

REPORT

Corporate Governance Report 2024



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 Association Corporate Governance Code and

This statutory report on corporate governance for DSF forms part of the management report in the Annual Report 2024, which covers the accounting period from 1 January – 31 December 2024.

The report is not covered by the auditors' report prepared in connection with the Annual Report 2024.

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, using the standard reporting format provided by the Danish Committee on Corporate Governance. The recommendation for Corporate Governance is available at www.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				
<i>1.1. Communication with the company's shareholders, investors and other stakeholders</i>				
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 publishes annual and half-yearly reports and regular company announcements. There is no legal requirement for more frequent reporting. More frequent reporting is not considered to have an impact on the price formation of the bonds issued. Due to the restrictions on the transferability of the shares and the group of shareholders, external quarterly reports are not

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				considered relevant, with the exception of "Adequate own funds and individual solvency need", which is published quarterly.
<i>1.2. The general meeting</i>				
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			
<i>1.3. Takeover bids</i>				
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 prevent the shareholders from deciding on the takeover bid, without the approval of the general meeting.			X	<p>With one shareholder owing 88 percent of the shares the risk of takeover bids has diminished but, in every situation, the Board of Directors will endeavour to safeguard the best possible interests of the shareholders and the company.</p> <p>The company's articles of association also require the Board of Directors to approve all share transfers and pledges.</p> <p>If the situation arises, the shareholders will have the opportunity to decide whether to sell their shares.</p>
<i>1.4. Corporate Social Responsibility</i>				

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
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				
<i>2.1. Overall tasks and responsibilities</i>				
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 recommends that the company gives an account thereof in the management commentary.	X			

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2.1.4. The Committee recommends that the Board of Directors prepares and on an annual basis reviews guidelines for the Executive Board, including requirements in respect of the reporting to the Board of Directors.	X			
<i>2.2. Members of the Board of Directors</i>				
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			
3. The composition, organisation and evaluation of the Board of Directors				
<i>3.1. Composition</i>				

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<p>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</p> <ul style="list-style-type: none"> • 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			
<p>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.</p>	X			
<p>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.</p>	X			
<p>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'</p> <ul style="list-style-type: none"> • qualifications, • other managerial duties in commercial undertakings, including board committees, 	X			

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<ul style="list-style-type: none"> 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			
<i>3.2. The Board of Directors' independence</i>				
<p>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:</p> <ul style="list-style-type: none"> be or within the past five years have been a member of the Executive Board 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 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, 	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<ul style="list-style-type: none"> • 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. <p>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.</p>				
<p>3.2.2 The Committee recommends that members of the Executive Board are not members of the Board of Directors and that members retiring from the Executive Board does not join the Board of Directors immediately thereafter.</p>	X			
<p><i>3.3. Members of the Board of Directors and the number of other managerial duties</i></p>				
<p>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. 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.</p>	X			

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<p>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:</p> <ul style="list-style-type: none"> • 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			
<i>3.4. Board committees</i>				
<p>3 The Committee recommends that the management describe in the management commentary:</p> <ul style="list-style-type: none"> • the board committees' most significant activities and number of meetings in the past year, and 	X			

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<ul style="list-style-type: none"> the members on the individual board committees, including the chairperson and the independence of the members of the committee in question. <p>In addition, it is recommended that the board committees' terms of reference are published on the company's website</p>				
<p>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.</p>	X			
<p>3.4.3. The Committee recommends that the Board of Directors establish an audit committee and appoint 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:</p> <ul style="list-style-type: none"> 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, reviewing the auditor fee for the auditor elected by the general meeting, 	X			

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<ul style="list-style-type: none"> 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 Board being present. <p>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:</p> <ul style="list-style-type: none"> 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 				
<p>3.4.4. The Committee recommends that the Board of Directors establishes a nomination committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> describing the required qualifications for a given member of the Board of Directors and the Executive Board, the estimated time required for performing the duties of this member of the Board of Directors and the competencies, knowledge and experience that is or should be represented in the two management bodies, 			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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<ul style="list-style-type: none"> • on an annual basis evaluating the Board of Directors and the Executive Board'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 Board and nominating candidates for the Board of Directors' approval, • ensuring that a succession plan for the Executive Board is in place, • supervising Executive Boards' policy for the engagement of executive employees, and • supervising the preparation of a diversity policy for the Board of Directors' approval. 				
<p>3.4.5. The Committee recommends that the Board of Directors establishes a remuneration committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • preparing a draft remuneration policy for the Board of Directors' approval prior to the presentation at the general meeting, 	X			

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<ul style="list-style-type: none"> providing a proposal to the Board of Directors on the remuneration of the members of the Executive Board, 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. 				
<i>3.5. Evaluation of the Board of Directors and the Executive Board</i>				
<p>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:</p> <ul style="list-style-type: none"> the composition of the Board of Directors with focus on competencies and diversity the Board of Directors and the individual member's contribution and results, the cooperation on the Board of Directors and between the Board of Directors and the Executive Board, 	X			

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<ul style="list-style-type: none"> 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 Board according to preestablished criteria, and that the chairperson reviews the evaluation together with the Executive Board. In addition, the Board of Directors should on a continuous basis assess the need for changes in the structure and composition of the Executive Board, including in respect of diversity, succession planning and risks, in light of the company's strategy.	X			
4. Remuneration of management				
<i>4.1. Remuneration of the Board of Directors and the Executive Board</i>				
4.1.1. The Committee recommends that the remuneration for the Board of Directors and the Executive Board and the	X			

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other terms of employment/service is considered competitive and consistent with the company's long-term shareholder interests.				
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 Board if the remuneration granted, earned or paid was based on information, which subsequently proves to	X			
5. Risk management				
<i>5.1. Identification of risks and openness in respect of additional information</i>				
5.1.1. The Committee recommends that the Board of Directors based on the company's strategy and business	X			

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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				
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 Finansrådet

The Danish Bankers Association (Finansrådet), which is now part of Finance Denmark, has issued a Corporate Governance Code, which still applies to the institutions that were members of the Danish Bankers Association. The 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			
6. The Danish Bankers Association recommends that the members of a Board of Directors continuously receive skills	X			

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development opportunities as relevant for their board duties. The topics and scope should be adapted to the company's size, business model and complexity.				
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 should set requirements for the composition of the teams used by external auditors to ensure that a team includes at	X			

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<p>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.</p>				