

DANISH SHIP FINANCE 2020

› Sustainability Report

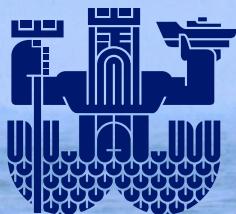


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About this report

This report provides an overview of Danish Ship Finance's approach to sustainability. We present our sustainability progress, targets and ambitions and discuss the issues that are material to our business and our stakeholders.

This report also represents Danish Ship Finance's Communication on Progress to the UN Global Compact and covers the financial year from 1 January 2020 to 31 December 2020. With this report, we also fulfil the requirements stated in sections 135 and 135a of the Danish Executive Order on Financial Reports for Credit and Investment Companies.

Danish Ship Finance's annual reporting also includes our Annual Report 2020 and Risk Report 2020.

The compilation of ESG data draws upon standards developed by FSR – Danish Auditors (Danske Revisorer), Nasdaq and CFA Society Denmark (Finansforeningen).

We always strive to improve our reporting, and we value any feedback you may have regarding this report.

Please contact us at:

→ sustainability@shipfinance.dk



CEO statement

At Danish Ship Finance, our commitment to sustainability and responsible business practices is clear. Over the past few years, we have made significant progress in our approach to sustainability and are acutely aware of our responsibility as a financial institution and of the impact of our actions.

We support efforts to increase the transparency of sustainability impacts, and our efforts rest on our continued commitment to the UN Global Compact.

We believe that the financial sector can be a driving force for change and can enable the transition to a more sustainable society, and in our case, a sustainable shipping industry. We intend to fulfil this responsibility to the best of our abilities, and it remains our vision to be the “obvious choice in ship finance”.

Our business is intertwined with the shipping industry, an industry whose impact on the climate is often described as “hard to abate”. Regardless of the fact that shipping is the most carbon-efficient way of transporting raw materials and goods across the globe, the industry must reduce emissions. Vast resources are already being devoted to achieving this goal from all areas of the industry and related sectors. The transition ultimately required for the shipping industry to decarbonise has begun, but it is still in the early stages.

At Danish Ship Finance, we are taking action to embed sustainability throughout our organisation and in our decision making.

Through our sustainability ratings, we are able to gain insight into our clients’ individual approaches to sustainability and assess their long-term preparedness. As a signatory to

the Poseidon Principles, we monitor our portfolio, and in late 2020 we completed our first annual reporting. We were pleased to see such a high degree of cooperation from our clients in this process. Furthermore, we granted the first sustainability-linked loans with pricing dependent on ship-owners’ progress towards the IMO 2050 emission target.

But sustainability also goes to the core of how we run our business. We strive to always behave responsibly and ethically, and the behaviour we expect from our clients is mirrored by the high standards we hold ourselves to.

In our own organisation, we seek to foster an inclusive culture marked by open dialogue and transparent decision making. We support our employees and their capabilities to grow and develop, and provide a flexible working environment with space for everyone.

In terms of gender equality, we have not crossed the finish line yet if we look at the share of women in leadership positions. It is a process but one we will focus on increasingly.

Finally, we cannot avoid mentioning that 2020 was also the year of Covid-19, because of its effect on society and not least on how we work. We adjusted to a new reality, and for large parts of the year, our employees worked from home. I am proud that our employees have been so quick to adapt to new circumstances, but I also look forward to the day we can return to the workplace again in larger numbers.



Erik I. Lassen
Chief Executive Officer

Danish Ship Finance at a glance

Our business is dedicated to providing funding to reputable shipowners, many of whom are leading players in their respective sectors.

Danish Ship Finance was founded in 1961 and for decades financed Danish-built vessels. Since the late 1990s, we have gradually been building up a presence with select international clients while maintaining our close ties with the Danish shipping community. Today, while Danish clients account for around one-third of our loan book, we are proud to be a top 20 shipping financier globally and one of the largest dedicated lenders in ship financing. All loans are secured against first lien ship mortgages.

We are committed to conducting our business in a proper and highly professional manner, maintaining a class-leading credit performance and very robust capital and liquidity. The resilience of our business model is evidenced by a strong investment grade 'A (Stable)' covered bond rating from Standard & Poor's. Our ability to issue covered bonds on competitive terms remains a cornerstone of our business.

We are a committed long-term partner to our clients and investors, with the ambition of becoming *the obvious choice in ship finance*.



On average, our Senior Relationship Managers have more than 15 years of shipping experience



Our headquarters is located in Copenhagen, enabling us to tap into strong shipping competencies

**LOAN BOOK OF DKK 33.6 BILLION,
COLLATERALISED BY
792 VESSELS**



We have in-house shipping research, as well as technical survey, marine legal and marine insurance expertise



Our lean organisation enables quick decision making to the benefit of clients

Our vision

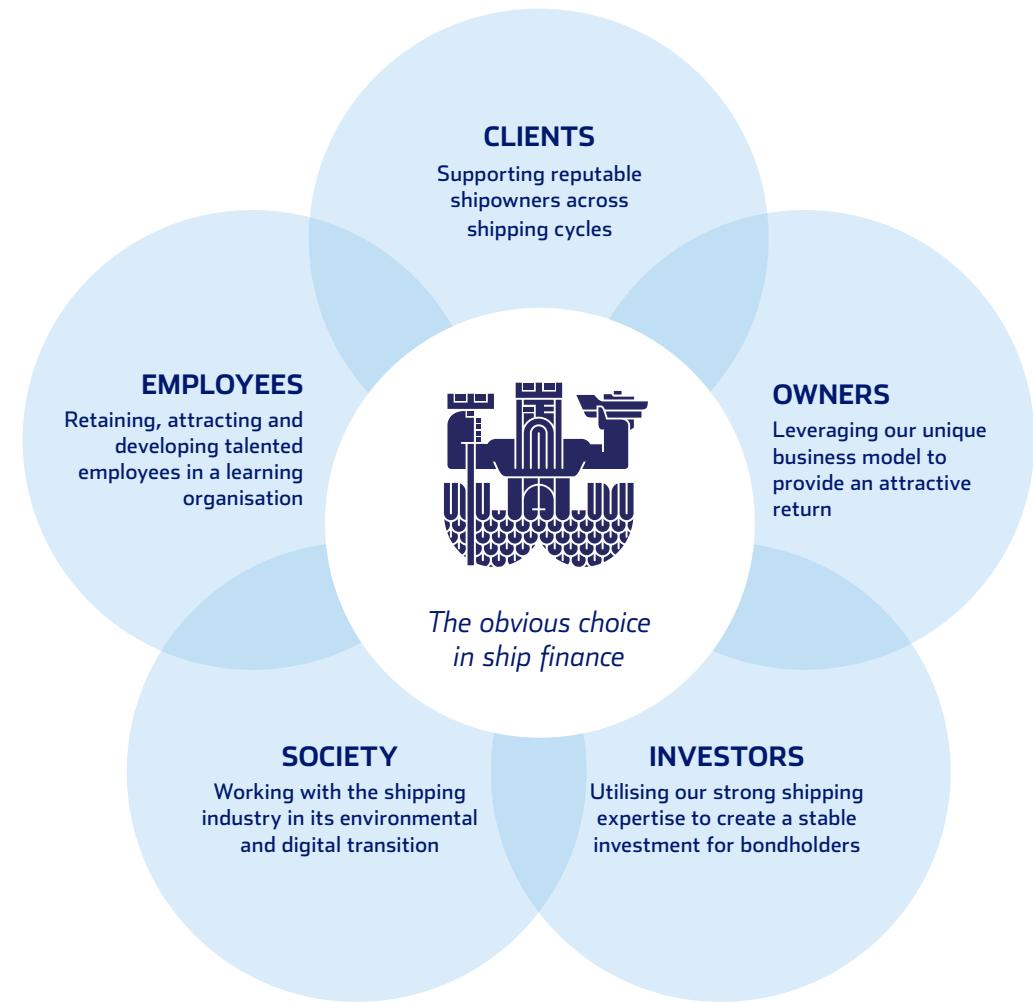
Strategy

We continue to focus on priorities that strengthen our position and take us closer to fulfilling our vision of becoming the obvious choice in ship finance. An essential aspect of our vision is to remain a low-risk institution, carefully adhering to our proven credit policy while optimising long-term returns from our lending business.

The strategic initiatives that we have executed over the past years have strengthened our platform and will enable us to grow sustainably and efficiently in the coming years. We are now increasingly turning our focus to developing and growing our core lending business and supporting the shipping industry as it migrates to environmentally sustainable practices based on long-term economically viable business models.

Strategic focus areas

Strengthening the core Strengthening the product offering and expanding the role we play for our clients by staying competitive in the lending and funding markets and leveraging inhouse shipping and financial expertise	Operational excellence Creating robust and scalable business processes to ensure that we can continue to grow sustainably while deepening our engagement with clients in a changing industry	Diversification Pursuing opportunities to diversify our funding sources and income streams and allow a greater level of cooperation with clients, investors and other stakeholders, making us even more robust across shipping cycles
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Sustainability strategy and direction

We are committed to acting responsibly and acknowledge that financial institutions play a key role in the transition towards a sustainable future. Sustainability and resilience have become interchangeable – and the global Covid-19 pandemic has been a stark reminder of this. Therefore, we continue unabated in our multi-faceted work to embed sustainability deeper into our business and organisation. Uncovering sustainability risks in our lending activities and credit analysis is essential for us to maintain our track record of resilience in the future as well.

Our Sustainability Office reports directly to the Executive Board, and is responsible for developing our corporate sustainability agenda and incorporating it into the work of the relevant departments. The Sustainability Office is a central coordinating function, supporting the organisation in introducing updated policies, processes and new initiatives to ensure integration of sustainability into operations and create a culture of ownership.

"Therefore, we continue unabated in our multi-faceted work to embed sustainability deeper into our business and organisation"

Guiding principles for our sustainability agenda



Actively engage with our employees, clients, investors, owners, regulators and other stakeholders on sustainability and sustainable finance



Promote transparency both for ourselves and our clients



Be a leading business partner for responsible, forward-thinking, reputable shipowners



Sustainability targets

2021 TARGETS	Collect data for Poseidon Principles reporting from at least 95% of in-scope portfolio	Grow portfolio of sustainability-linked loans	Employee satisfaction of at least 80 (index 100)	At least maintain high client satisfaction level (2nd ship finance institution in the Nordics, 4th globally in 2019)
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Follow-up on sustainability targets for 2020:

Fulfilled ● In progress ○ Not fulfilled ○

Target	Comment	Status
Collect data from as many clients as possible and report in accordance with the Poseidon Principles	We collected data from 97% of the in-scope portfolio, and reported a climate alignment score of +6.7% for the Poseidon Principles	●
Enhance and integrate client sustainability ratings further into decision-making processes	We updated and tightened our sustainability rating framework with the result that our ratings are increasingly prompting reactions from our Credit Committee	●
Formulate a position statement on responsible ship recycling	The work to introduce a position statement on ship recycling has been deferred to 2021	○
Encourage clients to strengthen their commitment to transparency	In a number of cases, dialogue with clients about transparency led to significantly improved reporting. Dialogue will continue in 2021	○
Monitor market developments and analyse the potential to issue green bonds or similar	Considering regulatory developments and our portfolio, we opted to focus initially on sustainability-linked loans	●
Ensure employee satisfaction does not drop further	Average employee satisfaction was 78 in 2020, compared to 77 in 2019	●
Initiate a leadership development programme for all people leaders in Q2 2020	After initial delays due to Covid-19, the first part of the leadership development programme was completed in 2020	○
Update the travel policy	Due to the suspension of corporate travel in most of 2020, updating the travel policy has been postponed to 2021	○
Reduce employee turnover to at least 8%	Turnover declined slightly to 11.8% in 2020 (11.9% in 2019) and remains a focus area	○
Fewer than eight sick days on average per employee per year	The average number of sick days per employee was 3.2 in 2020	●

In 2021 we will continue to work on the targets we did not meet during 2020.

Responsible client engagement

Our most important task is delivering a good experience and providing attractive solutions that match our clients' needs, while acting with integrity and not compromising on our core values or obligations to the client relationship.

Careful client selection

Our client portfolio is comprised of reputable, top-tier shipowners. Competition for these clients is intense, but we are confident that our value proposition is one of the most attractive in the industry.

Most of our clients have been with us for many years, and when we take on new clients, we are diligent in our assessment process. We take a number of steps to ensure that we preserve our reputation and track record before we embark on new client relationships (figure).

Together, these measures allow us to ensure that we only enter into business with the most prudent, reputable shipowners.

Influence through engagement

We are proponents of traditional relationship banking, maintaining ongoing dialogue and strong relationships with our clients. In 2020, the Covid-19 pandemic made our normal, physical interactions with clients mostly impossible, but despite this, we managed to maintain strong dialogue with our clients throughout the year as we adapted to meeting on digital platforms instead.

This will, however, not eliminate the need to travel and engage with clients in person.

Once again, sustainability was at the core of much of this. Our intention is to actively engage with clients about the sustainability ratings we have introduced, and in 2020 we also had conversations with many clients about how we believe they could improve their sustainability reporting, something we believe will be of mutual benefit. These conversations were far from one-sided; we also learned about our clients' progress and difficulties, and welcomed the opportunity to discuss the difficult strategic choices many shipowners are facing in the coming years.

We take this opportunity to emphasise and recognise that many of our clients are very much at the forefront of the sustainability agenda and are investing great efforts and resources into decarbonising shipping. We have learned a lot from them.

RELEVANT POLICIES

- › Sustainability policy
- › Credit policy

Checks and balances for client relationships



In-person meetings with management teams



Know-your-customer controls



Meet our requirement for flag state and class society



Physical inspections of vessels



Internal sustainability rating



Track record of management



Alignment of incentive schemes with creditors



Energy efficiency and design specification of vessels

Business ethics and compliance

We are subject to the same compliance regulations as other financial institutions. However, we engage in fewer transactions than other financial institutions, primarily because we do not take deposits or carry out cash management for clients. This makes us much less exposed to the risk of being used for fraudulent purposes.

Know your customer

Regardless of this, we have a strong compliance culture, and in conducting our client relationships diligently, the KYC procedure that we carry out in accordance with current regulations serves as our anti-money laundering and counter-terrorist financing measures. This means we must verify the identity of the management teams and the ultimate owners of our clients. We must do this at certain intervals throughout the client relationship and in the event of any change in management or ownership. This partly entails relying on information provided by our clients. They must give us this information by certain deadlines; we are obliged to report any failure to do so to the authorities.



Anti-corruption and bribery

We take a zero-tolerance approach to corruption and bribery and address this in our Code of conduct, Personnel handbook and relevant policies. In practice, we work to mitigate the risk of bribery and corruption through our compliance infrastructure, which includes continuous training, controls, and escalation procedures. In 2020, the mandatory compliance training of employees was in the form of e-learning.

Whistleblowing options

Finally, Danish Ship Finance has a whistleblower scheme, allowing employees who witness non-compliance with financial legislation or any other serious crime to report this anonymously to a third-party law firm, which will investigate any reports submitted. The law firm has stated that in 2020 it once again did not receive any non-compliance reports.

RELEVANT POLICIES

- › Code of Conduct
- › Disclosure policy
- › Guidelines to prevent corruption in Personnel handbook
- › Policy for data protection
- › Policy for healthy corporate culture
- › Policy for anti-money laundering and counter-terrorist financing
- › Policy for gifts and hospitality
- › Sustainability policy

"This means we must verify the identity of the management teams and the ultimate owners of our clients"

Sustainable finance



Through our commitment to the Poseidon Principles, our active dialogue with clients, and our participation in the Getting to Zero Coalition, we seek to support, encourage and create incentives for the shipping industry's transition to a more sustainable, climate-aligned future.

Danish Ship Finance, like any other business, needs to take responsibility, mitigate risk and be mindful of the impact of its activities. Our main overarching climate impact stems indirectly from the vessels we finance. Therefore, we endeavour to steer our portfolio in the right direction and support our clients in their sustainable transition.

Our first Poseidon Principles reporting

In November 2020, we reported our first Portfolio Climate Alignment Score as part of our commitment to the Poseidon Principles. Our first reported climate alignment score was +6.7% for the in-scope¹ portfolio. Due to ship-owners' reporting deadline to the IMO for the underlying data in 2020, we based our score on the portfolio at the end of 2019.

Poseidon Principles: Climate alignment and decarbonisation trajectories

Climate alignment measures the difference (as a percentage) between a vessel's carbon intensity and the carbon intensity required to be in line with the vessel's decarbonization trajectory.

A decarbonization trajectory is a representation of how many grams of CO₂ a single ship can emit to move one tonne of goods one nautical mile (gCO₂/tnm) over a time horizon. There is one decarbonization trajectory for each ship type and size category. This ensures that ships are compared on an apples-to-apples basis given carbon intensities vary as a function of ship type and size.

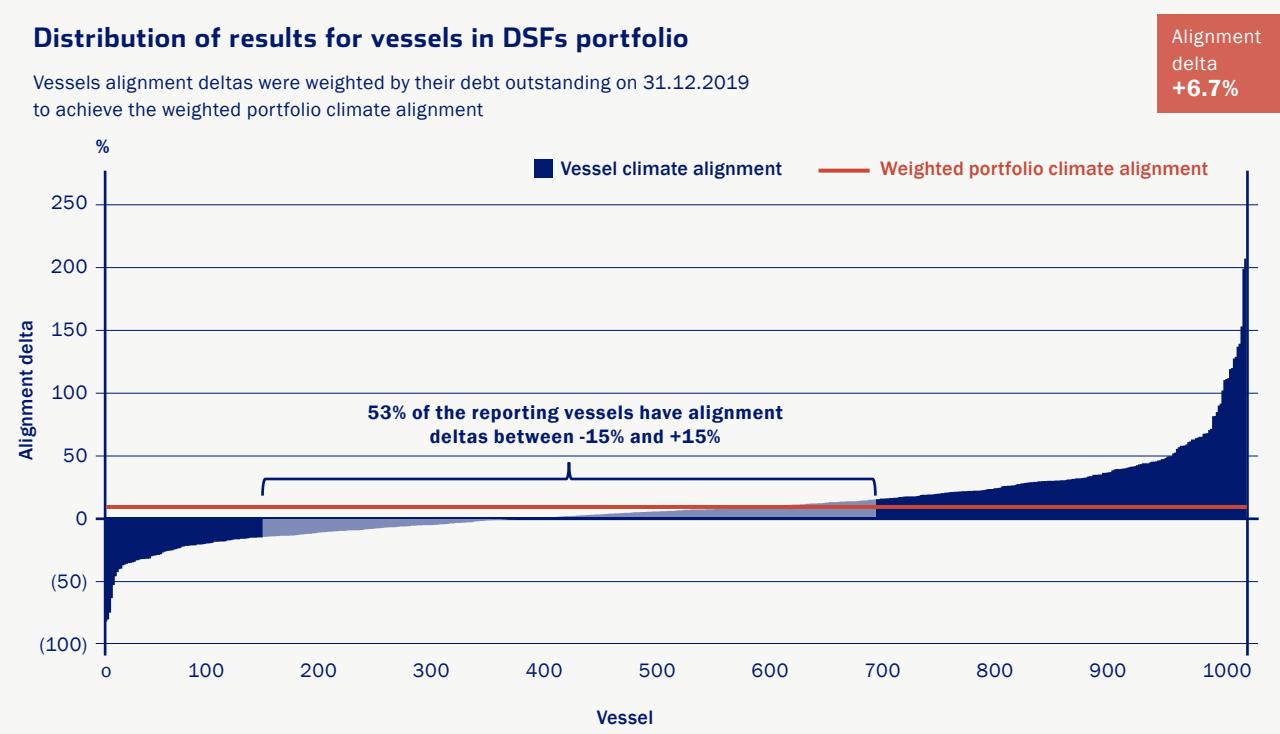
→ [Read more](#)

We have enjoyed a large degree of cooperation from our clients, who have willingly supplied us with the required data. In fact, we received data on 97% of the in-scope portfolio².

In the future, we hope to continue to collaborate with clients as we embed the reported data deeper into our credit and risk assessments and gradually work to improve the climate alignment of the portfolio.³

Distribution of results for vessels in DSFs portfolio

Vessels alignment deltas were weighted by their debt outstanding on 31.12.2019 to achieve the weighted portfolio climate alignment



¹ Not all assets in DSF's lending portfolio are included. For information on the scope, please refer to [Poseidon Principles](#)

² Measured as share of portfolio, not number of vessels

³ Results of 2021 reporting on our portfolio climate alignment will not be influenced by changes in our approach in 2021, as the data is based on our portfolio at the end of 2020

The most important thing is that with the first year of Poseidon Principles reporting, we now have a baseline against which to measure the development of our portfolio, although we do not expect our portfolio climate alignment to improve significantly until new carbon-neutral fuels and technologies have been more widely adopted, which could take several years.

As we expected, we found large differences in performance, between vessels and clients, and both within and across different shipping segments. Vessel characteristics and trading patterns vary greatly between sectors, as do shipowners' business models. All these differences impact the degree to which an owner is in control of a vessel's performance.

Based on the insights we have obtained from working with the Poseidon Principles data, we will initiate discussions with clients about how their vessels are performing and how this impacts our portfolio.

We believe that the adoption of the Poseidon Principles will have an impact on our lending criteria. At the same time, we appreciate that the transformation will take time. We will therefore continue to support and assist owners in this process. We believe that working with clients that are on the right path will have a bigger long-term impact on the decarbonisation of shipping than abandoning responsible clients just to be able to accelerate our own alignment with the IMO 2050 trajectory.

"15% of new lending in 2020 was sustainability-linked"

Sustainability ratings

In 2020, we continued working with our sustainability ratings of clients, which we introduced in 2019. We use the rating framework to enhance discussions with clients and push for broader transparency.

We have received positive feedback on our approach from clients, and our experience is that working systematically with the ratings as part of our credit assessment provides an important extra layer of insight into each new case and loan granted. The framework is a valuable tool with which to get to know new clients and has also helped us learn more about clients who have been with us for years.

After working with the framework for a full year, we have reassessed its relevance and made minor adjustments to improve objectivity and keep the benchmark for good sustainability performance high as the industry and regulatory requirements have developed.

Sustainability-linked loans

The market for sustainable finance is developing fast, and over the past year we have seen sustainability-linked loans gain in popularity. At Danish Ship Finance, we have also experienced increased demand from our clients for linking the pricing of facilities to sustainability targets. Developing our approach to these types of structures will be a strategic focus going forward.

In 2020, 15% of the amount of new lending granted was sustainability linked⁴. We aim to increase this share in 2021.

Sustainability rating framework

Clients' internal policies, processes and available data to document their performance is assessed on below parameters

	Fuel consumption and energy efficiency
Environment	GHG emissions (particularly CO ₂ emissions)
	Pollution prevention
Social	Safety and health
	Human rights
Governance	Anti-corruption and bribery
	Organisational anchoring of sustainability
Ship recycling	Ship recycling policies
Quality of information	Public reporting and other information shared

RELEVANT POLICIES

› Sustainability policy

⁴ Share of new lending, not number of loans granted in 2020

Pathways to zero-carbon shipping

We also contribute to the decarbonisation of the shipping industry through our Innovation and Research team, who support the identification of possible pathways to decarbonisation by engaging in cross-industry collaborations.

Shipping Market Review

There is currently no clear pathway to zero-carbon shipping. Zero-carbon fuel types do exist in the market today (ammonia, methanol, etc.), but the energy supply chain and the ability to produce these fuels, in a carbon neutral manner and at scale, are not sufficiently developed to facilitate a clear pathway yet. Further clouding the visibility of the pathway to zero-carbon shipping is the uncertainty about how regulators, both international and regional, will address the industry's transition, both in the short term and particularly in the longer term.

Most of the industry's efforts are currently focused on improving the efficiency of the existing fleet, not only by retrofitting vessels but also applying new technologies onshore and onboard the vessel. Many players are significantly improving their fuel consumption, but more needs to be done.

The regulatory framework is tightening. The IMO has adopted EEXI⁵ and new operational carbon intensity reduction requirements⁶ for existing vessels which will come into force in 2023. Vessels that fail to meet the

new standards will find it increasingly difficult to secure employment and raise capital, and could be forced to reduce speeds to lower emissions. Fleets will eventually be replaced, but the uncertainty related to the next generation of zero-carbon vessels is currently holding back large-scale ordering



We discuss possible pathways to zero carbon emissions in our:

→ [Shipping Market Review – November 2020](#)

⁵ The EEXI describes the CO₂ emissions per cargo tonne and mile. It determines the standardised CO₂ emissions related to installed engine power, transport capacity and ship speed. The EEXI is a design index, not an operational index, and is the extension of the similar EEDI measure for existing ships, which is related to newbuild vessels.

⁶ Based on a new operational carbon intensity indicator (CII). The CII determines the annual reduction factor needed to ensure continuous improvement of the ship's operational carbon intensity within a specific rating level. The ratings will then indicate the operational efficiency of all eligible vessels.

Collaborations with clients

We engage with shipowners to help them develop business cases for zero-carbon vessels. In 2020, we were one of the contributors supporting a Danish shipowner to develop a case for introducing two hydrogen-powered vessels.

→ [Read more about the project](#)

The Nordic Green Ammonia Powered Ships (NoGAPS)

We are also involved in the NoGAPS project. The project aims to pave the way for the first ammonia-powered vessel, developing a proof of concept on how to overcome the barriers to adoption of ammonia as a zero-carbon fuel, focusing on safety and efficiency, sustainable and steady fuel supply chains, and commercial viability. Based on the findings, the project partners will continue the work on the first demonstration of an ammonia-powered vessel with the goal of having it in operation by 2025.

→ [Read more about the project](#)

Responsible employer



At Danish Ship Finance we strive to support the well-being and job satisfaction of our employees. To this end, we offer a number of benefits, such as flexible working conditions, health insurance and the opportunity for continuing education.

Employee well-being

For our employees, much of 2020 was characterised by the Covid-19 pandemic, and all employees had to work from home at different frequencies throughout the year. This represented a major shift in the daily lives of our employees. To ensure all employees had necessary information and to accommodate the new way of working, management placed great emphasis on internal communication.

In the annual employee satisfaction survey carried out in December 2020, we were pleased to see that employee satisfaction had increased slightly from 2019, as well as the reported work-life balance and stress (page 16), despite the changing and challenging working conditions.

Equal opportunities and diversity

Danish Ship Finance's employees are its greatest asset. We value the diversity of our employees' backgrounds, experience and personal qualities. Each employee makes a unique contribution to the company and our culture.

In 2020, our employees elected four employee representatives to the Board of Directors for a four-year term. Three of the newly elected board members are women.

Remuneration

The gender pay ratio indicator (page 16) reveals a remuneration difference at Danish Ship Finance. Therefore, we have analysed the underlying causes, and conclude that the pay gap can largely be explained by differences in functions, responsibility and seniority. According to the guidelines⁷, the indicator can be difficult to use when a company has few employees in the same functions, as is the case for Danish Ship Finance. The analysis shows that in the functions where both men and women are employed, there is no gender difference in remuneration. While the ratio does not reveal a gender pay difference, it does show the overall impact of having fewer women in higher specialist functions and managerial positions.

Leadership development

A leadership development programme was initiated in 2020 for all our people leaders to strengthen the leadership culture. Due to delays caused by Covid-19, the programme will continue in 2021.



46
Employees
average age

10.5
Employees
average seniority

RELEVANT POLICIES

- › Code of conduct
- › Personnel handbook
- › Policy and targets for the underrepresented gender
- › Anti-bullying policy
- › Policy for the prevention and handling of stress
- › Remuneration policy
- › Sustainability policy

⁷ ESG key figures in the Annual Report, published in 2019 (revised in December 2020) by FSR – Danish Auditors (Danske Revisorer), Nasdaq and CFA Society Denmark (Finansforeningen) in June 2019

Our own direct impact on the climate and environment

Compared to other industries, Danish Ship Finance as a financial institution has a low level of direct carbon emissions. Producing financial services generates much lower CO₂ emissions than producing goods. Furthermore, our relatively modest size makes our own direct impact even smaller. Nevertheless, we are doing what we can to reduce our own direct impact on the environment.

The main source of carbon emissions as a result of our business activities is the air travel of our employees. In 2020, this was substantially curtailed due to the Covid-19 pandemic and ensuing travel restrictions. When international travel is possible again, a lot of our previous travel activity will resume. Virtual meetings have been a good substitute but cannot replace face-to-face meetings altogether.

We find that meeting our clients in person adds significant value to our client relationships and thereby mitigates credit risk.

Otherwise, our own direct impact on the environment stems from energy use in our office building, materials consumed (paper), company cars and transport of employees to and from work. All of these were reduced in 2020, as employees worked from home for much of the year, but increased consumption in the homes of our employees is believed to have offset this.

RELEVANT POLICIES

- › Travel policy
- › Policy for sustainability including guidelines for responsible procurement

Responsible employer

17 PARTNERSHIPS
FOR THE GOALS



Our contributions to the Danish Maritime Fund, indirectly help foster innovation in the maritime supply chain.

Through our annual contribution to the Danish Maritime Fund, we indirectly help fund initiatives supporting the development of the Danish shipping and shipbuilding industries and their suppliers.

Our substantial contribution to the Danish shipping community through the Danish Maritime Fund helps create new jobs, foster innovation and strengthen the competitive position of Danish shipping internationally.

The Fund's [allocation policy](#) determines that donations must, among other things, primarily be directed towards:

- Activities aimed at optimisation, automation and digitalisation of the maritime sector
- Activities promoting a green transition of the Danish maritime cluster
- Activities in the maritime sector that support the UN's 17 SDGs, for example for the environment, climate, circularity, innovation or equal opportunities

Tax payments

Danish Ship Finance contributes to society by doing business on the basis of accountable and fair principles. This also applies to the areas of investment and tax. We are a substantial corporate income taxpayer in Denmark, and tax for the year represented an expense of DKK 37 million in 2020, corresponding to an effective tax rate of 24%.

We believe responsible tax practice is a vital part of being a responsible business and are committed to avoiding aggressive tax planning.

Since 2005, more than

DKK 755 million

of profit from Danish Ship Finance has been transferred to the Danish Maritime Fund

Based on our financial performance in 2020, the Danish Maritime Fund will receive a proposed preferred dividend of DKK 18 million

The Danish Maritime Fund

The Danish Maritime Fund is a commercial foundation established by law in 2005 upon the transformation of Danish Ship Finance into a private limited liability company.

The objective stated in the Fund charter is i) to provide grants and financing to initiatives and activities that will grow and develop the Danish shipping and shipbuilding industries, and ii) to ensure the perpetual existence of a ship finance institution in Denmark.

The Fund's trust funds consist of a 10% permanent shareholding in Danish Ship Finance, and each year the Fund receives 15% of Danish Ship Finance's profits in the form of a preferred

dividend. This is the Fund's only source of income. Danish Ship Finance is not involved in the operation of the Fund or the distribution of grants.

Only Danish maritime companies or organisations are eligible for support from the Danish Maritime Fund.

→ [Read more about The Danish Maritime Fund](#)

DEN DANSKE
MARITIME FOND

ESG key figures overview

Environmental data	Unit	2020	2019	2018	2017
Co ₂ e scope 1	Metric tonnes	13.2	13.2	-	-
Co ₂ e scope 2	Metric tonnes	17.3	49.8	-	-
Co ₂ e scope 3	Metric tonnes	36.6	129.9	-	-
Energy consumption (electricity and heat)	MWh	505.1⁸	348.5	376.2	340.2
Water consumption	m ³	890	977	1007	849

Social data					
Full-time workforce	FTE	78	79	80	71
Gender diversity	%	34%	37%	34%	37%
Gender diversity, people leaders	%	15%	15%	15%	0%
Gender diversity, executive board	%	0%	0%	0%	0%
Gender pay ratio	Times	1.5	-	-	-
Employee turnover ratio	%	11.8%	11.9%	7.9%	5.7%
Employees receiving external training	%	41%	61%	53%	63%
Sickness absense	Days per FTE	3.2	5.7	3.8	2
Employee survey					
Employee satisfaction	Index	78	77	78	81
Healthy work-life balance	Index	79	77	77	81
No longer periods of stress experienced	Index	79	77	75	80

Governance data					
Gender diversity, board	%	25%⁹	0%	0%	0%
Board meeting attendance rate	%	96%	90%	89%	89%
CEO pay ratio	Times	4.7	-	-	-

⁸Danish Ship Finance purchased a new domicile in 2020, which is being renovated, before we move out of the current office building

⁹All AGM-elected members of the Board are male

Reporting principles

Below, we present our reporting principles, which cover employee and environmental data that can be found in this report.

The reporting principles have been formulated to ensure that we report data that is consistent from year to year. We aim to be fair and balanced in our reporting and we hope these reporting principles provide transparency about our performance.

Data on employees

Total employees: The number of full-time equivalent employees (FTEs) as of the end of the year.

Average age of employees: The average age of employees (excluding temporary workers and student assistants) as of year-end.

Average seniority: The average length of service of employees (excluding temporary workers and student assistants) as of year-end. The seniority of an employee is the number of full years between the start of their employment and the current calendar year.

Employee turnover: Involuntary and voluntary leavers for the full year divided by the average number of employees throughout the year. Employee turnover excludes temporary workers and student assistants. New employees are included from the month they start, and leavers are included until the month their termination/resignation/retirement is effective.

Sickness absence: The total number of sick days registered throughout the year per full-time equivalent employees as of year-end. Employees include temporary workers and student assistants. Sick days exclude paternity/maternity leave.

Employee training: The percentage of employees who have received external training during the year in the form of courses, seminars or conferences.

Women in the workforce: The workforce is defined as all employees excluding temporary workers and student assistants.

People leaders: People leaders are defined as employees with staff management responsibilities.

Employee satisfaction: Data is based on the results of our annual well-being survey, to which all employees are invited to respond.

Data on environmental impact

CO₂ emissions are calculated on the basis of electricity, heating, water and paper consumption and air travel. The quality of CO₂ emission factors may vary depending on the availability of specific factors. In accordance with accepted methodology, we omit renewable electricity purchased. For electricity, heating and water we use CO₂ emission factors published by our suppliers. For paper consumption, we use the "UK Government GHG Conversion Factors for Company Reporting" published by the Department for Environment,

Food and Rural Affairs (DEFRA). For air travel, we use the CO₂ emissions our travel agency, Egencia, reports for our air travel. Its model of emission reporting is based on the emission factor published by DEFRA.

Electricity consumption: Annual electricity consumption is based on automatic data transfers to the company's supplier of electricity from smart meters and meter readings. If data for the full year is not available, estimates based on average consumption are used.

Heat consumption: Annual heat consumption is based on automatic data transfers to the company's supplier of heat from smart meters and meter readings or calculated on the basis of statements received annually. If data for the full year is not available, estimates based on average consumption are used.

Water consumption: Annual water consumption is based on data transfers to the company's supplier of water from meter readings. If data for the full year is not available, estimates based on average consumption are used.

Paper consumption: Paper consumption is based on the volume of usage registered by the company's copy machines or on estimates for average consumption if consumption for the full year is not available. Paper consumption is defined as the amount of paper printed or copied on the company's premises.

Air transport: Air transport is calculated on the basis of statements from our travel agency, Egencia.

Initiatives joined

We have endorsed several international initiatives and seek to encourage best practice by following their guidelines and participating actively in them:

UN GLOBAL COMPACT

This is a UN initiative to encourage businesses to align their strategies and operations with ten universal principles for building on UN conventions in the areas of human rights, labour standards, environment and anti-corruption.



UN GUIDING PRINCIPLES ON HUMAN RIGHTS

This UN initiative from 2011 is the first global standard for preventing and addressing the risk of human rights abuses linked to business activity and continues to provide the internationally accepted framework for enhancing standards and practice regarding business and human rights.



POSEIDON PRINCIPLES

This is a global framework for responsible ship finance initiated by the Global Maritime Forum and leading ship finance banks. The principles provide a framework for assessing and disclosing the climate alignment of ship finance portfolios and are in line with the policies and ambitions of the IMO for reduction of greenhouse gases from shipping.



GETTING TO ZERO COALITION

This is a multi-stakeholder initiative by the Global Maritime Forum, the World Economic Forum and the Friends of Ocean Action to unite stakeholders across the maritime, energy, infrastructure and finance sectors around the shared ambition to make zero-emission vessels commercially viable by 2030.



Stakeholder engagement

Throughout 2020, we engaged with many of our stakeholders to address sustainability-related issues. With internal stakeholders, these were mainly related to well-being, updated sustainability policies and procedures, and information on the impact of participation in new initiatives.

We engaged with external stakeholders to increase the transparency of our sustainability efforts, inform them of the impact of new initiatives, discuss the impact of new and proposed legislation, and participate in industry collaborations.

STAKEHOLDERS WITH WHOM WE ENGAGED ON SUSTAINABILITY IN 2020

INTERNAL

Employees

EXTERNAL

Shareholders

Management

Clients

Board of Directors

Bond investors

Finance Denmark

Danish Shipping

European Community Shipowners' Association

Global Maritime Forum

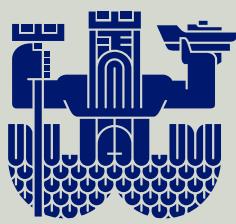
Poseidon Principles Association

Getting to Zero Coalition

Danish Maritime

Global Compact Denmark

Mærsk McKinney Møller Center for Zero Carbon Shipping



**DANMARKS
SKIBSKREDIT**

DANISH SHIP FINANCE A/S (DANMARKS SKIBSKREDIT A/S)

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