level of direct carbon emissions compared to, for example, companies producing goods.

Furthermore, our relatively modest size makes our own direct impact even smaller. However, this does not diminish our responsibility to do what we can to reduce our footprint by improving our internal procedures and activities.

We strive to live up to the same high standards that we expect from our stakeholders, so to accommodate the goals set forth in Financing the transition, we will spend 2022 assessing areas of our organisation where there is room for improvement, in order to reduce our climate impact by at least 5% annually. We have already received input from all employees on this subject, and we will use these suggestions as a starting point for the continuous improvement of our footprint.

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Air travel

Danish Ship Finance is a relationship-based bank, and we find that meeting our clients in person adds significant value to our relationships and thereby mitigates credit risk.

Air travel is therefore the main source of carbon emissions as a result of our business activities. In 2021, however, this continued to be substantially curtailed by the Covid-19 pandemic and ensuing travel restrictions. In-person meetings have been replaced by virtual meetings, which have been a good substitute but are of less value, we find, than face-to-face meetings.

We therefore expect to resume a lot of our previous travel activity, although we will still seek to reduce our emissions. We aim to arrange our travel through companies that have a clear focus on sustainability in order to keep our impact as low as possible.

Car transportation

We have entered into a partnership with Viggo, a company that provides taxi services for companies using entirely zero-emission vehicles. Through this partnership, we will eliminate all direct CO₂ emissions stemming from our work-related driving, as we will be using electric taxis.



"We will in 2022 assess opportunities to reduce the climate impact of our organisation by at least 5% annually"



Ethics and compliance



Ethics and compliance

Know your customer (KYC)

We have a strong compliance culture, and in conducting our client relationships diligently, the KYC procedure that we carry out in accordance with current regulations serves as our anti-money laundering and counter-terrorist financing measures.

This means we must verify the identity of the management teams and the ultimate owners of our clients. We must do this at certain intervals throughout the client relationship and in the event of any change in management or ownership. This partly entails relying on information provided by our clients. They must give us this information by certain deadlines; we are obliged to report any failure to do so to the authorities.

Anti-corruption and bribery

We take a zero-tolerance approach to corruption and bribery and address this in our code of conduct, personnel handbook and relevant policies. In practice, we work to mitigate the risk of bribery and corruption through our compliance infrastructure, which includes continuous training, controls, and escalation procedures. In 2021, the mandatory compliance training of employees was in the form of e-learning.

Whistleblowing

Finally, we have a whistleblower scheme, allowing employees who may have witnessed non-compliance with financial legislation or any other serious crime to report this anonymously to a non-related law firm, which will then investigate any reports submitted. The law firm has stated that in 2021 it once again did not receive any non-compliance reports, and neither did any employees make use of our whistle-blowing scheme during the year.

Data privacy and security

We update our policy on data privacy annually in order to ensure continuous alignment with applicable national and international governmental regulation. Our policy contains descriptions on procedures for issues such as money laundering, personally sensitive information, data on employees, etc.

Tax

Danish Ship Finance contributes to society by conducting business based on accountable and fair principles. This also applies to the areas of investment and tax. We are a substantial corporate income taxpayer in Denmark, and tax for the year represented an expense of DKK 72 million in 2021, corresponding to an effective tax rate of 22%. We believe responsible tax practice is a vital part of being a responsible business and are committed to avoiding aggressive tax planning.

Relevant policies

- › Code of Conduct
- › Guidelines to prevent corruption in Personnel handbook
- › Policy for anti-money laundering and counter-terrorist financing
- › Policy for gifts and hospitality
- › Disclosure policy
- › Policy for data protection
- › Policy for healthy corporate culture
- › Sustainability policy

For additional and more detailed information about our work on corporate governance, read more here:

→ [Corporate Governance](#)



Reporting principles



Reporting principles

ESG figures

Below, we present our reporting principles, which cover employee and environmental data that can be found in this report. The reporting principles have been formulated to ensure that we report data that is consistent from year to year.

We aim to be fair and balanced in our reporting and we hope these reporting principles provide transparency about our performance.

Data on employees

Total employees:	The number of full-time equivalent employees (FTEs) as of the end of the year.
Average age of employees:	The average age of employees (excluding temporary workers and student assistants) as of year-end.
Average seniority:	The average length of service of employees (excluding temporary workers and student assistants) as of year-end. The seniority of an employee is the number of full years between the start of their employment and the current calendar year.
Employee turnover:	Involuntary and voluntary leavers for the full year divided by the average number of employees throughout the year. Employee turnover excludes temporary workers and student assistants. New employees are included from the month they start, and leavers are included until the month their termination/resignation/retirement is effective.
Sickness absence:	The total number of sick days registered throughout the year per full-time equivalent employees as of year-end. Employees include temporary workers and student assistants. Sick days exclude paternity/maternity leave.
Employee training:	The percentage of employees who have received external training during the year in the form of courses, seminars, or conferences.
Women in the workforce:	The workforce is defined as all employees excluding temporary workers and student assistants.
People leaders:	People leaders are defined as employees with staff management responsibilities.
Employee satisfaction:	Data is based on the results of our annual well-being survey, to which all employees are invited to respond.

Reporting principles

Data on environmental impact

CO₂ emissions are calculated on the basis of electricity, heating, water and paper consumption and air travel. The quality of CO₂ emission factors may vary depending on the availability of specific factors.

In accordance with accepted methodology, we omit renewable electricity purchased. For electricity, heating, and water we use CO₂ emission factors published by our suppliers. For paper consumption, we apply the “UK Government GHG Conversion Factors for Company Reporting” published by the Department for Environment, Food and Rural Affairs (DEFRA)

Electricity consumption:	Annual electricity consumption is based on automatic data transfers to the company's supplier of electricity from smart meters and meter readings.
Heat consumption:	Annual heat consumption is based on automatic data transfers to the company's supplier of heat from smart meters and meter readings or calculated on the basis of statements received annually.
Water consumption:	Annual water consumption is based on data transfers to the company's supplier of water from meter readings.
Paper consumption:	Paper consumption is based on the volume of usage registered by the company's copy machines. Paper consumption is defined as the amount of paper printed or copied on the company's premises.
Air transport:	CO ₂ emissions related to our transportation is calculated on the basis of statements from our travel agency, Egencia. Its model of emission reporting is based on the emission factor published by DEFRA.

Task Force on Climate-related Financial Disclosures

Task Force on Climate-Related Financial Disclosures is established by The Financial Stability Board, setting forth recommendations for more effective climate-related disclosures, enabling stakeholders to get a better understanding of the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

Governance		References	page
a.	Describe the board's oversight of climate-related risks and opportunities	<ul style="list-style-type: none"> • CEO statement • Moving towards a sustainable shipping industry 	3 5-10
b.	Describe management's role in assessing and managing climate-related risks and opportunities	<ul style="list-style-type: none"> • Moving towards a sustainable shipping industry 	5-10
Strategy			
a.	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	<ul style="list-style-type: none"> • Material sustainability topics • Financing the transition 	6 7-9
b.	Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning	<ul style="list-style-type: none"> • Moving towards a sustainable shipping industry • Clients (Poseidon Principles, sustainability ratings, sustainability-linked loans) 	5-10 14-18
c.	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including 2 degrees C or lower scenario	<ul style="list-style-type: none"> • Poseidon Principles (climate-aligned portfolio) 	15-16




Task Force on Climate-related Financial Disclosures

Risk Management		References	page
a.	Describe the organization's processes for identifying and assessing climate-related risks	<ul style="list-style-type: none"> • Clients (Responsible client selection, Poseidon Principles) • Sustainability ratings 	14-16 18
b.	Describe the organization's processes for managing climate-related risks	<ul style="list-style-type: none"> • Clients (Responsible client selection, Poseidon Principles) • Sustainability ratings 	14-16 18
c.	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	<ul style="list-style-type: none"> • Sustainability ratings 	18
Metrics and Targets			
a.	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	<ul style="list-style-type: none"> • Financing the transition • Our targets • ESG key figures 	7 11 15-16
b.	Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions (GHGe), and the related risks	<ul style="list-style-type: none"> • ESG key figures 	11
c.	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	<ul style="list-style-type: none"> • Financing the transition 	7

Sustainable Development Goals

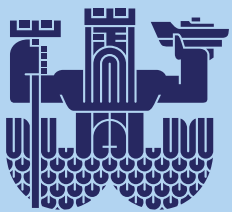
The Sustainable Development Goals are a call for action by all countries – poor, rich and middle-income – to promote prosperity while protecting the planet. They recognize that ending poverty must go hand-in-hand with strategies that

build economic growth and address a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection.

SDG	Targets	Actions	Focus	page
5 GENDER EQUALITY 	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life	Ambition: 40-60% women in leadership positions and 25% female board members	<ul style="list-style-type: none"> • HR • Board 	20
8 DECENT WORK AND ECONOMIC GROWTH 	8.8 Protect labor rights and promote safe and secure working environments for all workers	Joined Responsible Ship Recycling Standards in 2021	<ul style="list-style-type: none"> • Integrate standard in term sheet and loan agreements • Participate in the quarterly meetings with other members 	7
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes	In 2021, 15% of DSF's net profit income has been transferred to The Danish Maritime Fund	<p>The Fund's allocation policy determines that donations must, among other things, primarily be directed towards:</p> <ul style="list-style-type: none"> • Activities aimed at optimization, automation, and digitalization of the maritime sector • Activities promoting a green transition of the Danish maritime cluster • Activities in the maritime sector that support the UN's 17 SDGs, for example for the environment, climate, circularity, innovation or equal opportunities 	21

Sustainable Development Goals

SDG	Targets	Actions	Focus	page
<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	12.6 Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle	Client advocacy aiming to increase transparency in sustainability information	Sustainability ratings	18
<p>13 CLIMATE ACTION</p>	13.2 Integrate climate change measures into national policies, strategies, and planning	Call to Action for Shipping Decarbonization	Urging national governments to take immediate actions prior to COP26, e.g. set a target for zero emission shipping by 2050	22
<p>17 PARTNERSHIPS FOR THE GOALS</p>	17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries	<ul style="list-style-type: none"> • UN Global Compact • UN Guiding Principles on Human Rights • The Danish Maritime Fund • Poseidon Principles • Getting to Zero Coalition • Responsible Ship Recycling Standards 	<ul style="list-style-type: none"> • Continue participation in the Steering Committee under Poseidon Principles, working to further increase ambition level 	15-16 21 22



DANISH SHIP FINANCE

DANISH SHIP FINANCE A/S (DANMARKS SKIBSKREDIT A/S)

Sankt Annæ Plads 3 / DK-1250 Copenhagen K
Tel. +45 33 33 93 33 / CVR no. 27 49 26 49
danish@shipfinance.dk / www.shipfinance.dk