

**POLICY**

# **Business Relations Code of Conduct**



## **Purpose of the Business Relations Code of Conduct**

As a financial institution, Danish Ship Finance (DSF) recognises that its responsibilities concerning social, environmental and economic impacts are directly linked to its business relationships, especially through client relationships. DSF expects all business partners to adhere to the same high standards of integrity that the company upholds. This Business Relations Code of Conduct (BRCoC) aims to ensure that DSF's business partners are fully aware of its expectations for all business relationships it enters into.

Legal and regulatory compliance is the minimum requirement for all DSF's business relationships. DSF also expects its business partners to establish and maintain systems and procedures to identify and address their business activities' actual and potential adverse impacts on the environment, employee and human rights, and governance-related themes.

The responsibilities outlined in this BRCoC are founded on the UN Global Compact's Ten Principles on Human Rights, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises. DSF has evaluated its own adverse impacts concerning these international standards and expects all its business partners to do the same.

Through an assessment of its supply chain, DSF has identified its clients' activities as being most susceptible to significant adverse impacts. Therefore, DSF pays close attention to its client relationships and prioritises due diligence processes in this area.

## **Clients**

As a financial institution, DSF has responsibilities that are closely tied to those of its clients, including shipowners with whom the company has active lending relationships. Ultimately, DSF contributes to funding its clients' business operations. The company conducts thorough due diligence and know-your-customer (KYC) procedures to ensure its clients maintain high levels of integrity. DSF has introduced additional internal processes to support these KYC procedures, allowing it to engage in business only with recognised top-tier shipowners. DSF's processes focus on its clients' environmental, social and governance (ESG) performance on factors including GHG emissions, pollution, health and safety, human rights, anti-corruption, and responsible ship recycling, among others.

Appendix A outlines some of the ESG-related due diligence activities DSF conducts on its clients and its engagement in key industry initiatives. DSF's due diligence processes are not limited to those described in the appendix to this BRCoC; they also include, among other things, client onboarding and KYC processes, which are thoroughly explained in separate internal procedural documents and outlined in publicly available reports.

## **Suppliers**

As a financial institution, DSF is part of a service sector with very limited upstream activities and few suppliers. Its primary purchases include office supplies, electricity, heat and water. The company requires all suppliers to comply, at a minimum, with local laws and regulations in their countries of operation. It encourages its suppliers to exceed legal compliance and continuously enhance their ethical, social and environmental performance. Suppliers demonstrating environmentally and ethically responsible behaviour are favoured in DSF's selection process. Additionally, DSF expects its suppliers to ensure that their own suppliers also adhere to local laws and legal requirements. Should any concerns arise regarding a supplier's business conduct, DSF will terminate its contractual obligations.

# Appendix A

## Sustainability ratings

DSF rates its clients' sustainability performance annually to maintain oversight of the portfolio's sustainability performance, enabling the company to make more informed decisions. Based on DSF's internal framework, the company has conducted sustainability ratings on 100% of its loan portfolio. DSF continuously evaluates its framework, assessing the categories and sub-score parameters to ensure alignment with the shipping industry's discourse on sustainability.

Applying the sustainability rating framework, DSF assesses the performance of each client based on the following parameters:

### Sustainability rating framework

We assess all clients' documented levels of engagement, accountability and future planning on the following material issues:

Environment	Fuel consumption and energy efficiency
	GHG emissions
	Pollution prevention and biodiversity
Social	Health and safety
	Human rights <sup>1</sup> and responsible business practices
Governance	Anti-corruption and anti-bribery
	Organisational anchoring of sustainability
Ship recycling	Ship recycling policies and practices
Quality of information	Public reporting and other information shared

*1) An evaluation of whether our clients have policies related to human rights (at least addressing human rights in general, labour rights issues such as workplace discrimination, fair working conditions and wages and freedom of association) is part of the sustainability assessment and rating, which is consistently carried out on all clients.*

## Poseidon Principles

In 2019, DSF was a founding signatory to the Poseidon Principles, a voluntary initiative led by global shipping banks. The Poseidon Principles seek to promote the decarbonisation of international shipping and provide a framework for integrating climate considerations into lending decisions.

DSF tracks the environmental performance of its portfolio each year by collecting fuel consumption data from clients, as reported annually to the International Maritime Organisation. The company strives to maintain a portfolio that is 100% climate-aligned according to the Poseidon Principles decarbonisation trajectory.

## Responsible Ship Recycling Standards

In 2021, DSF joined the Responsible Ship Recycling Standards (RSRS), which means that it will, on a best-effort basis, align all new loan agreements with the RSRS requirements. The RSRS seeks to improve recycling practices, recognising that poor practices can lead to environmental damage, health and safety risks, human rights violations, and community exposure.

DSF encourages its clients to make responsible recycling decisions, perform due diligence on recycling yards, and be transparent about their practices. The RSRS aligns with international regulations, including the EU Ship Recycling Regulation and the Hong Kong International Convention for Safe and Environmentally Sound Recycling of Ships.