

CSR Report 2016



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This CSR Report is an integral part of the management review of DFDS' Annual Report 2016.



Growing with our stakeholders

Our business is to move and connect goods and people. In December 2016 we had been doing so for 150 years. Part of the secret of our company's longevity is a deep-seated belief in taking good care of our customers and all other stakeholders, including the environment.

DFDS' business model revolves around the operation of ferry routes carrying freight and passengers and providing transport and logistics solutions to a diverse range of manufacturers. A large part of the solutions are carried out using the ferry route network.

In relation to the reporting of activities that fit into the umbrella of CSR, the key goals are to limit the impact of activities on the environment, keep people and goods safe, secure jobs and good working conditions, support social initiatives and be a diverse company as regards nationality, gender, race and age.

We also protect our company against fraud and seek to communicate and engage with our stakeholders in a trustworthy manner at all times.

This is all part of our efforts to contribute to the growth of businesses and people in the societies in which we operate.

In December 2016, we celebrated DFDS' 150th anniversary. In recognition of the contribution made by DFDS' employees in recent years to our growth and as part of the celebration of the anniversary, the Board of Directors awarded 30 shares to all employees. The total number of employees eligible for the award of shares exceeds 7,000.

On the following pages, we report on activities related to CSR in 2016, including policies, processes and systems, actions and results and how they contribute to our company.

Niels Smedegaard
President and CEO

UN Global Compact

DFDS joined the UN Global Compact in 2015. The principles of the UN Global Compacts forms the foundation of DFDS' CSR work. Regular updates of activities are reported to UNGC as required.



The structure of our work on corporate responsibility

DFDS' work on corporate responsibility is coordinated and governed by a CR Committee that reports to executive management. The committee is headed by our sustainability and public affairs department.



Safety and security **ashore**

Highlights

- **No fatalities recorded in 2015-16**
- **Accident frequency increased**
- **Accident severity increased**
- **Most accidents caused by individual's actions rather than failure of systems**
- **E-learning tool enhances safety training and raises awareness of safety risks**

Higher accident frequency and more severe injuries

"Safety culture development is complementary to the overall culture of THE DFDS WAY, and that is why we continuously increase the use of e-learning and behavioural safety," says Russell Challenor, Safety Manager in Dover-Dunkerque.

DFDS is an organisation in continuous growth, also in its land-based activities, port terminals, warehouses, offices and transport operations. Therefore, we have decided to measure our land-based safety performance by means of an Accident Frequency Rate (AFR) rather than by the number of accidents. In this way, we will get a true picture of the safety performance which reflects the actual risk to individual employees and which can be compared from year to year.

Overall difference in safety performance in 2016 from 2015

Overall, safety performance has decreased to the benchmarking level, which started in 2012. A Group Accident Frequency Rate of 5.07 missed the improvement target of 5.14.

GROUP	2013	2014	2015	2016
LTA's*	48	45	40	61
AFR*	7.10	6.22	5.07	8.38

*AFR (Lost-Time Injury) Accident Frequency Rate

*LTA Lost-Time Injury Accident

Injury severity (represented by average lost working-days per LTA in 2016) also significantly increased (24,5 days compared to 14 days in 2015). There are no particular reasons for the decrease in safety performance apart from individuals' actions as a host of safety systems are in place. Raising awareness of safety issues and continued training of employees remain key to improving safety performance going forward.

- **Safety training, via the use of e-learning, has been a success and is more or less double compared to last year's take-up. It has progressed, with 1,711 staff now enrolled on the system, and multiple language versions (Dutch and French) are available.**
- **'I-care' behavioural safety initiative introduced in Immingham Seaways by the local management team, which has allowed certification to the BSI OHSAS18001 international safety standard in 2016; this is a vanguard and an example of what is required to drive improvements in safety culture.**

Enhanced safety training

The accidents are, by and large, caused by individuals' actions rather than by a failure of safety management systems, which is a continuing trend from 2013, 2014, 2015 and 2016. Therefore, the solution is to increase individuals' personal awareness of safety as part of the overall development of DFDS' safety culture. In order to raise awareness and knowledge about safety among staff, DFDS has introduced e-learning safety modules so people can receive online safety training. This has greatly improved the number of people who have received safety training. In 2016, 1,309 e-learning modules were completed. That is approximately twice as many as in 2015, largely due to significant take-up by seafarers on board ships. There is a suite of six core safety modules with common applicability across the Group (Risk Assessment, Fire, Manual Handling, Slip/Trip, Display Screen Equipment and Environment) plus several site-specific modules such as Food Safety for Belfast. Each module takes approximately 30 minutes to complete. A module is only counted as complete when an 80% pass mark is achieved.

Future steps / commitments

E-learning tools, including survey, will continue to contribute to improved safety by raising awareness of safety throughout the organisation. Other language versions of the core safety modules have been prepared to make the material more user-friendly. The use of French language modules was introduced in 2016.

Our approach

Safety management is operated by the local management teams to maintain flexibility and proportionality of response based on risk. Thus, more safety controls and formalised inspection regimes are operated for higher risk activities (port terminals) than lower risk activities (offices).

The national and international safety legislation applicable across the DFDS Group has a common basis in EU legislation. This allows for an internal safety management standard for the DFDS group based on a UK model of safety management.

Reporting

- The reporting system is designed so as not to overburden small low-risk units and still allow reporting of injury accident detail and generation of causal analysis.
- The network of 'data responders' covers 57 operational sites.
- Causal analysis to inform managers of trends and feed into their 'safety action plans' to ensure proactive management of safety.
- Figures for 2016 includes 11 months, January-November.

Injury severity (Lost-Days)

	LTA's VTD	Actual Lost-Days V-T-D	Actual Average LDs per LTA 2016	2015 Average LDs Comparison	Original Improvement Target LDs per LTA
Logistics	21	401	19	20	10
Seaways	40	1099	27	10	11
Group	61	1500	25*	14	10

* - increase arises from long-term absences from injuries in earlier months.

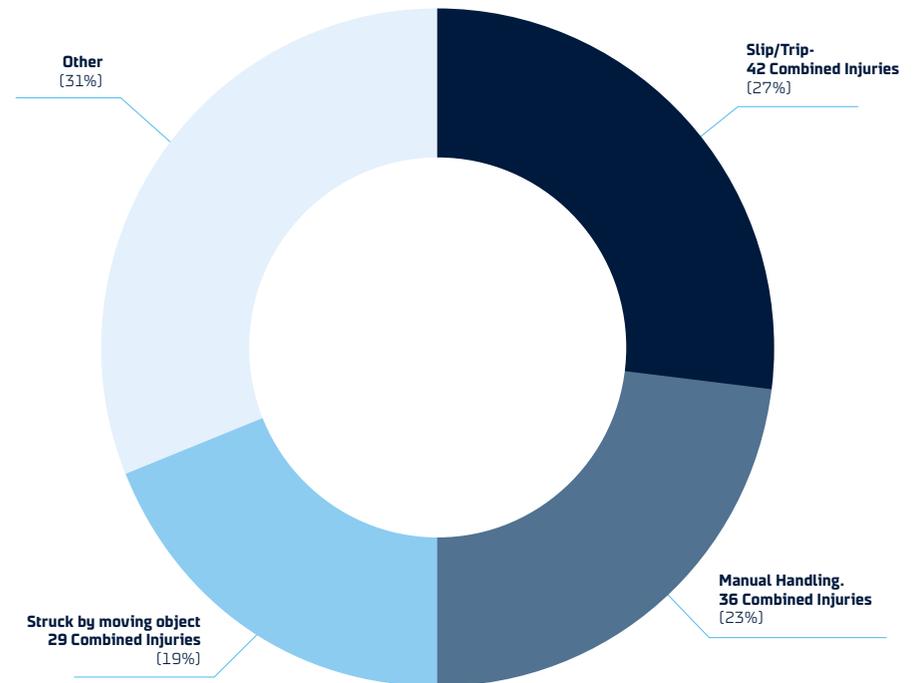
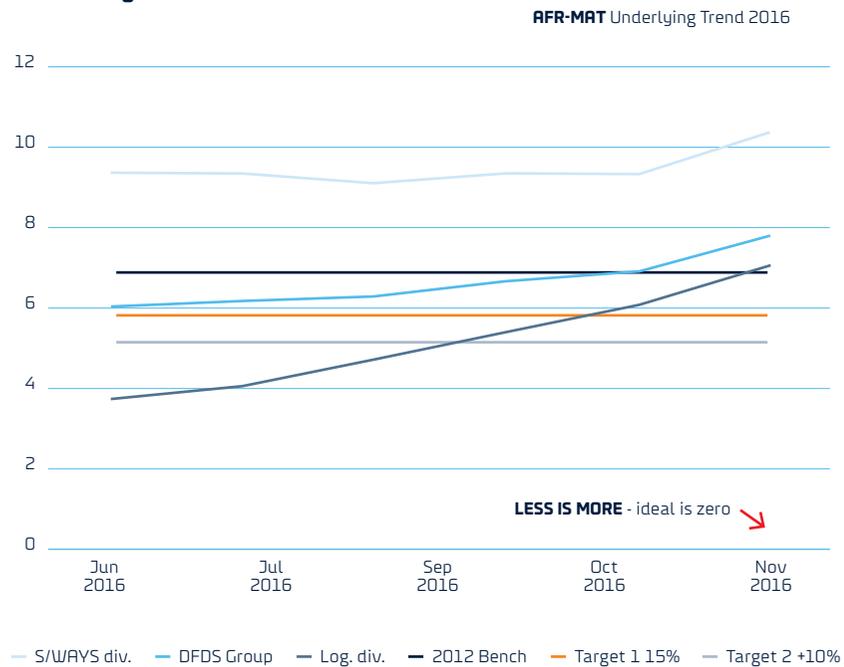
DFDS Group safety performance Jan-Nov. 2016

Group	2013	2014	2015	2016
LTA's	48	45	40	61
AFR	7.10	6.22	5.07	8,38

Causal Analysis

All Injury Accidents 2016

AFR moving annual



Safety at sea

Continuous improvement and focus on safety training and drills

Highlights

- **Improvement in safety performance**
- **Major difference between regions in level of Lost Time Injuries**
- **Ship collision in Ghent**
- **Migrant situation causing operational issues**

The goal of DFDS' safety and security work is to keep people and goods safe. However, achieving this differs between sea and land. Legislation also applies differently.

Training and drills save lives

The DFDS Way is intended to enhance performance through continuous improvements, and we believe that the major tools in achieving continuous improvements in our health and safety standards are training and drills on board our ships. Incidents in preceding years have clearly demonstrated that the training standards and frequent drills are instrumental in the crew's ability to protect people, goods and the ship against the consequences of incidents such as fire on board, collisions and other major incidents.

In line with our strategy, DFDS also aims to participate in drills in cooperation with various rescue and emergency authorities. Such special safety and security drills include advanced training in crisis handling, cooperation and communication between DFDS and the authorities and between the various emergency teams. In 2016, several such safety and security crisis drills were carried out in Dover. Furthermore, our ships on the Copen-

hagen – Oslo route, as well as our passenger ships in the Baltic, served as settings for the authorities' security crisis-handling drills. We believe that these drills are extremely valuable when it comes to improving the safety and security of our passengers and crews, and to ensure that our processes to deal with emergencies are continued tested and verified.

Lost Time Injuries frequency shows unsatisfactory regional variations

The Lost Time Injury (LTI) frequency rate provides an overview of the number of work-related injuries in the past year. DFDS measures the LTI frequency rate in work-related incidents per million working hours that cause absence from work for more than 24 hours.

The development in 2016 showed a positive trend with a general reduced Lost Time Injuries frequency on board our ships. In 2016, the overall frequency fell to 7.16 from 8.23 in 2015. However, the general level is still unsatisfactory. This is mainly due to an unsatisfactory level on the vessels flying the French flag, which had an average LTI frequency of 21.15, which is significantly improved compared to 2016 where the level was 32.64

However, injury severity hasn't increased. The many injuries reported were, with one exception, of minor severity. Most of the injuries were bruises, sore knees, back pains from lifting, a bruised fingernail and other minor injuries.

Near-miss reports

Near misses are hazardous occurrences that, under different circumstances, could lead to an incident if corrective actions are not taken. DFDS' policy is to support the reporting of near-miss incidents in order to develop best practices in avoiding and reacting efficiently to near misses. In 2016, 72,4 near misses were reported on average per ship. This is a satisfactory level of reports a slight increase compared to 2015 It is well above our target, which is set to 48 per ship annually.

Group policy

DFDS' Health, Safety and Environment Policy, which is reviewed annually by Management, is designed to deliver improvements through active demonstration of commitment and leadership. This means practicing what we preach, with all managers behaving in a way that demonstrates safety and accountability.

Shipping incidents reported*	2016	2015	2014	2013	2012
Near-miss reports (average per ship)	72,7	71,2	62,3	64,5	38,5
Lost time injury frequency (LTIF)	7,16	8,23	9,3	7,0	3,3
Fatalities	0	0	0	1	0

* Data excludes the subsidiaries AB DFDS SEAWAYS (Lithuania) and DFDS Logistics AS (Norway)

Migrant situation

The migrant situation has impacted DFDS in 2016 because of stricter border controls and demand for stricter control of passengers embarking on a journey towards the UK. However, the major impact has been caused by migrants trying to board the ships as blind passengers in order to enter the UK illegally.

The problem has been particularly big in Calais where a migrant camp with up to 10,000 migrants has led to hundreds of daily attempts to board the ferries hidden in trailers. The problem has been dramatically reduced after the French authorities closed the camp. However, for this reason there has been a growing pressure on our other routes to the UK - from France, Belgium, the Netherlands, Denmark, Sweden and Norway.

DFDS' policy is to cooperate closely with the UK border authorities and local authorities to minimise the problem.

Our policy is also to use every experience we gain to improve security measures and surveillance and to inform the public openly about the problem and the safety risk associated with travelling as a blind passenger hidden in a trailer and on board a ship at sea.

We also inform our customers about the risk as the lorry company and the driver will be fined if illegal migrants are found in the trailer when entering the UK.

Furthermore, it is important for DFDS to reduce the problem as it is a very difficult situation for our crews on board ships when migrants are found on board. For DFDS it causes extra costs as the company will need to hire guards to accompany illegal migrants back to the Continent as they will not be granted access to the UK.

Major incidents in 2016

On 14 December, Primula Seaways was hit by the coaster Alsterdiep while the ship was manoeuvring alongside Primula Seaways sailing in the Ghent Terneuzen Canal, which connects the Port of Ghent with the North Sea. The collision caused minor damage to Alsterdiep's bow and a dent in the hull of Primula Seaways.

Our approach

All ships are surveyed and certified according to international, EU and national legislation. They are also subject to internal audits and inspections on safety, labour conditions and security according to statutory instruments and company procedures.

Under the International Safety Management (ISM) code, the International Ship and Port Facility Security code (ISPS) and the Maritime Labour Convention (MLC), all maritime safety measures and security factors must be reported for all ships on

Future steps / commitments in 2017

In its marine safety and security work in 2017, DFDS will strive to:

- Reduce the number of Lost Time Injuries crew accidents on board French-flagged ships
- Maintain progress towards zero lost time accidents across the rest of the fleet
- Continue improvement in safety-related performance.
- Work towards implementing the entire group in the overall safety measurement and performance.

an ongoing basis, and all ships must report any incidents on board. This can be done anonymously under a 'no blame' policy according to Company procedures and international safety guidelines.

Our Marine Standards experts, People & Ships VPs and CEO meets regularly to review formally the ships' safety related performance. Core to this process is a review of all safety and operational data collected from ships in readiness for inspection by maritime authorities. Such reviews are published to all ships and key shore-based managers.



People

Focus on training and development in 2016

Highlights

- **New internal talent programme: Horizon**
- **New competence development programmes developed and implemented: Presentation Skills and Negotiation Skills**
- **New senior management programme**
- **Changes to staff because of route closures, tonnage changes and changes to business**
- **No fines, lawsuits or breaches of rules were registered in the HR area in 2015**

It is vital for DFDS' continued development to be a preferred employer that attracts, develops and retains employees in all job types, in all the countries in which we have activities.

The purpose of our HR activities is to support people and the business in making the right decisions when it comes to recruitment, employee and management development, talent spotting, performance management, remuneration and benefits, as well as organisational efficiency.

In 2015, this was done with special focus on leadership and personal development by means of increased training and succession planning for those next in line. There was also focus on diversity and our trainee and apprenticeship programmes. In addition to this, DFDS offers an extensive introduction package to new employees. A new internal talent programme to identify and train the talents within DFDS was introduced and 22 participants completed the Horizon programme during 2015 and 2016.

DFDS' HR policy

We will lead an international and competent workforce that consistently understands our customers' needs. It is a workforce that shows passion and thrives in an environment with inclusive behaviours. DFDS will at all times seek to ensure we have the right candidate for a position regardless of gender, age, religion, nationality or ethnicity. A Training and Development department was established in 2013 to enhance our training and development activities in a substantial way.

The department has since been expanded with new staff and expertise. The training conducted in 2014 falls into three main categories: leadership training, personal development and sales and service training. THE DFDS Way of Selling was our flagship training programme in 2014, 2015 and 2016.

Main leadership training conducted

- ZOOM is our general leadership training programme: 500+ managers have participated in the modular (2 x 3 days) training course since it started. It has been extended with training that focuses on Change Management & Cultural Differences.
- * An Executive Management Programme was launched in 2016 to offer new insights and training for the top management team.
- * To ensure continuous development of new managers at top level, a Succession Programme has been developed and implemented. 20-25 potential new top managers enrolled in the Programme.

Main personal development training

- FOCUS is our training programme for

personal development: 60 employees participated in 2016.

- Train-the-trainer: The course trains the trainers for our passenger service development programme YES WE WILL. 25 new trainers underwent development training in 2016.
- HORIZON talent programme: DFDS has initiated a group talent programme, Horizon, to identify and develop talents. 41% of the participants are female. After one year, 50% of participants advanced into new positions in DFDS.

Sales and customer service training

- As a continuous part of our Customer Focus, sales training continued throughout 2016. Furthermore, a programme for call centre employees was implemented to strive for improved customer satisfaction.

Talent and capability development

“We are committed to helping people perform at their best and achieve their full potential through ongoing training and development.”

Henrik Holck, EVP, People & Ships



Diversity continues to be at the top of our agenda

Women make up 28% of DFDS' workforce, which is on a par with our industry. However, only 4% of all employees at senior management level are women. DFDS aims to increase not only the total number of women in DFDS, but we will continue to focus on increasing the number of women in senior management positions in the next couple of years. During 2016 we identified some concrete actions to be implemented during 2017. One area we have decided to improve is our recruitment process. We have decided to change the process, so the shortlisted candidates will be interviewed by people of both genders during the process. On top of this we will also review the communication style to ensure we communicate to both genders.

Unconscious bias is where the true value lies to improve diversity in general. Unconscious bias is in our assumptions. We will introduce a training package for all managers in DFDS to work with unconscious bias to create awareness and unlock any obstacles that might hinder our work with diversity. Thirdly, we will establish a Women's Network. The objective of this network will be to accelerate women's careers.

Diversity development

In our Board of Directors we have 33% female representation, excluding employee-elected members, in line with the recommended minimum ratio of the Danish Committee on Corpo-

rate Governance. The Board continuously assesses the composition of the Board with regard to further increasing gender diversity.

Onboarding

We believe incredible performance starts with onboarding, structured and high quality onboarding also affects retention. We have reviewed the DFDS Way of onboarding new colleagues, and have identified some areas for improvement. Onboarding is often considered as a checklist exercise, but we wish to

find the best way of getting the DFDS DNA into everyone. The end goal is to create a unified onboarding package to be used when we welcome new colleagues, both from recruitment and from acquisitions.

Aiming higher within HR

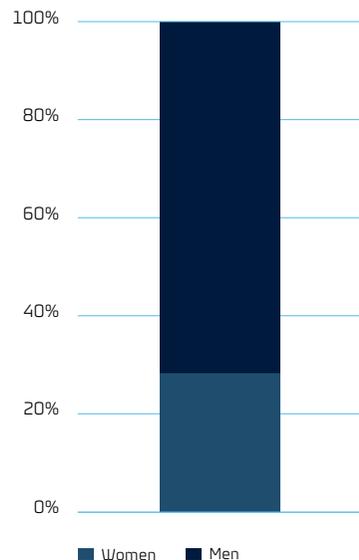
Part of our DFDS Way is performance culture and to do things a little better every day. In 2016, we implemented an e-recruitment system across the Group to ensure a more efficient handling of vacancies and applications.

We have taken the initial steps towards a more strategic approach to recruitment, which also entails a preferred supplier list of external recruitment agencies.

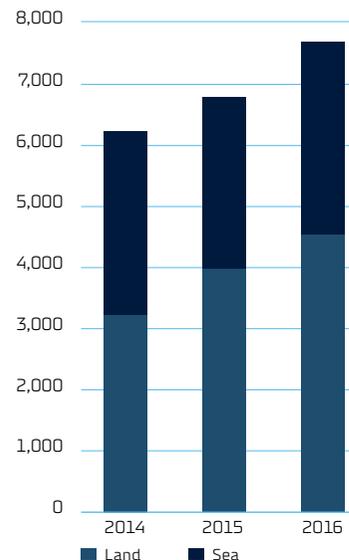
Future steps / commitments in 2017:

- Employer branding
- Recruitment strategy
- Further development of internal training programmes
- Make progress on diversity policy and targets
- Promote internal job rotation

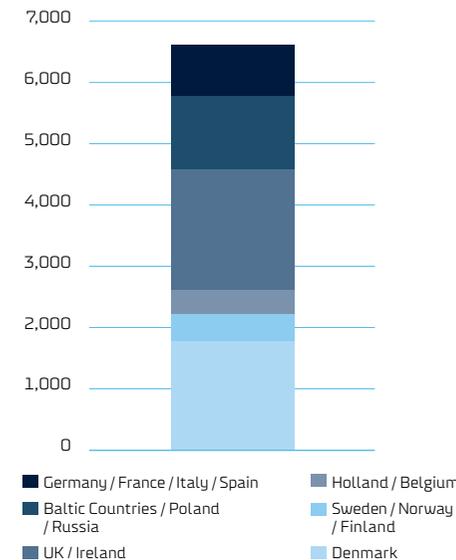
Gender distribution
DFDS' workforce 2016



Distribution of employees on land and sea
(No. of employees)



Average number of employees per country
2016



Risks related to social issues and employee relations

DFDS has taken steps to ensure strong relations between the company and its employees and to ensure social dialogue.

To ensure good cooperation, DFDS seeks an open and trustful dialogue with unions and works councils. This is in addition to its legal obligations. It means that social issues can be discussed and resolved before they develop into a dispute. Many examples have been given to demonstrate that this transparent and trustful cooperation is appreciated by the works councils.

DFDS is also taking steps to ensure that all staff have a common interest in the development of the company, such as awarding all members of staff shares in the company in 2016.

In addition to this, DFDS has entered into an agreement with a Danish union to establish a social foundation, which supports employees who are members of the union in the event of severe illness. If a person is too sick to maintain a full-time job, he or she can apply for financial support to maintain a full-time salary, even though he or she is working reduced hours for a period of time. This is in addition to the support which DFDS grants persons suffering work-related injuries.

DFDS has a continued high degree of focus on diversity and inclusion. Maximising the

potential of a diverse workforce is not only a social imperative, but also provides a competitive advantage. From a business perspective, to best serve the market we have to “employ the market”. By increasing diversity in our organisation we also become more attractive as an employer.

With 7,000 employees there is always a potential risk of discrimination or harassment. However, DFDS does not tolerate discrimination or bullying of any kind. We continuously work on this topic through policies and leadership.

The strong relations between the company, unions, staff representatives and staff may have contributed to the fact that DFDS saw no social disputes or industrial action in 2016.

We currently do not foresee any imminent social disputes or risk with any other social or employee-related matters.



DFDS' community involvement

DFDS supports people in need through targeted programmes

Each year, we transport millions of freight units and passengers through communities close to port terminals and other facilities operated by DFDS.

In many communities, we are part of local life and take an active interest in community issues, including job creation and supporting community initiatives.

Some of the initiatives taken by DFDS in 2016 were:

Helping young people escape crime

In Denmark, DFDS works closely with the High:Five project, which is a community initiative to find jobs in private companies for young people with criminal records. The aim is to offer a way back to a crime-free life via a normal job. Since DFDS joined the High:Five programme, 43 young former criminals have been employed in our offices or on our ships – mainly on our ships on the Oslo – Copenhagen route. On board a ship, the working environment is dedicated and supportive, and about 80% of the participants in the programme permanently leave a life of crime.

DFDS has taken a leading role in this initiative: Henrik Holck, EVP of DFDS' People & Ships Division, was appointed Chairman of High:Five. As a result of these and other social initiatives, DFDS has been awarded a seat on the Danish Government's advisory committee for corporate social responsibility, where we share our experiences and contribute to developing social initiatives.

High: Five marked its 10th anniversary in early 2016 and it was celebrated in the DFDS Terminal. Those present included High:Five's patron, HRH Prince Joachim, Denmark's Minister of Finance Claus Hjort Frederiksen and the Minister for Integration Inger Støjberg. Niels Smedegaard and Inge Grønvold from Lauritzen Fonden, which has shown great enthusiasm for High:Five and given huge support to the work, were also there.

"It is an honour to be part of High:Five and influence the young people – to see them grow and develop in a new and better direction," says EVP Henrik Holck.

Employee welfare

In partnership with the Danish union DMMA, we established a joint foundation to provide financial support to employees covered by the agreements negotiated with the DMMA. The scheme enables people to work part-time if they are unable to work full-time for health reasons. In 2016, 11 people benefitted from the scheme. The agreement is unique in the Danish labour market.

Joining the fight against breast cancer

During October 2016, DFDS launched the first part of a united charity event which covered all countries and locations where DFDS is present. The event was to support the fight against breast cancer.

"Breast cancer is a serious disease which also has widespread side-effects on whole

families, and we think this is an area where we can help make the biggest difference with a united effort," says Rikke Gransøe Lange, Marketing Director in Group Marketing.

The pink trailer will be rolling throughout the DFDS network, and when our customers order road transport, it might be our pink trailer picking up their goods. For every 10 km our pink trailer travels, DFDS will donate EUR 1 to breast cancer research projects. The more goods it carries, the more money we will donate. And if you spot it please do share it on social media with the hashtag #PINKdfds to make others support the fight against breast cancer.



Christmas lunch for the homeless

DFDS offered a free Christmas lunch to homeless people on board our passenger ships in Copenhagen and Oslo before Christmas. The invitations were issued in cooperation with local charity initiatives: In Denmark with WeShelter and in Norway with Church City Mission and the Salvation Army. The lunch is partly based on voluntary work done by DFDS employees. About 600 homeless people enjoyed a free Christmas lunch at DFDS, and the food left over from the event was donated to the shelters.

DFDS' 150th anniversary gift to its employees

On 16 December 2016 at exactly 14:00 CET, everyone in DFDS celebrated the foundation of DFDS 150 years ago with identical events on all vessels and in all locations within the DFDS network.

In a video shown during the celebrations, CEO Niels Smedegaard revealed the big anniversary surprise: A gift of up to 30 shares valued at around DKK 9,000 (EUR 1,200) for every one of the more than 7,000 employees who, as at 1 December 2016 were in a job at DFDS and not subject to notice or resignation.

It means we all become shareholders in our own place of work.

“Congratulations to everyone in DFDS: We are now all DFDS shareholders,,

**Niels Smedegaard,
President and CEO**

Ships on missions

Our vessels sometimes participate in spectacular missions, and this year ARK FUTURA was engaged in the Danish-led international mission to bring the remains of Libya's chemical weapons programme out of the country. And because the Danish armed forces have built up considerable expertise in leading this type of mission, including transporting chemicals out of Syria, the mission was a great success.

It is not DFDS but exclusively the armed forces which are responsible for the mission and which can provide information about it.

DFDS and our colleagues on shore and on board are all bound by a duty of confidentiality during the period when the ship is sailing on behalf of the armed forces.



Environment

Reducing our impact on the environment

Highlights

- **Ballast Water Management Convention ratified**
- **Greenhouse gases – a global threat**
- **DFDS 2016 CO₂e footprint 1,542,931 ts**
- **Energy Efficiency Directive work completed**
- **Funding proposals not accepted**
- **Date agreed for global 0.5% CO₂ cap**
- **NECA in Baltics from 2021**
- **HFCs (hydrofluorocarbons) being phased out.**

Greenhouse gas emissions are high on the global agenda as well as being on the DFDS list of priorities. Global temperature is at a record level and GHG emissions are part of the reason for this. A number of initiatives are in the pipeline to combat the trend and combined they will hopefully reverse emission levels over the years to come.

The European Union has agreed the MRV Re-

gulation, according to which all vessels calling at EU ports must report their CO₂ emissions and the related transport work. The first reporting year is 2018 and DFDS is well prepared to meet the respective deadlines for this mandatory reporting. On a similar note, IMO has agreed its “fuel oil data collection” system which from January 2019 will also chart data on ships’ fuel consumption.

DFDS continues to have a programme for its own GHG reduction. Once again, in 2016 a number of initiatives on the vessels as well as ashore were implemented.

An example of such an initiative is the automatic voyage result analysis now being generated for a number of our vessels. It is done immediately after the completion of each voyage. The system calculates and visualises the voyage performance and compares it with the theoretical optimal performance.

In 2016, the Group’s total CO₂ emissions amounted to 1,542,931 ts. Compared to 2015, this is an increase of 11%, which is due to increased energy consumption in our fleet. The ships represent 95% of DFDS’ total CO₂ emissions.

CO₂ from our fleet of ships is by far the largest contributor to the total DFDS greenhouse gas footprint and therefore warrants extra attention. Measurement of the vessels’ CO₂ emissions has been done for the past 10 years and the results are shown in the graph.

On a related note, a global conference held in October 2016 agreed on a plan to phase out HFCs (hydrofluorocarbons), a product widely used as a coolant in refrigerators and air-conditioning units. HFCs are also a greenhouse gases.

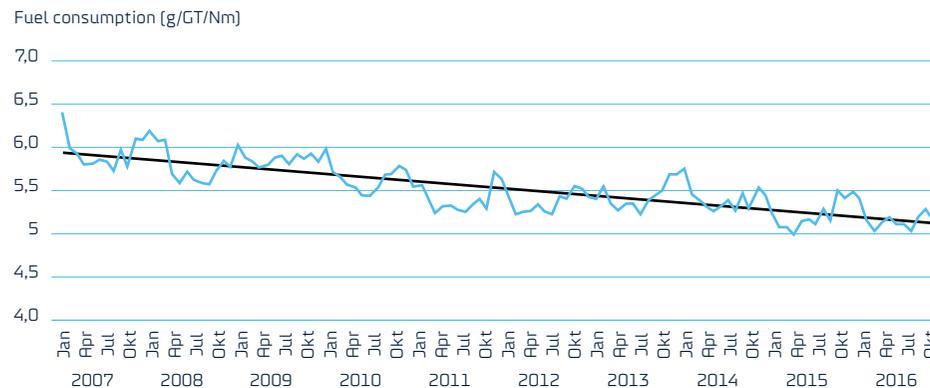
Another development which affected us in 2016 was the new “Energy Audit Directive”. Audits are now required to be submitted by large companies. The required audits must be submitted on a national level and DFDS, like other multinationals, must therefore submit one report for each relevant country.

A Group report submitted to a central agency is not an option. Energy audits are processes that must be repeated every four years.

Risk assessment, climate and environment

New legislation, whether national, international or regional, poses the greatest risk to DFDS with respect to climate and environment. On the international level, IMO and the EU are likely to continue promoting new legislation and/or stricter limitations to existing legislation. Through trade organisations such as the Danish Shipowners’ Association and Interferry and direct participation in relevant IMO and EU fora, DFDS aims to keep abreast of new developments. In this way, DFDS will be able to take timely action to ensure compliance. On a regional level, ports served by DFDS may impose stricter environmen-

Figure 1. DFDS fleet performance on fuel.



tal limitations than national/international legislation prescribes. DFDS anticipates that such stricter limitations will be in the form of either penalties or discounts on port dues. We do not consider it likely that any of DFDS' current activities will be banned by any local environmental or climate policies.

As in previous years, in 2016 we submitted project proposals under the EU CEF programme seeking co-financing for investments. Five projects were submitted, representing a total investment of almost EUR30 mill. None of these however, made it to the "approved" list.

The final hurdle for the coming into force of the Ballast Water Management Convention was cleared on 8 September 2016 when Finland's ratification ensured the required share of global tonnage was met for implementation. The Convention will thus come into force on 8 September 2017.

At MEPC 70 in October, a number of milestones were reached. The 0.5% global sulphur cap will come in to force on 1 January 2020. Considering the DFDS network predominantly within the existing emission control area (ECA) it will have limited direct effect on our operation. It may, however, create a change to the comparative pricing levels between distilled and residual fuel products. The Baltic and North Sea areas will become NECA (NOx Emission Control Area) as of 1 January 2021. As from that date all new-buildings trading in this area must comply with NOx Tier III levels.

DFDS Environmental Policy
It is our policy to consider the environmental impact of everything we do, with resulting actions from further reduction in ships' and lorries' fuel consumption to lowering noise levels at terminals and minimizing our electricity consumption.

Scrubbers proven more efficient than regulations require

As part of our validation of the scrubber retrofit programme and due to our obligations under the 2014 grant agreements with the EU, we have had the actual functionality of a number of our scrubber installations independently verified.

The verification covered SOx emissions in the exhaust gases and PAH, turbidity and pH value of the wash water, and the effect on CO₂.

It was analysed covering a six-month operational period in 2016. The measured emission levels were well within current allowable limits for all parameters. In fact the study showed that for SOx emissions, our vessels operating with scrubbers emit only about 10% of what they would have emitted had they been sailing on compliant MGO.

Future steps / commitments in 2017

- Preparing for compliance with EU MRV legislation with first reporting year is 2018
- Planning for IMO Ballast Water Management Convention coming into force in September 2017
- Preparing for IMO system - 'Fuel oil data collection' for reporting likely in 2019
- Incorporation of already agreed legislation on Baltic and North Sea NECA and the EEDI into our newbuilding program

Figure 2. Automatic voyage result analysis is generated for a number of our vessels after the completion of each voyage. The system calculates and visualises the voyage performance and compares it with the theoretical optimal performance.



Freight customers

Improving customer satisfaction in 2016

Highlights 2016

- **All-time high customer satisfaction is continuously given high strategic priority**
- **Group-wide re-evaluation of The Guiding Star for Customer Focus**
- **Group-wide Customer Focus with increasing local ownership**
- **Continuous monitoring of customer satisfaction via customer surveys**
- **Based on feedback from the surveys conducted across all business units, individual and local improvement plans were put in place to secure continuous improvements for our customers.**

All-time high customer satisfaction in 2016

Customer surveys are an important measurement tool and in 2016, DFDS achieved a record high Net Promotor Score (NPS), Customer Satisfaction (CSAT) as well as an impressive increase in the number of responses in our Customer Focus survey.

In 2016, DFDS continued to focus keenly on customer service by means of Customer Focus, which contains of elements of both The DFDS Way of Selling and the previous Customer Focus Initiative.

A successful tool was once again the many local staff and customer meetings, which we see helping both our customers and us in arriving at an improved understanding of the mutual business and challenges. The meetings are held at DFDS locations and at our customers' premises.

At those meetings, customer companies are invited to join DFDS staff meetings to present their companies, their products, developments and needs as well as the challenges they face.

The close customer contact has also led to many enhancements, such as improved communication with customers if there are delays or disruption to services. There is still an increasing desire from customers for DFDS to focus on being an active partner and contributing to delivering new and optimised solutions.

Improved website to improve digital customer journey

Based on customer research, DFDS has improved the communication on www.dfds.com in order to make it easier for customers to find relevant information. A customer journey mapping has been conducted in logistics to gain additional knowledge on how to improve the customer experience when cooperating with DFDS.

My Logistics Portal

In the logistics business, DFDS has developed tracking tools to help customers track their shipments online. To meet customer demands, more tracking, online booking and status updates are now slowly being launched via the My Logistics Portal.

Environment-friendly solutions

In addition to our general environmental efforts, DFDS strives to provide environmental-friendly transport solutions via rail and new ships.

Apart from using larger units, DFDS seeks to increase the use of railways in our supply chains, which means that we are moving goods from road to rail. This is, among other things, an environmental decision. In line with the DFDS Way of operating, we are continuously improving the daily operations of our logistics services through better planning tools and pooling of equipment in order to increase services and reduce empty driving. This reduces costs and is our contribution to easing congestion on the roads, not to mention emissions.

DFDS participates in the SELIS project (<http://www.selisproject.eu/>), which aims to embrace a wide spectrum of logistics perspectives and create a unifying operational and strategic business innovation agenda for pan-European Green Logistics. This participation is to optimise the transport industry and through that decrease CO₂ emissions.

DFDS’ code of conduct

DFDS has developed a code of conduct which is available on the DFDS website. It is, among other things, a tool to enable customers to feel confident about DFDS’ way of operating, including compliance with laws, regulations and ethical standards.

Acknowledgement

DFDS won The Irish Export & Freight Transport & Logistics Award and the Export & Freight International Logistics specialist award in 2015 and 2016.

At the yearly Renault-Nissan supplier conference in Paris, the Nissan – DFDS corporation was presented as one of the big achievements of 2016.

Future steps / commitments in 2017:

- Expand cooperation with major customers on health and safety.
- Introduction of the new planning tool of our operations system Velocity to enhance our ability to operate more efficiently and reduce empty driving and fuel consumption. The roll-out is expected to be finalised in the second quarter of 2017.
- Finalise the roll-out of our mobile tracking tool Truckcom across the Logistics Division.
- The My Logistics platform to be implemented with further cargo transparency, status updates and booking options.
- The My Freight platform will be launched and implemented as a new and optimised replacement of the existing Info Bridge system.

Our approach

DFDS’ aim is to be recognised as the preferred supplier in its dealings with customers.

To continuously achieve this goal our actions are guided by the five principles of DFDS’ guiding star for customer focus.

The principles are continuously re-evaluated.

These five principles are enshrined in the daily working life of all DFDS offices and set measurable targets to:

- Deliver superior reliability and schedules
- Constantly provide new solutions to customers
- Be easy to work with
- Deliver customer service by empowered people with can-do attitudes
- Ensure we provide fast communication when it matters.

**DFDS
Guiding Star**



Our passengers

Our passenger travel services include short ferry route services as well as overnight travel on dedicated passenger ships or combined passenger and cargo ships.

In our passenger services, the highest priority is on offering our passengers a safe and secure journey. More information on safety is available on pages 3 and 5.

A further key goal is to offer our customers throughout Europe an experience that meets or exceeds their expectations.

To meet that goal, a special *Passenger Competence Centre (PCC)* was established in 2010 to ensure a *customer-centric approach* to our passenger business. The aim is to align passenger service standards between markets, making sure that all activities and services, including marketing and communications, meet DFDS standards and ensure a good passenger experience before, during and after travelling with DFDS.

Customer surveys and customer service projects

Over the years, strong insights into our customers' expectations have been developed through ongoing and comprehensive

Customer Satisfaction Surveys (CSS), and the more recent addition of our customer focus. Through surveys, we ask approximately 80,000 passengers each year for their opinions to gain a deep understanding of our customers' needs. The insight serves as a basis for continuous improvement of day-to-day operations and services on board.

Data protection

Our customer improvement projects require

addressing customers' needs through analysis of customer information. DFDS consistently respects data privacy and complies with the European Data Protection Directive (95/46/EC) as well as with the national data protection acts in the countries where we operate. Marketing communication is sent only to individuals who have explicitly agreed to receive it. DFDS further follows the mandates of the proposed European General Data Protection Regulation to ensure compliance with new regulations.

Passenger rights

DFDS follows the European Maritime Passenger Rights Regulations (1177/2010) that were put in place in December 2012. In accordance with the regulation, DFDS ensures that assistance is offered to disabled passengers and to those with reduced mobility.

From booking to port facilities and, ultimately, their voyage on board a DFDS ship, passengers with special needs are supported and informed every step of the way. Other sections of the regulations require that DFDS provide transparency in pricing across countries and the entitlement of passengers to certain rights in the event of delays or cancellations.

Communication with passengers

DFDS places a high priority on keeping passengers informed throughout their journey. Much of this communication takes place directly at check-in and on board the ships. However, a significant and increasing

proportion of information is being transferred before and after the journey via mail, internet and social media. For overnight routes, DFDS will seek to inform passengers directly via texts, mail or telephone calls in case of major disruption of services. Our approach to social media is decentralised and country-specific and is supported by an overarching DFDS social media guideline that ensures consistency across markets. To meet the demands from our customers and to make it easier to find information or book a journey on our websites, DFDS implemented new websites in the passenger markets in 2015. The design is responsive, meaning that the websites can easily be accessed via smartphones and tablets.

App

During 2016, DFDS developed and implemented an app for the Copenhagen – Oslo route. It helps guests find personalised information such as table reservations via their booking number. Relevant on-board activities and offers will be suggested via the app according to the segment, which will improve the customer experience. The app will be further developed for the Channel during 2017.

MUDA

To improve the experience and journey for our passengers, DFDS initiated MUDA, a process in which colleagues have been following some of our customers (with their agreement) to detect challenges in connection with check-in, the terminal, on board etc. It

is an easy way to find the little things that can easily improve the flow for the customer. During 2016, two MUDA Challenge Pilots were conducted, which identified more than 150 areas where our customers are challenged. More than 200 initiatives were found to address these challenges and thereby increase our customer satisfaction.

New IT systems to enhance the customer journey

Seabook

The IT Department in DFDS has developed and tailored the new passenger booking system, Seabook. It is a key enabler for the passenger business and, together with our new point of sale, CRM and content publishing systems, it will allow us to deliver the highly connected value-enhancing customer experiences that we believe are crucial to our continued success. The new passenger booking system was implemented during Summer 2016 for bookings in 2017, and it will go live during Q1 and Q2 2017.

LS Retail

The IT Department in DFDS has developed LS Retail, the new sales system for shops, restaurants and bars on all passenger ships. It allows us to serve customers in any of our sales outlets, with the ability to order and pay on the spot.

This will reduce unnecessary queuing and improve the overall customer experience. LS Retail has been implemented in the Baltic routes and on the Channel and implementation will continue on other passenger routes in 2017.

Recognition

The DFDS approach towards meeting and exceeding customer expectations has been recognized with several awards.

Awards

- World Travel Awards Winner, 'World's Leading Ferry Operator' in 2011, 2012, 2013, 2014, 2015 and 2016
- World Travel Awards Winner, 'Europe's Leading Ferry Operator' in 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015 and 2016
- Danish Travel Award as the best passenger shipping company operating between Denmark and foreign countries for the 16th time
- Norwegian Customer Service Prize: DFDS won the 'journey by boat' category of the Norwegian Customer Service Prize in 2012, 2013, 2014 and 2016

Future steps/commitments in 2017

- Our customer focus will be continued. Several workgroups are running pilot projects and those results will be used to make both short- and long-term improvements
- We will use new marketing tools that will allow us, based on the information that the customer has allowed us to store, to tailor offers to those who find it relevant. This will also limit the amount of information sent to those for whom it is not relevant
- DFDS will continue the implementation of a new booking system in 2017. With a large in-house IT department the implementation and the system requirements will be closely monitored.
- Continue implementation of the point of sales system, LS Retail, in the passenger routes



Procurement

DFDS introduces IMPA ACT self-assessment

Highlights

- **Annual sourcing of goods and services for DKK 9 billion and 5,000 purchase orders per month**
- **All supply contracts include our Supplier Code of Conduct**
- **IMPA ACT self-assessment introduced for first supplier**
- **Makers Management and supplier relationship management introduced.**

Based on our Code of Conduct, all purchasing of goods and services is done on an objective basis such as selecting suppliers and products most suited for the purpose, price and quality, including delivery and payment terms.

As an objective way of choosing a supplier, whilst still getting the best conditions in favour of DFDS, we started to embrace procurement tools such as e-RFx and e-auctions in 2013. In 2015, new suppliers of major items such as IT services, bunkers, fruit and vegetables, dry docking and many more were chosen by means of these tools.

The preparation process for e-RFx and e-auctions includes exploring new ways of enhancing cooperation on procurement with the business units in line with our procurement strategy, which was developed in 2013. In 2016, new categories such as tyres, sludge, laundry and telecommunications were tendered via our e-sourcing tool.

Risks related to corruption and bribery

As for corruption and anti-bribery, DFDS has in its internal Code of Conduct made it clear that neither offering nor receiving bribes is accepted, including the use of so-called facilitation payments. The general principle is that gifts and entertainment in the normal course of business is acceptable. Any gift or entertainment must conform to the reasonable practices of the market-place. They should not create actual conflicts of interest or divided loyalty, such as placing the interests of the person above the interests of DFDS. We may, on the same basis, offer corporate hospitality to our customers, suppliers and other relevant stakeholders. The same principles are carried through in our Supplier Code of Conduct, which reflects the IMPA ACT policy (explained in more detail under the section on Procurement). As a signatory to the UN Global Compact, DFDS is committed to combatting corruption in accordance with Principle 10 of the UN Global Compact.

Risks are mainly related to bribery in relation to customer sales and contracts, although the number of incidents in a year rarely exceeds a single incident.

Risks related to human rights

DFDS is committed to compliance with applicable laws, including the protection of human rights in all areas where DFDS is established. Through UN Global Compact Principles 1 and 2, DFDS is committed to supporting and respecting the protection of internationally-proclaimed human rights as well as ensuring that DFDS is



not complicit in human rights abuses. These principles are also reflected in the DFDS Supplier Code of Conduct, which requires suppliers of DFDS to respect basic human rights.

Risks are mainly related to the rights of people employed by suppliers of goods for on board sales and by suppliers of transport and logistics services. No incidents have been recorded in recent years.

DFDS will continue to use e-sourcing and e-auctions as efficient tools for purchasing products and services that are suited to this method.

Going forward, we will continue to embrace new technology and digitisation in the development of efficient procurement tools.

Next steps / commitment for 2016-17

In 2015, DFDS joined the IMPA ACT, which is a complete responsible supply chain management programme. The programme was developed by Danish shipowners J Lauritzen and DS Norden, the leading consultancy company GLOBAL CSR and the International Marine Purchasing Association (IMPA).

The IMPA ACT allows members to access a common database containing information on suppliers that have already been through a vetting process and are therefore considered to comply with our Supplier Code of Conduct. As many shipping companies share the same suppliers, a standardised common system ensuring compliance throughout the industry is expected to decrease bureaucracy. This is both for suppliers, who will not have to spend time adhering to various codes of conduct, and for shipping companies who will benefit from their peers' assessment of joint suppliers.

This is a cost-effective approach that will mitigate the resources needed for monitoring and audits and provide leverage for ensuring that suppliers actually do make improvements in human rights, labour rights, protection of the environment and anti-corruption issues.

The IMPA ACT builds on the UN Guiding Principles and expectations are fully aligned with the newest and strongest development within the field of CSR. In 2016 DFDS introduced IMPA ACT self-assessment with the first supplier. This way of evaluation will continue with key suppliers in 2017.

Makers management and owner's benefits

During 2016, DFDS signed a new contract with Jinling shipyard in China to build minimum two ro-ro vessels. In close cooperation with the Technical Organization, we have entered into a new procedure for selecting Makers for critical categories and agreed on a governance mechanism for Maker selection with the shipyard. This programme ensures that DFDS has a high degree of influence and can control the Maker selection for key equipment.

The programme also includes negotiating owner's benefits from key Makers for being selected in our newbuilding programme. These owner's benefits range from commission fees, credit vouchers, extended warranty to free training, spares and services. These owner's benefits are a direct value addition to DFDS from the competitive supplier market for being part of a newbuilding project.

Procurement Policy

Code of conduct

Our suppliers must agree to conform to the DFDS Supplier Code of Conduct and all applicable international conventions and national legislation in the country where production or services are performed.

For procurement related to shipping, our internal audit programme validates that a supplier is on the relevant maritime authority database, as required under the EU Marine Equipment Directive 1996.

Specifically, our suppliers must respect the following:

- Laws relating to child labour, coercion or involuntary labour
- Rules regarding safety and the workplace
- ILO Declaration on Fundamental Principles and Rights at Work
- Rules relating to employee discrimination on grounds of race, religion, age, nationality, sexual orientation or gender
- Regulations on anti-corruption and anti-bribery, including all sub-contractors and business partners
- Environmental regulations that apply in the country where a product is manufactured or service performed.

DFDS follows the Global Ship Management System approach to validating that a supplier meets safety and environmental requirements.

DFDS has incorporated the IMPA ACT in our Code of Conduct.



Stakeholder relations I

The table shows our stakeholders, how we cooperate, and tracks progress on CR related activities

Stakeholder	Who they are?	How do we work together?	What is expected of us?	Progress during 2016	Plans for 2017/2018
Freight customers Passengers	<ul style="list-style-type: none"> Forwarding, haulage and transport companies Manufacturers of industrial goods Retailers and food producers Individuals, families and groups Coach operators 	<ul style="list-style-type: none"> Structured reviews KPIs Contracts Customer surveys Ongoing relationships/account management Feedback forms on ferries Via freight and passenger booking intermediaries Social media, e.g. Facebook, Twitter, LinkedIn 	<ul style="list-style-type: none"> Reliability, frequency and capacity Continuous Improvement initiatives Safety record Easily accessible travel/booking information Staff customer service, including claims management Onboard passenger experience Improved efficiencies, less environmental impact Response to emerging CR requirements 	<ul style="list-style-type: none"> Continued roll-out of Customer Focus Initiative Recurring customer satisfaction surveys Enhanced customer web experience Training of sales staff Roll out of Velocity App for drivers New CRM system New passenger booking system 	<ul style="list-style-type: none"> Increased investment in digital Further improvement of web site New CRM system Continued sales training Customer feedback surveys Completion of Velocity roll-out Completion of Seabook roll-out
Employees Unions	<ul style="list-style-type: none"> 7,065 employees across 21 countries Unions Seafarer Associations International Labour Organization (ILO) 	<ul style="list-style-type: none"> Ongoing daily management Employee annual appraisal Weekly employee newsletter Bi-annual employee survey Regular meetings and training courses Training programme aimed at leaders, specialists, talents and senior management 	<ul style="list-style-type: none"> Healthy and safe working environment Fair employment conditions Career development and fair reward Training provision Ethically consistent ways of working Diversity 	<ul style="list-style-type: none"> All employees awarded 30 shares Whistleblower model in place Diversity policy development and creation of awareness Training programme for senior managers continued Horizon talent programme implemented and rolled out On-line safety training programme for shore-based staff rolled out Implementation of Spot Award Policy 	<ul style="list-style-type: none"> Promoting safety culture through continuous training Our Bearing engagement survey findings used to improve employees satisfaction Diversity initiatives, continuation of Talent Programme and Succession Planning Continued training of managers to enable good leadership
Public-sector and government agencies (land & sea)	<ul style="list-style-type: none"> IMO Marine Accident and Fire Investigation Organisations Health & Safety Agencies Maritime & Coastguard Agencies Environment Agencies Local Authorities Customs & Excise, Immigration Dept. Various Port Authorities Highways agencies National tourism bodies 	<ul style="list-style-type: none"> Meetings via industry groups Compliance related communications Policy advocacy work Investigations relating to incidents arising National government meetings and ministerial receptions Promote attractions of regions/countries to tourists 	<ul style="list-style-type: none"> Compliance and risk reduction Security and immigration control information Accessibility High quality of Health and Safety practices Ongoing reduction of environmental impact, including emission reductions, introduction of low sulphur fuels, improvements to anti-foul paints, responsible ship scrapping, waste management 	<ul style="list-style-type: none"> Transition to more environmentally friendly fuel carried out successfully 	<ul style="list-style-type: none"> LNG studies Analysis of lengthening of ships Implementing the EU MRV regulations (reporting CO₂ emissions for all vessels and transport work)

Stakeholder relations II

The table shows our stakeholders, how we cooperate, and tracks progress on CR related activities

Stakeholder	Who they are?	How do we work together?	What is expected of us?	Progress during 2016	Plans for 2017/2018
Finance	<ul style="list-style-type: none"> Shareholders, including anchor shareholder Lauritzen Foundation Investors Financial institutions Insurers and brokers 	<ul style="list-style-type: none"> Quarterly financial reporting & public conference calls Company announcements Investor meetings International road shows Dialogue with analysts Updates posted online Continuous dialogue (meetings and business/insurance presentations) with broker/insurers, incumbent and prospective 	<ul style="list-style-type: none"> Transparent, consistent and accurate reporting Access to management Responsibility and reliability Focus on security, safety, operational performance and pro-active risk management/loss prevention 	<ul style="list-style-type: none"> Investor meetings held in Europe and USA DKK 1.26bn distributed to shareholders in accordance with policy 	<ul style="list-style-type: none"> Greater frequency of international road shows Continue and further develop targeted loss prevention initiatives, as required
Industry organisations	<ul style="list-style-type: none"> PSS – Ports Skills & Safety European Community Shipowners' Association (ECSA) Interferry Local Shipowner Associations Classification Associations 	<ul style="list-style-type: none"> PSS meetings and involvement in management Informal and formal meetings with peers and industry associations Lobbying/advocacy 	<ul style="list-style-type: none"> Emission reductions Continuous improvement of health and safety practices 	<ul style="list-style-type: none"> Preparation of transition to more environmentally friendly fuel DFDS' CEO Niels Smedegaard elected president of ECSA 	<ul style="list-style-type: none"> Meetings, conferences and involvement with among others ECSA, Interferry
Suppliers	<ul style="list-style-type: none"> Catering suppliers Bunker suppliers Hauliers Part suppliers for ship maintenance Dockyards Transport equipment manufacturers Suppliers of goods for sales in the shops on board. 	<ul style="list-style-type: none"> Ongoing dialogue Audit of major road haulage contractors Mentoring of smaller road haulage contractors In-house safety training spaces offered to business partners 	<ul style="list-style-type: none"> Accessibility and accountability Safety management systems Risk assessments Emission reductions Best value, including non-financial factors 	<ul style="list-style-type: none"> DFDS joined the IMPA ACT to ensure responsible procurement 	<ul style="list-style-type: none"> Continue working with IMPA ACT
Local communities in which we operate	<ul style="list-style-type: none"> Communities by our ports, terminals and routes, our warehouses, offices and other facilities 	<ul style="list-style-type: none"> Through employees Site offices and local contact numbers Newsletters (e.g Rotterdam) Charitable initiatives 	<ul style="list-style-type: none"> Employment opportunities Responsible operations Management of neighbour relations Noise reduction initiatives 	<ul style="list-style-type: none"> High:Five programme Christmas lunch for homeless people in Copenhagen and Oslo 	<ul style="list-style-type: none"> Improved engagement with communities where we operate
Media, NGO's and others DFDS Connect, social media website	<ul style="list-style-type: none"> Media NGO's (national/ International) International organisations Lauritzen Foundation 	<ul style="list-style-type: none"> Memberships of organisations Work with specialist organisations like the Carbon Trust Press Office Range of publications and engagements 	<ul style="list-style-type: none"> Accessibility Transparent, consistent and accurate information Environmental management and performance, incl. emissions and responsible scrapping of ships 	<ul style="list-style-type: none"> Media dialogue Environmental initiatives (see above) 	<ul style="list-style-type: none"> Further develop social media strategy as part of digitization programme



DFDS A/S

Sundkrogsgade 11
DK-2100 Copenhagen Ø
Tel. +45 3342 3342
Fax. +45 3342 3311
www.dfds.com
CVR 14 19 47 11

Addresses of DFDS' subsidiaries, locations
and offices are available from www.dfds.com