

POLICY

Sustainability



Contents

1	Purpose	3
2	Principles	3
3	Regulatory framework	4
4	Focus areas	4
	4.1 Environment, social and corporate governance	4
	4.2 Own employees	5
	4.3 Anti-corruption and gifts policy	7
5	International initiatives	7
	5.1 Poseidon Principles	7
	5.2 Responsible Ship Recycling Standards	7
	5.3 UN Global Compact	7
	5.4 UN Sustainable Development Goals	7
6	Objectives	8
	6.1 Client-facing goals	8
	6.2 Internal objectives	9
7	Reporting	10
8	Policy update	10

1 Purpose

This policy delineates Danish Ship Finance's (DSF) commitment and approach to material environmental, social, and governance (ESG) issues. It encompasses the company's initiatives regarding human rights, social, ethical, environmental, and climate conditions, as well as actions to combat corruption.

By operating ethically, adhering to good governance practices, and upholding environmental and social responsibility, DSF contributes to sustainable economic development. Sustainability is integral to DSF's business strategy and in alignment with the company's vision. DSF's highest governing body exercises oversight over sustainability initiatives and diligently monitors their progress.

As a financial entity, DSF indirectly impacts several environmental, social, and managerial aspects through its financing of customers and its investment portfolio. DSF is committed to supporting sustainable business models and believes that continuous development of its own operations and encouraging positive development in others can lead to significant improvements. This process will be gradual as the company's customers and the shipping industry face an extensive transition to minimise their climate impact.

To ensure DSF's continued position as a preferred financing partner, DSF engages in proactive, dialogue-based engagements with clients regarding their transition and management of key ESG issues. DSF aims to assist its clients and the industry in their journey towards climate neutrality, recognising its responsibility as a financing partner to foster positive development.

DSF's sustainability approach extends beyond regulatory compliance and risk minimisation. On the contrary, it is a central part of the company's strategy. The strategic focus on sustainability is largely shaped by DSF's primary stakeholders: investors, customers, and employees, and their expectations and requirements.

Sections 4 and 5 of this policy detail the company's selected focus areas and engagement in various international initiatives. Section 6 elaborates on related concrete objectives. Management encourages employees to speak up if they consider that the policy is not being adhered to in their daily work.

This sustainability policy is supplemented by and implemented through various other policies published on the company's website, including:

- The company's Code of Conduct
- Code of Conduct for business relations
- Tax policy
- Salary policy
- Targets and policies for the underrepresented gender and diversity in management

Additionally, this sustainability policy is complemented by the company's credit policy; policy for a healthy corporate culture; policy for addressing bullying, harassment and discrimination; privacy and data ethics policy; and anti-money laundering and counter-terrorist financing policy.

2 Principles

For DSF, sustainability means taking responsibility for the impact the company has on its surroundings. This includes being a credible and reliable partner for the company's clients and other stakeholders while acting

ethically and responsibly towards society and the company's own employees. DSF thus includes considerations of environmental and climate responsibility, human rights, employee wellbeing, and anti-corruption in its decision-making processes.

- We commit to being a good corporate citizen
- We engage in environmental and climate stewardship
- We respect human rights
- We engage in equal opportunities, diversity and employee wellbeing
- We commit to honesty, credibility and ethically responsible behaviour
- We commit to rejecting bribery and corruption in any form

3 Regulatory framework

According to the Executive Order on Financial Reports (Executive Order no. 516 of 17 May 2024 on financial reports for credit institutions and investment companies, etc.), DSF must submit a non-financial statement on corporate social responsibility as a supplement to the Management Report.

The rules on a sustainability statement follow from § 151 of the accounting regulation.

The Corporate Sustainability Reporting Directive (European Parliament and Council Directive (EU) 2022/2464 of December 14, 2022 – CSRD) is being implemented in Danish legislation. As part of this, certain companies must provide sustainability reporting in management reports. The requirement for sustainability reporting will also apply to DSF and will follow the accounting regulation. The companies subject to this requirement will no longer need to make a separate statement on corporate social responsibility.

The new rules on sustainability reporting came into force on June 1, 2024. However, the regulations on sustainability reporting will not take effect for DSF until the financial year 2025. For this financial year (2025), DSF will no longer have to make a statement on corporate social responsibility as stated above but instead include a sustainability report in the Management Report.

4 Focus areas

4.1 Environment, social and corporate governance

As a financial institution, DSF's most significant impact is the indirect impact it has on environmental, climate, social and governance issues through its lending and investment activities.

The shipping industry is subject to global environmental regulation from the International Maritime Organization (IMO), a governing body under the United Nations. In addition, the European Union (EU) has introduced several regulatory tightening measures that impose more significant requirements than the IMO. Both entities are working to 1) improve the industry's energy efficiency and 2) increase the uptake of sustainable fuels. DSF strives to contribute to the industry's transition by collaborating and motivating shipowners to make necessary investments.

The focus areas are addressed by:

- Maintaining a constructive dialogue with DSF's customers to promote their efforts in relevant environmental, social and managerial areas

- Assessing customers' efforts based on several material parameters in DSF's sustainability rating framework
- Offering loans with sustainability incentives, most often linked to a reduction of CO₂e
- Issuing sustainable bonds when the market for these matures
- Engaging with the Poseidon Principles Association as a signatory and reporting the financed portfolio's CO₂e emissions relative to applicable IMO targets
- Participating in the Responsible Ship Recycling Standards and formulating requirements for responsible ship recycling in loan documentation

The company also has a comprehensive screening procedure that it follows before entering into all new client relationships. This examines the companies' governance and corporate structures and sets requirements for good corporate governance and transparency. In connection with a transaction, DSF's in-house specialists perform thorough analyses and, when deemed relevant, physical inspections of the vessels in question. The performance of the technical manager is also assessed. The client portfolio is characterised by leading Danish and international shipowners who form long-term relationships with DSF.

DSF also has a direct environmental impact through the resources it uses in its office building and in transport. DSF aims to reduce its direct climate footprint by at least 5% annually compared to a 2023 baseline.

Measures to reduce DSF's direct environmental impact include:

- Purchasing products produced under decent conditions and ensuring they are recycled or disposed of in an environmentally friendly manner
- Choosing sustainable products from suppliers, such as CO₂e-neutral heating and electricity
- Reducing energy consumption and CO₂e emissions
- Reducing emissions from air travel by purchasing sustainable aviation fuel (SAF)

4.2 Own employees

DSF places great emphasis on being an attractive employer and strives to create a good and versatile workplace where employees can feel motivated through their daily responsibilities and professional development and having competent colleagues. Meeting employees' needs for a healthy work-life balance and supporting flexibility in times of need is also prioritised.

We ensure employee rights to freedom of association and collective bargaining. Our employees are covered by a collective labour agreement (negotiated by The Financial Services Union) with attractive terms and benefits for all employees in the company. This agreement forms an integral part of employment at DSF. In addition to the collective labour agreement, employees are covered by an internal policy with attractive terms agreed between DSF and its employee association.

DSF conducts an annual employee analysis, also known as a wellbeing survey. Employees are guaranteed full anonymity and have consistently shown a high level of participation in the annual surveys for many years.

Diversity

DSF supports diversity and ensures equal opportunities for all, regardless of gender, ethnic origin, etc. DSF aims to increase the proportion of women in leadership positions while always hiring and promoting the best and most suitable candidate for any given position. DSF has established a policy to increase the proportion of

women both on the board and at other management levels. At other management levels, gender balance has already been achieved.

DSF has zero tolerance for offensive behaviour, including sexual harassment or discrimination based on gender, religion, political beliefs, sexual orientation, age, disability, or ethnic origin. Employees are encouraged to report incidents to their immediate manager or via DSF's anonymous reporting system. DSF has clear guidelines for preventing and handling offensive behaviour, which all employees are familiar with.

Professional and personal development

DSF ensures that employees develop new knowledge and skills, allowing them to reach their full potential and enhance their value to the company and colleagues. The company offers courses and further education opportunities and supports development through annual reviews, during which managers and employees identify and discuss individual needs and future ambitions.

Health and wellbeing

DSF offers a flexible model where employees have the opportunity to work from home two days a week. The opportunity to work from home helps employees achieve a more balanced workday and increased wellbeing. DSF is aware that this can challenge the general cohesion in the workplace and has therefore increased its focus on organising events of both a social and professional nature.

HR, the Executive Board, and the management team have jointly initiated further efforts to improve the working environment, and this is a prioritised area in the company.

Please refer to the internal objectives described in section 6 for more insight into the company's ambitions in the employee area.

Whistleblower policy

DSF wants to maintain a work environment that promotes its reputation. To ensure that employees do not withhold information that could affect the company's reputation, a whistleblower scheme has been set up, where employees can anonymously report violations of laws or regulations applicable to the company, or of the company's internal policies and standards.

The whistleblower scheme is handled by an independent reporting hotline that is available 24/7. The scheme and policy are communicated to employees, e.g., during their onboarding, and are available in the local language.

Structures are in place to process whistleblower reports, and non-retaliation is ensured. A policy has been drawn up to ensure that the processing of reports is in accordance with the Danish Act on the Processing of Personal Data.

If an employee is unsure whether an observation should be reported, DSF encourages that a report be made. The whistleblower scheme does not mean that employees cannot use the company's ordinary communication channels. Employees can always go to their immediate manager or the Executive Board if they become aware of violations or potential violations of internal and external rules.

4.3 Anti-corruption and gifts policy

Adherence to rules and ethical standards is essential to DSF's integrity. To ensure work is conducted appropriately and in compliance with regulations, the company has developed and integrated a comprehensive set of guidelines, as detailed in the company's Code of Conduct.

DSF actively combats all forms of corruption, including extortion and bribery. The Code of Conduct is designed to guide employees in conducting business in a manner that maintains the company's reputation and integrity. DSF's Code of Conduct and internal guidelines are based on the following principles:

- DSF does not tolerate employees accepting or soliciting bribery in any form
- DSF allows employees to accept minor gifts that are considered customary in relation to the specific situation
- DSF only gives gifts that can be considered customary in relation to the specific situation
- DSF allows employees to receive gifts up to DKK 1,000. Employees are required to consult with their manager for gifts that may be considered unusual or that are worth in excess of DKK 1,000.

5 International initiatives

5.1 Poseidon Principles

DSF is one of the founding signatories of the Poseidon Principles, a voluntary industry initiative established in 2019. This initiative provides a common reporting framework for the climate impact of ship loan portfolios in banks and other lending institutions.

The Poseidon Principles align with IMO's ambition to achieve climate neutrality by 2050 and are one of DSF's primary client-facing initiatives on climate. Since 2021, DSF has been a member of the Poseidon Principles Steering Committee, where it has continuously sought to increase the initiative's level of ambition.

5.2 Responsible Ship Recycling Standards

In 2021, DSF joined the Responsible Ship Recycling Standards (RSRS). This banking initiative aims to provide common standards for environmentally and socially responsible scrapping and recycling of ships, incorporating these standards into new loan documentation. Currently, 12 European banks are members of the RSRS initiative.

5.3 UN Global Compact

DSF joined the UN Global Compact at the end of 2016. With the Global Compact, the UN has established ten principles for corporate social responsibility that companies are encouraged to follow. The principles are based on internationally recognised conventions on human rights, labour rights, the environment and anti-corruption.

DSF reports annually on its efforts in a mandatory Communication on Progress (CoP) report.

5.4 UN Sustainable Development Goals

DSF supports the UN's Sustainable Development Goals (SDGs). These themes are divided into three main groups: climate change, environmental protection, and social needs (education, health, social protection, job opportunities, etc.).

DSF uses the SDGs as a starting point for the company's engagement with sustainability. DSF will actively work with the goals that are considered particularly relevant to the company's operations and impacts. Five of the 17 SDGs (shown below) have been identified as being particularly relevant. Activities and progress related to the specific goals are reported in detail annually.



6 Objectives

In 2021, DSF adopted new sustainability objectives as part of the company's business strategy, "Financing the transition". These short- and long-term objectives are centred around the focus areas described in section 4.

6.1 Client-facing goals

2024: More than 50% of new loans must have sustainability incentives

» For loans with sustainability incentives, the interest rate is determined by the borrower's ability to achieve one or more of the sustainability goals that are set before the loan is granted. If the borrower fails to achieve these goals, the interest rate increases.

2024: 10% of the investment portfolio must consist of sustainable bonds

» For bonds with sustainability incentives, the loan terms are linked to the fulfilment of sustainability goals, which can be compared to the terms that apply to loans with sustainability incentives. Proceeds from green, social or otherwise sustainability-linked bonds must be used for purposes that contribute positively to the environment and/or society.

2025: New loans only to clients who are actively engaged in the sustainable transition

» DSF uses its sustainability rating framework to assess clients' engagement in the sustainable transition. This framework addresses topics such as environmental and climate issues, working conditions, safety, human rights, anti-corruption, corporate governance, and ship recycling. A client's documented level of engagement and responsibility on these material parameters is evaluated on a 12-step scale, ranging from 12 to 1 (worst to best performance).

Customers with a rating between 12 and 10, which is described as "poor performance", can be classified as unengaged. Conversely, customers with a rating better than 10, i.e. 9 or lower, can be considered actively engaged in the sustainable transition.

Thus, from the end of 2025 onwards, new loans will only be granted to clients who achieve a sustainability rating of 9 or lower.

2025: The environmental performance of the loan portfolio must align with the Poseidon Principles trajectories

» A score of 0% or lower shows that the portfolio is in alignment with the Poseidon Principles trajectories, while a positive score indicates that the portfolio's emissions are too high. Poseidon Principles trajectories are based on the IMO's new climate strategy of climate neutrality around, i.e. close to, 2050. DSF follows the methodology of the Poseidon Principles at all times.

2050: Achieve a net-zero loan book

» Net zero, or climate neutrality, is achieved when there is a balance between the greenhouse gases added to the atmosphere and those removed, resulting in no net effect on the climate. DSF adheres to the Poseidon Principles methodology for calculating the total climate footprint.

6.2 Internal objectives

Annual target: Reduce DSF's direct climate footprint by 5% annually compared to a 2023 baseline

» The company's direct climate footprint includes DSF's own emissions, including emissions from company cars, district heating and electricity consumption, purchases of office supplies, water, etc., and emissions associated with business trips. These are thus distinct from emissions caused by investments and DSF's clients, i.e., financed emissions.

2024: 12.5% of board members must be of the underrepresented gender

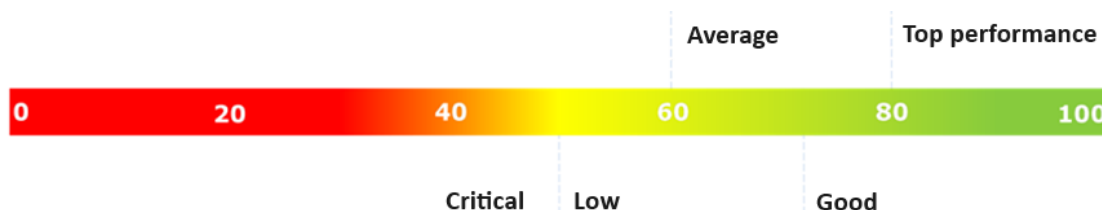
» This excludes employee-elected members, and the underrepresented gender refers to women.

2025: 40% of leadership positions must be held by the underrepresented gender

» Leadership positions include the Executive Board and employees with personnel responsibility who report directly to the Executive Board. This target was achieved in 2023, and the objective now is to maintain an equal gender balance in the company's leadership positions.

Annual target: Employee satisfaction must reach at least index 80 in the annual wellbeing survey

» The annual wellbeing survey assigns a score between 0-100 to a given topic. As shown below, a score between 60-80 is interpreted as average-good performance, whereas a score higher than 80 is considered top performance.



Annual target: The annual wellbeing survey must show a good balance between work and private life, achieving at least index 80

Annual target: The average number of sick days among employees must not exceed eight days

An employee wellbeing survey must be conducted annually, and the results must be included in the Annual Report. If one or more targets are not met, the Executive Board must assess what needs to be done to achieve the targets the following year and then monitor developments on an ongoing basis.

DSF has chosen the above focus areas because they are important to the company. Within these areas, DSF has the greatest risk of negatively impacting society through its own activities and client relationships. However, it is also in these areas that DSF has the greatest opportunity to positively impact developments through its daily work with sustainability.

DSF must ensure the fulfilment of these objectives through:

- Monitoring and reporting on the climate impact of the financed portfolio
- Maintaining a good internal working environment
- Value creation based on motivated employees
- Guidelines to counteract corruption and bribery

7 Reporting

An annual statement on sustainability will be published as part of the management review in accordance with the regulatory framework described in section 3.

This statement must include the status of the following:

- The progress on DSF's targets as defined in its corporate strategy, "Financing the transition"
- The company's activities and results on sustainability realised during the year
- The development of the sustainability policy
- The company's efforts to reduce its environmental impact and emissions
- The results of the wellbeing survey
- The development of gender diversity among the company's leadership positions and on the board
- Instances of bribery or corruption

8 Policy update

The sustainability policy was approved by the Executive Board on June 13, 2024. The policy will be updated in the event of significant changes or renewed no later than June 2025.