

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 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 most susceptible to significant adverse impacts. Therefore, DSF pays close attention to its client relationships and prioritises due diligence processes to ensure appropriate resource allocation.

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 in terms of GHG emissions, pollution, health and safety, human rights, anti-corruption, and responsible ship recycling.

Appendix A outlines some ESG-related due diligence activities DSF conducts on its clients and 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, publicly available documentation.

Responsible Product Offering

DSF is fully focused on financing shipowners and renowned for its conservative approach to corporate ship lending. By serving only reputable shipowners and maintaining a cautious approach to ship financing, the company has established itself as a reliable partner across shipping cycles. DSF ensures that its lending practices are fair and transparent. It conducts business with a high degree of professionalism and integrity. The company is dedicated to serving its clients while upholding a class-leading credit performance. DSF aims to be a long-term partner to its clients and investors.

Leveraging extensive expertise in market research, marine insurance, technical inspections, ship finance law, and more, DSF offers comprehensive support beyond mere financing needs. According to the latest Prospera survey (2023), an annual client survey assessing service quality in ship finance, DSF performs very well across all parameters and markets, achieving a global ranking of number two (number one in 2022).

Loans are granted prudently to shipowners with robust corporate structures and a proven track record in shipping. Borrowers undergo an extensive credit approval process during the loan application procedure. This process thoroughly examines a borrower's creditworthiness, including financial strength, market position, and approach to material ESG risks, thereby minimising risks for clients and DSF. Ensuring DSF supports its clients in

navigating shipping's sustainable transition is a cornerstone of the company's business strategy. The executive board meticulously oversees all significant loan transactions.

Suppliers

As a financial institution, DSF operates within a service sector with limited upstream activities and few suppliers. Its primary purchases include office supplies, electricity, heat, and water. For critical outsourcing, DSF undertakes a particularly thorough process. The company expects all suppliers to comply, at a minimum, with local laws and regulations in their countries of operation. Beyond mere compliance, suppliers should 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. DSF also expects its suppliers to ensure that their own suppliers adhere to local laws and legal requirements. Should any concerns arise regarding a supplier's business conduct, DSF will terminate its contractual obligations.

Human Rights Commitment

DSF formally acknowledges its commitment to upholding human rights across its supply chain. DSF believes that every individual deserves to work in a safe, respectful, and fair environment. We commit to the following principles and expect the same from our clients and suppliers:

- Ensuring safe working conditions and providing necessary safety training and equipment
- Guaranteeing fair wages and reasonable working hours in compliance with local laws
- Supporting workers' rights to unionise and engage in collective bargaining without interference
- Strictly prohibiting child labour and forced labour
- Ensuring clean, safe, and acceptable living conditions for workers
- Promoting a workplace free from discrimination, with equal opportunities for all
- Enforcing fair and respectful disciplinary practices, prohibiting physical punishment or abuse

Appendix A

Sustainability ratings

Sustainability ratings are being reviewed on an annual cycle 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 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 ¹ 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, Danish Ship Finance chose to become 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 fully align its portfolio according to the Poseidon Principles decarbonisation trajectories.

Responsible Ship Recycling Standards

In November 2021, Danish Ship Finance joined the Responsible Ship Recycling Standards (RSRS), which means all new client contracts must be aligned 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.