DS/23/133
Den 28. februar 2024

REPORT

Corporate Governance Report 2023

This report entails an outline of how Danish Ship Finance A/S (DSF) responds to:

- The Danish Recommendations on Corporate Governance issued by the Danish Committee on Corporate Governance in December 2020,
- The Danish Bankers Associations Corporate Governance Code and
- Active Owners Denmark's Ethical Guidelines

This statutory report on corporate governance for DSF forms part of the management report in the Annual Report 2023, which covers the accounting period from 1 January – 31 December 2023.

The report is not covered by the auditors' report prepared in connection with the Annual Report 2023.

Status on compliance with the Danish Recommendations for Corporate Governance

Below DSF reports on the status of its compliance with the recommendations issued by the Danish Committee on Corporate Governance in December 2020, which entered into force for the financial year 2021, using the standard reporting format provided by the Danish Committee on Corporate Governance. The recommendations for Corporate Governance is available at corporategovernance.dk.

DSF is generally in compliance with the recommendations but has in some cases chosen to differ. DSF has addressed the reasons hereto below, in accordance with the comply-or-explain principle.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
1. Communication with the company's shareholders, investors and other stakeholders				
1.1. Communication with the company's shareholders, investors and other stakeholders				
1.1.1. The Committee recommends that the management through ongoing dialogue and interaction ensures that shareholders, investors and other stakeholders gain the relevant insight into the company's affairs, and that the Board of Directors obtains the possibility of hearing and including their views in its work.	X			
1.1.2. The Committee recommends that the company adopts policies on the company's relationships with its shareholders, investors and if relevant other stakeholders in order to ensure that the various interests are included in the company's considerations and that such policies are made available on the company's website.	X			
1.1.3. The Committee **recommends** that the company publishes quarterly reports			X	DSF presents its annual report and half-yearly report and ongoing company announcements. There are no statutory requirements for more frequent reporting. More frequent reporting is not considered to have any influence on the price of the issued bonds.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				In view of the limitations of the transferability of the shares and the capital duty, quarterly reports are not considered relevant, with the exception of the "adequate capital base and the individual solvency need" published quarterly.
1.2. The general meeting				
1.2.1. The Committee **recommends** that the Board of Directors organizes the company's general meeting in a manner that allows shareholders, who are unable to attend the meeting in person or are represented by proxy at the general meeting, to vote and raise questions to the management prior to or at the general meeting. The Committee recommends that the Board of Directors ensures that shareholders can observe the general meeting via webcast or other digital transmission.	X			
1.2.2. The Committee **recommends** that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda	X			
1.3. Takeover bids				
1.3.1. The Committee **recommends** that the company has a procedure in place in the event of takeover bids, containing a "road map" covering matters for the Board of Directors to consider in the event of a takeover bid, or if the Board of Directors obtains reasonable grounds to suspect that a takeover bid may be submitted. In addition, it is recommended that it appears from the procedure that the Board of Directors abstains from countering any takeover bids by taking actions that seek to Danish Recommendations on Corporate Governance _ 13 prevent the shareholders from deciding on the takeover bid, without the approval of the general meeting.			X	In any situation, the Board of Directors will work in the best interest of the shareholders and the company. It also follows from the company's Articles of Association that all share transfers and pledges must be approved by the Board of Directors. The capital owners, if the situation arises, will be given the opportunity to decide whether they want to dispose of their shares.

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1.4. Corporate Social Responsibility				
1.4.1. The Committee **recommends** that the Board of Directors adopts a policy for the company's corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management commentary and/or on the company's website. The Committee recommends that the Board of Directors ensures compliance with the policy.	X			
1.4.2. The Committee **recommends** that the Board of Directors adopts a tax policy to be made available on the company's website.	X			
2. The duties and responsibilities of the Board of Directors				
2.1. Overall tasks and responsibilities				
2.1.1. The Committee **recommends** that the Board of Directors in support of the company's statutory objects according to its articles of association and the long-term value creation considers the company's purpose and ensures and promotes a good culture and sound values in the company. The company should provide an account thereof in the management commentary and/or on the company's website.	X			
2.1.2. The Committee **recommends** that the Board of Directors at least once a year discusses and on a regular basis follows up on the company's overall strategic targets in order to ensure the value creation in the company.	X			
2.1.3. The Committee **recommends** that the Board of Directors on a continuously basis takes steps to examine whether the company's share and capital structure supports the strategy and the long-term value creation in the interest of the company as well as the shareholders. The Committee	X			

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recommends that the company gives an account thereof in the management commentary.				
2.1.4. The Committee **recommends** that the Board of Directors prepares and on an annual basis reviews guidelines for the executive management, including requirements in respect of the reporting to the Board of Directors.	X			
2.2. Members of the Board of Directors				
2.2.1. The Committee **recommends** that the Board of Directors, in addition to a chairperson, appoints a vice chairperson, who can step in if the chairperson is absent and who can generally act as the chairperson's close sparring partner.	X			
2.2.2. The Committee **recommends** that the chairperson in cooperation with the individual members of the Board of Directors ensures that the members up-date and supplement their knowledge of relevant matters, and that the members' special knowledge and qualifications are applied in the best possible manner.	X			
2.2.3. The Committee **recommends** that if the Board of Directors, in exceptional cases, requests a member of the Board of Directors to take on special duties for the company, for instance, for a short period to take part in the daily management of the company, the Board of Directors should approve this in order to ensure that the Board of Directors maintains its independent overall management and control function. It is recommended that the company publishes any decision on allowing a member of the Board of Directors to take part in the daily management, including the expected duration thereof.	X			

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3. The composition, organisation and evaluation of the Board of Directors				
3.1. Composition				
3.1.1. The Committee **recommends** that the Board of Directors on an annual basis review and in the management commentary and/or on the company's website states • Which qualifications the Board of Directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and • The composition of and diversity on the Board of Directors	X			
3.1.2. The Committee **recommends** that the Board of Directors on an annual basis discusses the company's activities in order to ensure relevant diversity at the different management levels of the company and adopts a diversity policy, which is included in the management commentary and/or available on the company's website.	X			
3.1.3. The committee recommends that candidates for the Board of Directors are recruited based on a thorough process approved by the Board of Directors. The Committee recommends that in assessing candidates for the Board of Directors – in addition to individual competencies and qualifications – the need for continuity, renewal and diversity is also considered.	X			
3.1.4. The Committee **recommends** that the notice convening general meetings, where election of members to the Board of Directors is on the agenda - in addition to the statutory items - also includes a description of the proposed candidates'	X			

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• qualifications, • other managerial duties in commercial undertakings, including board committees, • demanding organizational assignments and • independence.				
3.1.5. The Committee **recommends** that members to the Board of Directors elected by the general meeting stand for election every year at the annual general meeting, and that the members are nominated and elected individually.	X			
3.2. The Board of Directors' independence				
The Committee **recommends** that at least half of the members of the Board of Directors elected in general meeting are independent in order for the Board of Directors to be able to act independently avoiding conflicts of interests. In order to be independent, the member in question may not: • be or within the past five years have been a member of the executive management or an executive employee in the company, a subsidiary or a group company, • within the past five years have received large emoluments from the company/group, a subsidiary or a group company in another capacity than as member of the Board of Directors, • represent or be associated with a controlling shareholder, • within the past year have had a business relationship (e.g. personally or indirectly as a partner or an	X			

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employee, shareholder, customer, supplier or member of a governing body in companies with similar relations) with the company, a subsidiary or a group company, which is significant for the company and/or the business relationship, • be or within the past three years have been employed with or a partner in the same company as the company's auditor elected in general meeting, • be a CEO in a company with cross-memberships in the company's management, • have been a member of the Board of Directors for more than twelve years, or • be closely related to persons, who are not independent, cf. the above-stated criteria. Even if a member of the Board of Directors does not fall within the above-stated criteria, the Board of Directors may for other reasons decide that the member in question is not independent.				
3.2.2 The Committee **recommends** that members of the executive management are not members of the Board of Directors and that members retiring from the executive management does not join the Board of Directors immediately thereafter.	X			
3.3. Members of the Board of Directors and the number of other managerial duties				
3.3.1. The Committee **recommends** that the Board of Directors and each of the members on the Board of Directors, in connection with the annual evaluation, cf.	X			

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recommendation 3.5.1., assesses how much time is required to perform the board duties. The aim is for the individual member of the Board of Directors not to take on more managerial duties than the board member in question is able to perform in a satisfactory manner.				
3.3.2. The Committee **recommends** that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the Board of Directors: • position, age and gender, • competencies and qualifications relevant to the company • independence, • year of joining the Board of Directors, • year of expiry of the current election period, • participation in meetings of the Board of Directors and committee meetings, • managerial duties in other commercial undertakings, including board committees, and demanding organisational assignments, and • the number of shares, options, warrants, etc. that the member holds in the company and its group companies and any changes in such holdings during the financial year.	X			
3.4. Board committees				
3 The Committee **recommends** that the management describes in the management commentary:	X			

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• the board committees' most significant activities and number of meetings in the past year, and • the members on the individual board committees, including the chairperson and the independence of the members of the committee in question. In addition, it is recommended that the board committees' terms of reference are published on the company's website				
3.4.2. The Committee **recommends** that board committees solely consist of members of the Board of Directors and that the majority of the members of the board committees are independent.	X			
3.4.3. The Committee recommends that the Board of Directors establishes an audit committee and appoints a chairperson of the audit committee, who is not the chairperson of the Board of Directors. The Committee recommends that the audit committee, in addition to its statutory duties, assists the Board of Directors in: • supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions, • reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook, • assessing the need for internal audit, • performing the evaluation of the auditor elected by the general meeting,	X			

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• reviewing the auditor fee for the auditor elected by the general meeting, • supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and • ensuring regular interaction between the auditor elected by the general meeting and the Board of Directors, for instance, that the Board of Directors and the audit committee at least once a year meet with the auditor without the executive management being present. If the Board of Directors, based on a recommendation from the audit committee, decides to set up an internal audit function, the audit committee must: • prepare terms of reference and recommendations on the nomination, employment and dismissal of the head of the internal audit function and on the budget for the department, • ensure that the internal audit function has sufficient resources and competencies to perform its role, and				
3.4.4. The Committee **recommends** that the Board of Directors establishes a nomination committee to perform at least the following preparatory tasks: • describing the required qualifications for a given member of the Board of Directors and the executive management, the estimated time required for performing the duties of this member of the Board of Directors and the competencies, knowledge and			X	Due to the size of the company and the fact that the company does not have shares admitted to trading on a regulated market, the company is not obliged to set up nomination committee, cf. The Danish Financial Business act § 80 a

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experience that is or should be represented in the two management bodies, • on an annual basis evaluating the Board of Directors and the executive management's structure, size, composition and results and preparing recommendations for the Board of Directors for any changes, • in cooperation with the chairperson handling the annual evaluation of the Board of Directors and assessing the individual management members' competencies, knowledge, experience and succession as well as reporting on it to the Board of Directors, • handling the recruitment of new members to the Board of Directors and the executive management and nominating candidates for the Board of Directors' approval, • ensuring that a succession plan for the executive management is in place, • supervising executive managements' policy for the engagement of executive employees, and • supervising the preparation of a diversity policy for the Board of Directors' approval.				
3.4.5. The Committee **recommends** that the Board of Directors establishes a remuneration committee to perform at least the following preparatory tasks:	X			

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• preparing a draft remuneration policy for the Board of Directors' approval prior to the presentation at the general meeting, • providing a proposal to the Board of Directors on the remuneration of the members of the executive management, • providing a proposal to the Board of Directors on the remuneration of the Board of Directors prior to the presentation at the general meeting, • ensuring that the management's actual remuneration complies with the company's remuneration policy and the evaluation of the individual member's performance, and assisting in the preparation of the annual remuneration report for the Board of Directors' approval prior to the presentation for the general meeting's advisory vote.				
3.5. Evaluation of the Board of Directors and the executive management				
3.5.1 The Committee **recommends** that the Board of Directors once a year evaluates the Board of Directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the Board of Directors' work, efficiency, composition and organization, cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics: • the composition of the Board of Directors with focus on competencies and diversity	X			

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• the Board of Directors and the individual member's contribution and results, • the cooperation on the Board of Sirectors and between the Board of Directors and the executive management, • the chairperson's leadership of the Board of Directors, • the committee structure and the work in the committees, • the organization of the work of the Board of Directors and the quality of the material provided to the Board of Directors, and • the board members' preparation for and active participation in the meetings of the Board of Directors.				
3.5.2. The Committee **recommends** that the entire Board of Directors discusses the result of the evaluation of the Board of Directors and that the procedure for the evaluation and the general conclusions of the evaluation are described in the management commentary, on the company's website and at the company's general meeting.	X			
3.5.3. The Committee **recommends** that the Board of Directors at least once a year evaluates the work and results of the executive management according to preestablished criteria, and that the chairperson reviews the evaluation together with the executive management. In addition, the Board of Directors should on a continuous basis assess the need for changes in the structure and composition of the executive management, including in respect of diversity,	X			

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succession planning and risks, in light of the company's strategy.				
4. Remuneration of management				
4.1. Remuneration of the Board of Directors and the executive management				
4.1.1. The Committee **recommends** that the remuneration for the Board of Directors and the executive management and the other terms of employment/service is considered competitive and consistent with the company's long-term shareholder interests.	X			
4.1.2. The Committee **recommends** that share-based incentive schemes are revolving, i.e., that they are periodically granted, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years.	X			
4.1.3. The Committee **recommends** that the variable part of the remuneration has a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios.	X			
4.1.4. The Committee **recommends** that the overall value of the remuneration for the notice period, including severance payment, in connection with a member of the executive management's departure, does not exceed two years' remuneration including all remuneration elements.	X			
4.1.5. The Committee **recommends** that members of the Board of Directors are not remunerated with share options and warrants.	X			
4.1.6. The Committee recommends that the company has the option to reclaim, in whole or in part, variable remuneration from the Board of Directors and the executive	X			

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management if the remuneration granted, earned or paid was based on information, which subsequently proves to				
5. Risk management				
5.1. Identification of risks and openness in respect of additional information				
5.1.1. The Committee recommends that the Board of Directors based on the company's strategy and business model considers, for instance, the most significant strategic, business, accounting and liquidity risks. The company should in the management commentary give an account of these risks and the company's risk management	X			
5.1.2. The Committee recommends that the Board of Directors establishes a whistleblower scheme, giving the employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases.	X			

Status on compliance with the Corporate Governance Code issued by Finance Denmark

The Danish Bankers Association, which is now part of Finance Denmark, has issued a Corporate Governance Code, which still applies to the institutions, which were members of the Danish Bankers Association. The Corporate Governance Code is available at finansdanmark.dk.

DSF complies with all recommendations set out in the code.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
1. The Danish Bankers Association recommends that the members respond to all the recommendations of the Committee on Corporate Governance.	X			
2. The Danish Bankers Association recommends that the members prepare and publish a code of conduct describing the company's core values and the conduct desired in terms of the company's management and operations.	X			
3. The Danish Bankers Association recommends that the members use a well-described, structured process when recruiting candidates for the board of directors and possibly bring in external expertise.	X			
4. The Danish Bankers Association recommends that those members whose articles of association contain provisions determining that board members may only be elected from a limited group of individuals explain the background to these restrictions.	X			
5. The Danish Bankers Association recommends that board members embark on a training programme in banking operations as soon as possible and at the latest six months after joining the board, unless the board member concerned already possesses up-to-date, special banking skills. The programme should reflect the company's size, business model and complexity	X			

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6. The Danish Bankers Association recommends that the members of a board of directors continuously receive skills development opportunities as relevant for their board duties. The topics and scope should be adapted to the company's size, business model and complexity.	X			
7. The Danish Bankers Association recommends that each individual board member undertakes an evaluation of his or her work for the board. As part of the evaluation, each board member must fill in an evaluation form referring to both management and technical banking matters.	X			
8. The Danish Bankers Association recommends that relevant experts be involved in the cooperation with the board of directors, including participation in meetings of the board of directors when particularly complex issues are to be discussed.	X			
9. The Danish Bankers Association recommends that the cooperation between the executive board and the board of directors be discussed at least once a year, without the presence of the executive board.	X			
10. The Danish Bankers Association recommends that an overview of the participation of the members of the board of directors in board and committee meetings be published on the members' website or similar.	X			
11. The Danish Bankers Association recommends that the members consider and explain whether the rules set out in the Danish Financial Business Act (lov om finansiel virksomhed) regarding a cap on number of executive positions are relevant for the members.	X			
12. The Danish Bankers Association recommends that the members focus on the role of the external auditor and the quality of its audit work. Among other things, members	X			

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should set requirements for the composition of the teams used by external auditors to ensure that a team includes at least two experienced auditors with additional areas of expertise. To be considered an experienced auditor, an auditor must have completed supplementary training aimed at the banking sector and participated in the audit of a commercial bank, savings bank or cooperative bank for at least three years.				

Status on compliance with Active Owners Denmark's guidelines for responsible ownership and corporate governance

Active Owners Denmark has prepared a set of guidelines for responsible ownership and corporate governance, in addition to the other guidelines. They relate to the company level and the capital fund level. The guidelines are available at aktiveejere.dk.

Equity funds and equity fund-owned companies must adhere to the guidelines according to the comply-or-explain principle. The guidelines also aim to increase the general level of information so that the general public has better opportunity to gain insight into the work of the mutual funds.

DSF complies with all recommendations set out in the guidelines.

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Information in the Annual Report				
1.1. It is recommended that it appears from the management report that the majority of shares in the company are owned by a capital fund that is a member of Active Owners, and that the company is therefore covered by Active Owners' guidelines.	X			
1.2. It is recommended that the annual report refers to the company's website, where the annual report is also available.	X			
1.3. It is recommended that the management report detail the particular financial risks associated with the chosen capital structure.	X			
1.4. It is recommended that the development in the number of employees during the year be explained in the management report. The statement can advantageously contain a table of figures from the beginning and end of the year divided between Denmark and the rest of the world.	X			

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1.5. It is recommended that the management report discloses the following matters regarding members of the board and ownership: 1. Which capital fund owns the company and with what share of ownership 2. Who the individual members of the board are nominated by 3. The person's position 4. The person in question's other management positions, including positions in management boards, boards of directors and supervisory boards, including management committees, in Danish and foreign companies as well as demanding organizational tasks 5. The direct shareholding of the Board of Directors and the Executive Board as a combined group, if it exceeds 5% on the balance sheet date.	X			
1.6. It is recommended that the management report provides information about the company's internal control and risk management systems regarding business risks.	X			
The tasks and responsibilities of the board				
2.1. It is recommended that the board of directors annually reviews and approves guidelines for the executive board, and in doing so establishes requirements for the executive board's timely, reliable and sufficient reporting to the board of directors.	X			
2.2. It is recommended that the board of directors adopt policies for the company's sustainability.	X			

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2.3 It is recommended that the board of directors annually discuss the company's activities in order to ensure a diversity relevant to the company in the company's management levels, as well as draw up and adopt a policy for diversity. The policy should be published on the company's website.	X			
Management committee				
3.1. If the board of directors establishes an audit committee, it is recommended that the composition of the audit committee ensures that the committee together has such expertise and experience that it has up-to-date insight into and experience with financial matters as well as accounting and auditing matters in similar companies.	X			
3.2 It is recommended that, before approving the annual report and other financial reporting, the audit committee monitors and reports to the top management body on: 1. Accounting practice in the most important areas 2. Significant accounting estimates 3. Transactions with related parties 4. Uncertainties and risks, including also in relation to expectations 5. Going concern.	X			
3.3. It is recommended that the audit committee: 1. ZHandles the company's risk management processes 2. Annually assesses the need for an internal audit or extended controller function.	X			

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3. Monitors the management's follow-up on the possible internal audit etc. conclusions and recommendations				
Risk management and internal controls				
4.1. It is recommended that the executive board and the board of directors at least once a year identify the most significant business risks associated with the realization of the company's strategy and overall goals, as well as risks in connection with financial reporting.	X			
4.2. It is recommended that the executive board regularly reports to the board of directors on developments within the significant risk areas and compliance with any adopted policies, frameworks, etc., with a view to the board being able to follow developments and make the necessary decisions.	X			
4.3. It is recommended that the board of directors decide to establish a combination of policies and guidelines linked to a whistleblower pages as well as a setup for the further processing of reports in order to allow for appropriate and confidential reporting of serious wrongdoing or suspicions thereof.	X			