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FOREWORD FROM THE EXECUTIVE BOARD

As Chief Executive Officer of Danish Ship Finance I believe we have a duty to demonstrate social responsibility and actively contribute to creating good conditions for our employees, to respect human rights, to consider the environment and climate and to contribute to combating corruption and bribery. This is an integral part of our business and will continue to be so going forward.

It is important to support the universal principles in international standards and the very substantial work undertaken by international organisations – in particular, the UN’s “Global Compact”, which we signed up to in 2016, and the UN’s “Guiding Principles on Business and Human Rights”.

Danish Ship Finance also recognises the importance of openness, which is why we naturally wish to publish this report. The report comprehensively covers the entire CSR area, including our work with the UN guidelines. This report is also our COP (Communication on Progress) report, which is sent to Global Compact.

Erik I. Lassen

Chief Executive Officer

INTRODUCTION

The objective of Danish Ship Finance is to provide ship financing in Denmark. In addition, the company may provide ship financing in the international market, so long as such activities do not unnecessarily limit the company's Danish operations. The company's vision is to be the most recognised and reliable provider of financing for reputable shipping companies.

Danish Ship Finance endeavours to run a professional business with a focus on responsible business conduct. The company has defined the following set of values:

- focusing on customer demands;
- giving priority to credit quality over short-term returns;
- acting as a trustworthy and stable business partner;
- developing our business towards our stakeholders; and
- accomplishing common goals through collaboration.

Our values and CSR policy have been mutually balanced. We are highly committed to incorporating these values into our everyday operations and CSR initiatives. Our CSR initiatives and CSR policy build on the following principles:

- Global Compact
- Guiding Principles on Human Rights
- Industry standards in Denmark

CSR is an integral part of our corporate culture. We will focus on CSR initiatives for in-house use and – where relevant – on addressing social responsibility in relation to the company's stakeholders.

LEGAL FRAMEWORK

REGULATIONS AND INTERNATIONAL STANDARDS

Danish Ship Finance reports on its corporate social responsibility in accordance with sections 135 and 135a of the Danish Executive Order on Financial Reports by Credit Institutions, etc (hereafter “Executive Order on Financial Reporting”). The company’s CSR reporting is in accordance with the “comply or explain” principle, plus there are requirements which following a specific assessment are not relevant to explain. When preparing this report we have also incorporated the guidance in “Reporting corporate social responsibility” published by the Danish Business Authority.

Danish Ship Finance committed to “The Ten Principles of the UN Global Compact” in 2016 and also adheres to the “Guiding Principles on Business and Human Rights”. In addition, the company is regularly updated on any changes in national and international CSR regulations.

INTERNAL GUIDELINES

Danish Ship Finance has drawn up the following internal CSR guidelines:

- CSR policy (adopted by the Board of Directors and available on our website)
- Business procedure for setting targets and policy for the underrepresented gender
- Stress prevention policy
- Anti-bullying policy
- Personnel handbook’s guidelines for preventing corruption.

CSR AT DANISH SHIP FINANCE

We have worked with CSR since 2009 and focus on the following categories:

1. Human rights
2. Employees
3. The environment and climate
4. Corruption and unusual gifts

The purpose of the company's CSR work is to contribute by adding value to society at large and to the company itself. The starting point for the work is that we are a financial company which only has employees in Denmark, who are employed in accordance with the sector's collective agreements. Every employee's place of work is the company's headquarters at Sankt Annæ Plads in Copenhagen.

The value-adding work with CSR shall be ensured through:

- A good internal working environment
- Motivated employees
- Minimising any harmful impact on the environment and climate
- Guidelines to counter corruption and bribery
- Expectations and demands in relation to stakeholders.

EMPLOYEES

Competent and engaged employees are essential for any business, which is why our employees and their well-being have a high priority with respect to our CSR work.

ATTRACTIVE WORKPLACE

Danish Ship Finance is a specialised company that focuses on attracting and retaining highly skilled employees. We aim to create an attractive workplace through engagement, development and well-being. We strive to ensure a professionally challenging environment and good working conditions with relevant staff benefits and an optimal work-life balance. Our staff policies provide a framework for skills development and a flexible career path.

We have defined a number of goals for our human resource initiatives with the aim of creating a good working environment and value through motivated employees. In addition, the company pursues a number of policies and guidelines (including senior programmes, part-time programmes, a health programme and a flexitime arrangement), the overall purpose of which is to create attractive and flexible working conditions.

DIVERSITY

Diversity is seen as a strength that helps the company attract the best employees. We recognise diversity and aim to ensure that everyone can pursue a career on equal terms. This includes offering flexible working conditions and a staff policy that accommodates different employee needs.

Our human resource policy is augmented with events and activities for all employees that aim to increase their understanding of colleagues' different views, practices, preferences, work methods and interests. Our experience is that these activities increase collaboration, efficiency and not least job satisfaction and morale.

TARGETS AND POLICIES FOR THE UNDERREPRESENTED GENDER

Board of Directors

Shareholders select candidates for the Board of Directors. Hence, the Board does not have a direct influence on which candidates get nominated. However, the Board will try to influence the process where possible. Employees also elect three representatives to the Board.

When setting a target for the underrepresented gender, the size of the Board of Directors is taken into account. Following the latest annual general meeting the Board consists of nine members, six of which were elected by the general meeting and three by Danish Ship Finance employees. Since November 2016 all Board members have been male.

A new target has been set whereby Danish Ship Finance will seek to ensure that at least one female Board member is elected by the time of the 2019 annual general meeting.

The company

In accordance with the rules on targets and policies for the gender composition of management, Danish Ship Finance is endeavouring to strengthen the pipeline of board member candidates of the underrepresented gender. We would also like to see an increase in the share of the underrepresented gender at the company's other management levels. We strive to offer professional development opportunities that match the wishes and ambitions of employees. Such courses are offered to all with due consideration for the individual employee's situation.

HUMAN RESOURCE DEVELOPMENT

Human resource development can focus on both professional and personal development. Employees have considerable influence over deciding which development and training programmes are relevant for them. Our human resource development and training policy grants the widest possible scope for the individual's professional and personal development. The policy promotes equal development opportunities for all employees in accordance with the individual employee's wishes.

Trainee positions are regularly offered, with the aim being that trainees gain an overview of the company's business model, structure and working procedures and so can take up a permanent position upon completion of the programme. The trainee has a mentor throughout the programme who is responsible for following up on evaluations and generally providing guidance for the trainee.

To facilitate the development of each employee, appraisal interviews are held at least once a year to align expectations on future assignments and competence development. Employees may also contact the company's external HR consultant to discuss issues relevant to the employee.

HEALTH AND WELL-BEING

Danish Ship Finance seeks to create an attractive environment for its employees and also a reasonable work-life balance, for example via a flexitime arrangement. All employees are covered by a number of insurance policies, including personal accident and health insurance, while the company canteen serves healthy and nourishing food.

Stress is recognised as a joint problem for the company and the affected employee, and the company has therefore adopted a stress prevention policy. Bullying, too, has a negative effect on the working environment and hence the employee's well-being, which is why the company also has an anti-bullying policy.

Finally, social events are arranged to strengthen a sense of belonging and solidarity in the company, while subsidies are granted to a staff association that also runs social events.

FREEDOM OF ASSOCIATION

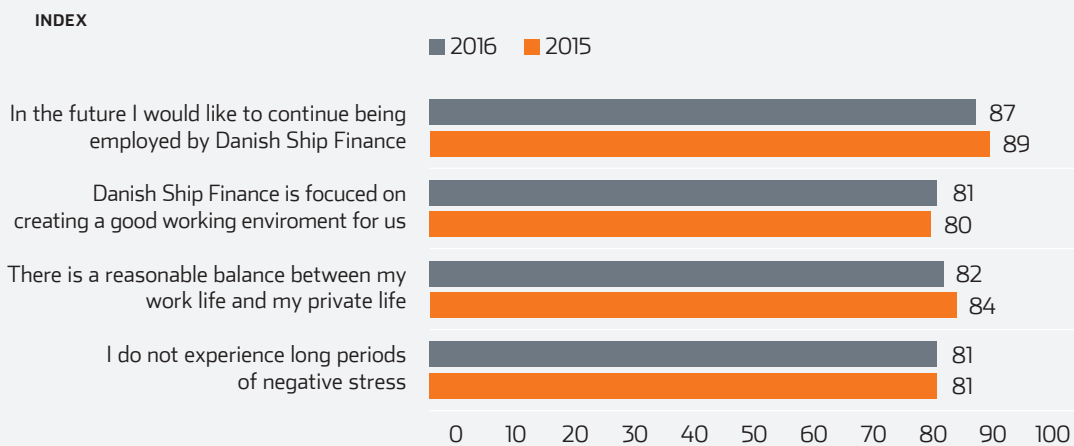
Employees have the right to be a member of a trade union. No statistics are kept regarding trade union membership, as this is regarded as a private matter.

EMPLOYEE OPINION SURVEY

To continually monitor employee well-being and job satisfaction the company conducts an annual employee opinion survey with help from an external consultant. A more comprehensive survey is conducted every second year, with the latest being in 2015.

Employees are first asked about their general satisfaction with being employed at Danish Ship Finance. In 2016 more than half the employees stated they were very satisfied, though the figure was slightly down on 2015. On the other hand, more employees stated they were generally satisfied than the previous year, plus fewer employees were not satisfied compared to 2015. The overall score for employee satisfaction was index 89 in 2016 and index 90 in 2015, which represents a high level of satisfaction.

Employees are subsequently asked about their future plans, the working environment, work-life balance and the occurrence of negative stress. The results for 2016 are illustrated below:

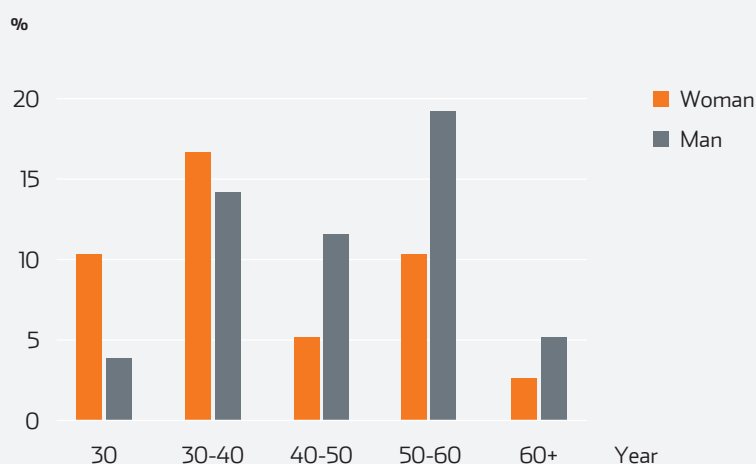


We can note that the results for 2016 are largely unchanged compared to 2015. Index 87 of employees expressed a desire to be employed at the company in the future. Four out of five employees view the company as being focused on a good working environment, ensuring a good work-life balance and that employees should not experience extended periods of negative stress. We conclude that employee satisfaction is high overall.

KEY EMPLOYEE STATISTICS

Danish Ship Finance had 69 full-time equivalent employees on 1 January 2016 and 68 on 31 December 2016. During the calendar year, 13 people left the company and 12 joined.

AGE DISTRIBUTION BY GENDER

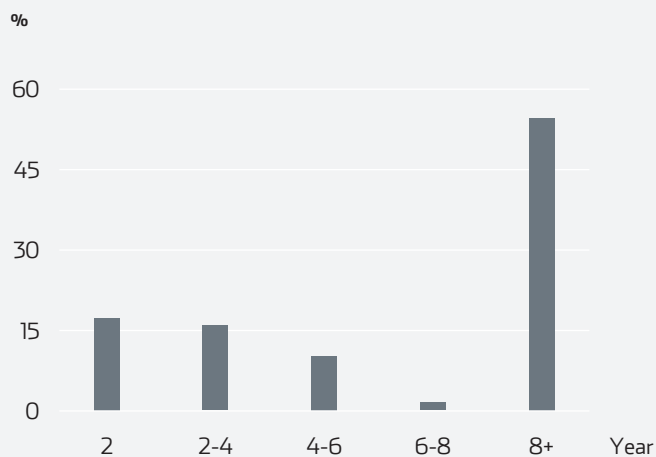


Age distribution by gender shows most employees fall within the age groups 30-40 years and 50-60 years. There has been a marginal increase in the average age of employees, with the average employee age now being 44 years old.

At the end of 2016, Danish Ship Finance had 25 female employees and 43 male, or 37% female and 63% male. As well as 2 out of 3 employees being male, we can note that 28% are men over 50 years of age.

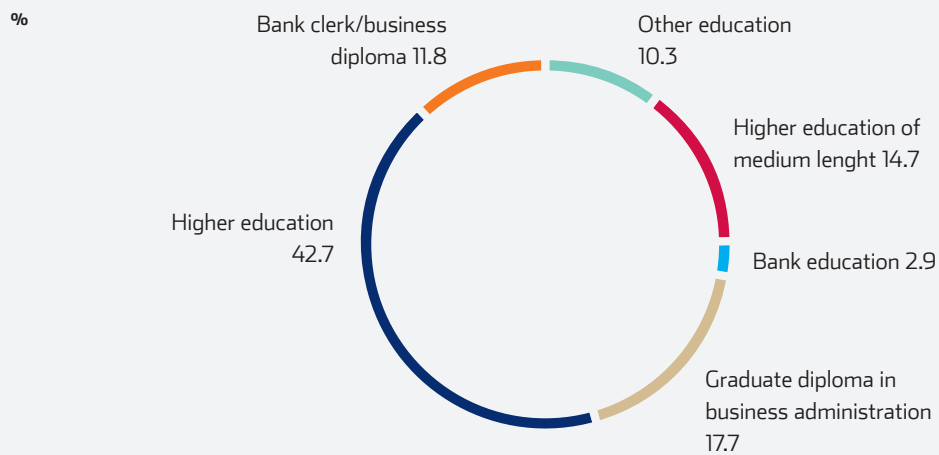
As no emphasis is placed on either age or gender when hiring new staff, no goals have been set to actively work towards changing the current distribution.

SENIORITY



The above seniority chart shows that 54% of staff have been employed at the company for more than 8 years, which accords with the high level of employee satisfaction.

EDUCATIONAL BACKGROUND



Our employees generally have a high level of education and are specialists within their area. 42.7% of employees have a higher education, up 3% compared to the previous year. The same applies in the category “higher education of medium length”.

Danish Ship Finance has a general focus on increasing employee competence and education levels, and the sum set aside for courses and further education is above the average for comparable companies. Employees have a considerable say on whether resources should be used for professional, personal or management development.

WHISTLEBLOWER SCHEME

The company has established a whistleblower scheme whereby employees who witness non-compliance with the financial legislation can anonymously report this to a third party law firm that will investigate any reports. The law firm has stated there were again no non-compliance reports from employees in 2016.

The whistleblower scheme can only be used in connection with suspected infringements of the financial legislation. If employees become aware of other breaches of the law, these can also be reported directly to the Danish FSA via its whistleblower scheme, to the State Prosecutor for Serious Economic and International Crime, or the Police.

HUMAN RIGHTS

AT DANISH SHIP FINANCE

While Danish Ship Finance is a financial company that observes Danish law and all its employees work in Copenhagen, we are aware of the importance of promoting respect for human rights not only in this company and nationally, but also internationally.

Respect for human rights is fundamental to our society, as it encapsulates respect for the individual and the recognition of different life-views, attitudes, religions, sexuality, ethnic origin and political opinions. It is a recognition of equality, including a recognition of equality between the sexes.

We practice no form of discrimination with respect to working or employment conditions.

EXPECTATIONS AND DEMANDS IN RELATION TO STAKEHOLDERS

A company has a responsibility to focus on respect for human rights among its external relationships. This applies to both suppliers and customers.

In accordance with the financial regulations, Danish Ship Finance does not outsource any central tasks, so the company's suppliers are therefore mainly limited to providing office supplies, cleaning articles, IT services, canteen services, window cleaning and the like. Should any of these suppliers appear to be in breach of internationally recognised human rights, they will be reprimanded and our relationship with them reconsidered.

With respect to our customers, we expect them to comply with any legislation they are subject to. Newer loan agreements generally make more specific requirements with respect to the legislation we assume they comply with.

ENVIRONMENT

Danish Ship Finance aims to actively contribute to improving the environment within the areas relevant for a financial company.

AT DANISH SHIP FINANCE

As a financial company, Danish Ship Finance naturally does not emit chemicals, CO₂, waste water, heavy metals, endocrine disruptors or the like on an industrial scale. Nevertheless, we have a continuous focus on protecting the environment when purchasing products, making improvements to the building, replacing IT equipment, etc. Moreover, items purchased should, as far as possible, be capable of being recycled or disposed of in an environmentally friendly manner.

Being a small financial company with an already modest consumption of electricity, water, heating, etc., no noticeable environmental or climatic improvements could be achieved by setting specific targets for energy savings. Given this, the company has decided not to introduce a separate policy or set specific targets for reducing the company's environmental impact. Instead, the company will work to lessen any negative environmental impact it may have, which can often be combined with a financial saving.

No new 'green' investments, installations, replacements or the like were made in 2016, as a major replacement programme for lamps, heating systems, IT equipment, etc. has not been relevant.

EXPECTATIONS AND DEMANDS IN RELATION TO STAKEHOLDERS

Our loan documents stipulate that customers must comply with any applicable environmental legislation the customer is subject to as a result of domicile, flag or the general regulations governing shipping. A failure to comply with these terms will ultimately mean Danish Ship Finance exercising remedies for a breach of contract in accordance with the loan agreement.

ANTI-CORRUPTION AND UNUSUAL GIFTS

AT DANISH SHIP FINANCE

Corruption is a broad term used to describe situations where personal interests are mixed with official interests and includes bribery, breach of trust and extortion. Danish Ship Finance works actively to fight corruption in all its forms and will never tolerate corruption.

The risk of encountering corruption, including being offered unusual gifts, is generally greater when engaged in international activities than when operating within the Danish market. Our personnel handbook includes anti-corruption guidelines.

In line with our overall CSR strategy, we have defined a number of goals for our anti-corruption and unusual gifts initiatives. Hence, it follows from the CSR policy that:

- We will not tolerate employees accepting or requesting any form of bribery,
- Employees may accept small gifts considered usual in the specific situation,
- Danish Ship Finance only offers gifts that could be considered as usual in the specific situation.

The company accepts employees receiving gifts valued at up to DKK 1,000. However, an employee must seek prior permission from his/her immediate superior if offered a gift that could be considered unusual or a gift that represents a value of more than DKK 1,000.

No incidences of corruption or attempted corruption occurred in 2016. Nor are we aware of any gifts that did not comply with Danish Ship Finance guidelines.

EXPECTATIONS AND DEMANDS IN RELATION TO STAKEHOLDERS

Our loan documents stipulate that customers must be in compliance with relevant legislation, including the prohibition of corruption.

Once again, no incidences of corruption or attempted corruption occurred in 2016.

PREVENTION OF MONEY LAUNDERING AND TERRORISM FINANCING

Many companies, including financial companies, are subject to the Act on Measures to Prevent Money Laundering and Financing of Terrorism. This is a detailed set of rules that requires a committed effort by companies. Danish Ship Finance has prioritised this area very highly and uses considerable resources on gathering the required documentation from customers and on checking and documenting all relevant assessments.

We have also established policies, business procedures and processes that are regularly updated when new legislation is passed or new practices announced.

All relevant and applicable legislation on the area is complied with, and in the first half of 2017 we will be implementing the new anti-money laundering law that comes into force on 26 June 2017.

GLOBAL COMPACT

Danish Ship Finance applied to join the UN Global Compact in 2016 and was accepted as a participant at the end of 2016. Global Compact is a UN initiative that has set out ten general principles for how businesses can work with CSR. The ten principles form a good starting point for a company's CSR and sustainability work. The principles are derived from internationally recognised conventions on human rights, labour rights, the environment and anti-corruption.

Based on the above report of the company's policies, principles, work and results, Danish Ship Finance estimates it complies with all ten principles to the extent that is relevant and possible for a financial company domiciled in Denmark.

GUIDING PRINCIPLES ON HUMAN RIGHTS

Ensuring human rights are respected is an important responsibility, and Danish Ship Finance has therefore also decided to adopt the UN's "Guiding Principles on Business and Human Rights". These principles were endorsed by the UN's Human Rights Council in June 2011.

The guiding principles state how governments and business enterprises can conduct their operations and strategic planning to avoid infringing on human rights. A differentiation is made between the efforts of governments and business enterprises. The guiding principles are equally relevant for both small and large enterprises and an emphasis is placed on companies not only focusing on their own efforts, but – importantly – also making requirements of their stakeholders.

The guiding principles stress that the expectations placed on business enterprises will depend on their size and the nature and context of their operations. As a Danish financial company the risk of infringing on human rights internally is extremely limited. As described above, employees are treated well and there is considerable focus on employee well-being.

In accordance with financial regulations, Danish Ship Finance has not outsourced its operations, and our few suppliers are Danish companies with head offices in Denmark.

Prior to deciding to extend a credit facility to a customer, we acquire detailed knowledge of the customer and their business methods. If this process raises doubts about the customer's observance of human rights, this will be a heavily weighted negative factor in the decision process.

When financing the construction of new ships, close supervision of conditions for workers at the customer's chosen shipyard is not possible. However, if doubts are raised about a shipyard's working conditions, an inspection can be carried out prior to giving a loan offer.

RESULTS ACHIEVED IN 2016

Our survey of employees shows a still very high level of satisfaction with terms of employment.

As no new 'green' investments were made in 2016, there is no measurable progress in this area.

Our CSR work with respect to stakeholders continues unchanged.

REPORTING

A report on Danish Ship Finance's CSR work is prepared annually. The CSR report is published on our website simultaneously with the annual financial report.

ASSESSMENT OF CSR WORK IN 2016

Our CSR work has continued in 2016 as an integral part of the company's activities. While we comply with applicable regulations and follow international standards with respect to CSR and respect for human rights, we are aware that this is an ongoing process.

We will continue our CSR work in 2017 both internally and in relation to our stakeholders.



**DANISH
SHIP FINANCE**

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