

CR REPORT

CR

# DFDS AND CORPORATE RESPONSIBILITY (CR)

## SOCIAL RESPONSIBILITY **INSPIRES TO CREATE VALUE** FOR OUR STAKEHOLDERS AND OUR COMPANY

### CR WORK BEGINS TO TAKE SHAPE

The CR Committee had its first full year of operations in 2012. The focus was mainly on the development and phasing in of a model for managing CR work, including reconciling social responsibility and value creation in the business.

We have decided to decentralise the CR work, as opposed to setting up a Group function, to integrate it in the daily life of the business areas.

Our corporate responsibility (CR) reporting is still a work in progress. But already now we experience that reporting requirements on measuring performance is inspiring development. For example, in terms of damage prevention in freight, the CR perspective has served as a catalyst for more regular measurement and sharing of best practices across regions.

Increasingly, we also find that customers take DFDS' CR efforts into consideration in their decision-making processes. For example, one company wanted to hear about it prior to booking a major conference on one of our passenger ships.

Partly for this reason, we are in no doubt that integrating social responsibility into our activities will ultimately make DFDS more competitive.

Our reporting in 2012 does not include every item that could be categorised under the umbrella of CR. However, in the areas that DFDS considers the most important, e.g. emissions and health and safety for passengers and staff, our reporting is well advanced. However, we need to improve our ability to report on socially beneficial activities that concern HR, our customers and suppliers. One precondition for doing this is the introduction of better IT systems for data acquisition.

Our most important goal for 2013 is to continue the integration of CR work into the daily activities of the business areas. By following this path, we believe the greatest benefits can be achieved for all stakeholders.

**NIELS SMEDEGAARD,**  
PRESIDENT & CEO

### Our approach to corporate social responsibility

DFDS is responsible for a large number of employees and their working conditions, and for health and safety at work. We help keep Northern Europe's infrastructure and supply of goods running. We are responsible for passenger safety, for customers' freight and for the environmentally sound operation of our business. We are also responsible for creating a return on investment in DFDS – and much more.

This is reflected in a number of policies and standards in areas related to social responsibility. In several areas, specific targets have been set for CR work – e.g. reducing emissions – and customer-satisfaction targets will be introduced in 2013.

In addition to policies, DFDS has introduced an ethical code of conduct, which acts as a supplement to the standards of behaviour to which we aspire, as defined in The DFDS Way, see page 18-19.

### Our CR strategy

The CR strategy aims to create and protect value for stakeholders, thereby underpinning DFDS' position as a preferred supplier and employer.

Identifying stakeholders and understanding their needs and requirements are important priorities in the strategy. The stakeholders and their expectations are listed on page 44-45. CR perspectives can be embedded in the organisation through internal initiatives and action plans, but also through actively involving stakeholders in relevant working processes.

The strategy also requires a significant amount of communication with stakeholders and ongoing improvements to our CR reporting.

### Managing the CR work

The CR strategy and its overall goals and policies are set by the CR Committee, which refers to Executive Management. The committee is composed of those responsible for CR work in the different business areas and Group functions. Niels Smedegaard, CEO, has overall responsibility for the Committee.

The Committee meets at least once every three months. The intention is that external stakeholders will be invited to participate in at least two meetings per year. Twice a year, the chair of the Committee will report to Group Management, and annually to the Management Board. An important task for the Committee is to promote the decentralisation of CR work to the business areas and Group functions. One Group Management meeting per year will focus on CR work.

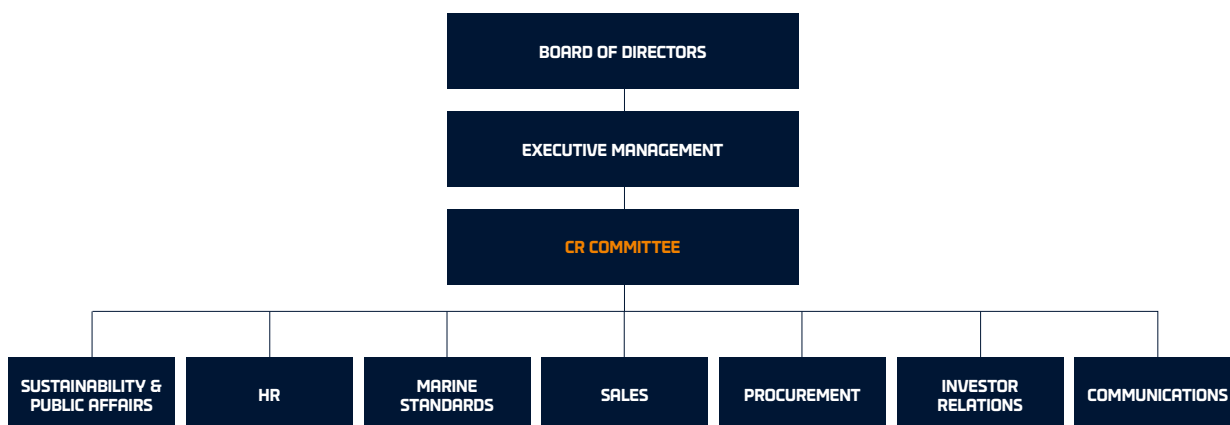
The CR Committee is responsible for the extent and development of DFDS' CR report, including assessing whether the

company should sign up to, for example, the UN Global Compact, and whether the report should be audited by external parties. DFDS is still developing its processes for collating and quantifying CR data, and envisages that the extent of reporting, including external auditing, will increase over the next few years.

### Working with stakeholders:

Value creation via CR requires the involvement of stakeholders. Stakeholders are defined as any individual or organisation that DFDS affects or that affects DFDS. This includes stakeholders without "voices", e.g. the environment and future generations.

Pages 43-44 list DFDS' stakeholders, processes for dialogue and collaboration, what is expected of us, and our actions and plans.



The table shows our stakeholders, how we cooperate, and our reporting on progress on items with a CR perspective.

Stakeholders	Who are they?	How do we work together?
<ul style="list-style-type: none"> <li>• Freight customers</li> <li>• Passengers</li> </ul>	<ul style="list-style-type: none"> <li>• Haulage contractors and companies</li> <li>• Producers of heavy industrial products</li> <li>• Retailers and food manufacturers</li> <li>• Individuals, families and groups</li> <li>• Bus companies and travel agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Customer-satisfaction surveys, including online for passengers</li> <li>• Service calls and contact by letter before departure</li> <li>• Ongoing relationship, including meetings and follow-up with customers</li> <li>• via freight and ticket-booking agents</li> </ul>
<ul style="list-style-type: none"> <li>• Employees</li> <li>• Trade unions</li> </ul>	<ul style="list-style-type: none"> <li>• 5,900 employees in 20 countries (year-end 2012)</li> <li>• Trade unions</li> <li>• Sailors' unions</li> <li>• The International Labour Organization (ILO)</li> </ul>	<ul style="list-style-type: none"> <li>• Daily management</li> <li>• Annual performance and development reviews</li> <li>• Weekly newsletter for employees</li> <li>• Employee survey every two years</li> <li>• Regular meetings and courses</li> <li>• Zoom (management development programme)</li> </ul>
Public-sector and government agencies (on land and at sea)	<ul style="list-style-type: none"> <li>• The International Maritime Organization (IMO)</li> <li>• European Maritime Safety Agency (EMSA)</li> <li>• Organisations that investigate accidents at sea</li> <li>• Working environment agencies</li> <li>• Maritime and coastguard agencies</li> <li>• Environmental agencies</li> <li>• Local authorities</li> <li>• Customs &amp; Excise, immigration departments</li> <li>• Port authorities</li> <li>• Highways agencies</li> <li>• National tourism bodies</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings with industry associations</li> <li>• Communications regarding compliance with regulations</li> <li>• Campaigning</li> <li>• Investigation of incidents</li> <li>• Meetings with national governments and ministers</li> <li>• Promoting tourism in regions/countries</li> </ul>
Finance	<ul style="list-style-type: none"> <li>• Shareholders, including the main shareholder, the Lauritzen Foundation</li> <li>• Investors</li> <li>• Financial institutions</li> <li>• Insurance companies and brokers</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly reports</li> <li>• Company announcements</li> <li>• Public conference calls</li> <li>• Investor meetings</li> <li>• International "road shows"</li> <li>• Regular dialogue with analysts</li> <li>• Online updates</li> <li>• Regular dialogue with insurance brokers/companies, company visits</li> </ul>
Industry organisations	<ul style="list-style-type: none"> <li>• PSS (Ports Skills &amp; Safety)</li> <li>• PSA (Passenger Shipping Association)</li> <li>• The European Community Shipowners' Association (ECSA)</li> <li>• INTERFERRY</li> <li>• Local shipowners' associations</li> <li>• Classification societies</li> </ul>	<ul style="list-style-type: none"> <li>• PSS meetings and management involvement</li> <li>• Meetings of PSA's Ferry Section</li> <li>• PSA meetings on safety, health, hygiene, the environment and welfare</li> <li>• Other informal and formal meetings with competitors and trade associations</li> <li>• Lobbying/campaigns</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Catering suppliers</li> <li>• Bunker suppliers</li> <li>• Hauliers</li> <li>• Suppliers of spare parts and equipment for ships</li> <li>• Shipyards</li> <li>• Manufacturers of transport equipment</li> <li>• Other suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing dialogue</li> <li>• Audit of major haulage companies</li> <li>• Mentoring programme for smaller haulage companies</li> <li>• Internal classrooms made available to business partners</li> </ul>
Local communities in which we operate	<ul style="list-style-type: none"> <li>• Neighbours to ports, terminals and routes, warehouses, offices and other facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Contact via local employees</li> <li>• Newsletters and notification of changes</li> <li>• Charity, sponsorships</li> </ul>
Media, NGOs and others	<ul style="list-style-type: none"> <li>• Media</li> <li>• NGOs (national/international)</li> <li>• International organisations</li> <li>• The Lauritzen Foundation</li> </ul>	<ul style="list-style-type: none"> <li>• Communications Division</li> <li>• Membership of organisations</li> <li>• Co-operation with specialist organisations, e.g. Carbon Trust</li> <li>• Various publications and commitments</li> </ul>



What do customers expect of us?	Progress in 2012	Plans for 2013/2014
<ul style="list-style-type: none"> <li>Reliability and safety</li> <li>High frequency and capacity</li> <li>Easy to work with and travel with</li> <li>Timely information about changes</li> <li>Informed employees who solve problems</li> <li>Proposals for improvements</li> <li>Integrated transport solutions</li> <li>Ongoing adaptation of on-board facilities to meet customers' needs</li> <li>Understanding customer needs by conducting surveys</li> </ul>	<ul style="list-style-type: none"> <li>Customer Focus Initiative launched</li> <li>Customer Satisfaction Survey conducted</li> <li>Phase 1 upgrading of InfoBridge</li> <li>New key account organisation implemented</li> <li>New booking system for passengers in service on the English Channel</li> <li>Continuous improvement of online booking interface</li> </ul>	<ul style="list-style-type: none"> <li>Continuation of Customer Focus Initiative</li> <li>Phase 2 upgrading of InfoBridge, freight booking and information system</li> <li>Upgrading of the passenger areas on passenger ships during docking</li> <li>Sales training</li> <li>Cargo Care, further development of damage prevention</li> <li>New CRM system</li> <li>Further roll-out of new booking system for passengers</li> </ul>
<ul style="list-style-type: none"> <li>Healthy and safe working environment</li> <li>Reasonable terms and conditions of employment</li> <li>Rewarding extra effort</li> <li>Career development</li> <li>Option of on-the-job learning</li> <li>Ethical and consistent management and working conditions</li> <li>Diversity</li> </ul>	<ul style="list-style-type: none"> <li>Code of conduct introduced</li> <li>Development of HR system for the whole Group</li> <li>New development programme for specialists</li> <li>Boot camps for managers</li> </ul>	<ul style="list-style-type: none"> <li>Promoting safety culture through ongoing training</li> <li>Introduction of HR system across the whole Group</li> <li>Diversity programme</li> <li>Focus on talent management</li> </ul>
<ul style="list-style-type: none"> <li>Compliance and risk reduction</li> <li>Information on security and immigration control</li> <li>Accessibility</li> <li>High quality in occupational safety and health</li> <li>Continuous reduction of environmental impacts, including emissions, introduction of fuels with low sulphur content, improvement of anti-fouling paint, responsible scrapping and waste processing</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing testing after the introduction of sulphur scrubbers on FICARIA SEAWAYS</li> <li>Development of systematic management of safety processes</li> </ul>	<ul style="list-style-type: none"> <li>Launch of a study of scrubbers</li> <li>Implementation of system for managing security-related processes</li> </ul>
<ul style="list-style-type: none"> <li>Transparent, consistent and accurate reporting</li> <li>Access to management</li> <li>Responsibility and reliability</li> <li>Security and active risk management</li> </ul>	<ul style="list-style-type: none"> <li>Investor meetings in Denmark and abroad</li> </ul>	<ul style="list-style-type: none"> <li>Greater frequency of international roadshows</li> </ul>
<ul style="list-style-type: none"> <li>Reduction of emissions, including the introduction of fuels with low sulphur content for ships</li> <li>Continuous improvement of work on health and safety</li> </ul>	<ul style="list-style-type: none"> <li>New propellers on ships in the English Channel</li> </ul>	<ul style="list-style-type: none"> <li>Meeting the new target for reducing fuel consumption</li> <li>Extending data-recording system to include CO<sub>2</sub> emissions in DFDS Logistics</li> <li>Additional EURO 5 trucks</li> <li>Investment in land-based electricity supply</li> </ul>
<ul style="list-style-type: none"> <li>Accessibility and accountability</li> <li>Safety-management systems</li> <li>Risk assessments</li> <li>Cutting emissions</li> <li>Optimal value, including non-financial factors</li> </ul>	<ul style="list-style-type: none"> <li>Development of scrubber technology with suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Development and implementation of a new "global" supply chain system</li> <li>Supplier database</li> </ul>
<ul style="list-style-type: none"> <li>Employment opportunities</li> <li>Responsible operations/good neighbourliness</li> <li>Noise-reduction measures</li> </ul>	<ul style="list-style-type: none"> <li>Drawing up the basis for making decisions regarding investment in land-based electricity supply</li> </ul>	<ul style="list-style-type: none"> <li>Investment in land-based electricity supply</li> </ul>
<ul style="list-style-type: none"> <li>Accessibility</li> <li>Transparent, consistent and accurate information</li> <li>Environmental management and performance, including emissions and responsible scrapping of ships</li> </ul>	<ul style="list-style-type: none"> <li>Continuous media dialogue</li> <li>Environmental initiatives (see above)</li> </ul>	<ul style="list-style-type: none"> <li>Development of social media strategy</li> <li>Environmental initiatives (see above)</li> </ul>

IMPORTANCE TO STAKEHOLDER	HIGH			<ul style="list-style-type: none"> <li>Employee H&amp;S (and security)</li> <li>Customer H&amp;S and security</li> <li>Fair employment/Provide good jobs</li> <li>Greenhouse gas emissions</li> <li>Compliance</li> <li>Emergency response</li> </ul>
	MEDIUM	<ul style="list-style-type: none"> <li>Noise</li> </ul>	<ul style="list-style-type: none"> <li>Business ethics</li> <li>Community donations</li> <li>CR governance</li> <li>Employee training/career dev't</li> <li>Local air emissions</li> <li>Marine pollution</li> <li>Resource efficiency (waste, energy, water etc)</li> <li>Responsible policy advocacy</li> <li>Responsible procurement</li> <li>Ship disposal</li> <li>Accessibility to stakeholders</li> <li>Internal and external communication</li> </ul>	<ul style="list-style-type: none"> <li>Financial results</li> <li>Global air emissions</li> <li>Financial reporting</li> <li>Employee Diversity</li> <li>Collaborating with Customers on CR issues</li> <li>Efficient and effective infrastructure</li> </ul>
	LOW	<ul style="list-style-type: none"> <li>Ship registry (GRI LT1)</li> <li>Biodiversity/ecological protection</li> </ul>	<ul style="list-style-type: none"> <li>Smuggling (people and goods)</li> </ul>	
		LOW	MEDIUM	HIGH
IMPORTANCE TO DFDS				

### Significance of CR

At company seminars and by benchmarking with other companies, a number of factors have been identified that affect the welfare of employees, customers and other stakeholders. Their significance is calculated on the basis of internal and external stakeholders' perspectives and summarised in the matrix above.

The hierarchy of significance is a dynamic process based on knowledge gathering and ongoing dialogue with stakeholders.

### Significant CR factors in DFDS

The top right-hand corner of the table shows factors that are of great

importance to external and internal stakeholders. For DFDS, these factors are staff welfare, customer welfare, greenhouse-gas emissions, fair employment terms and conditions and, fundamentally, compliance with regulations and legislation.

### About this report

The information and data in this report on social responsibility concerns DFDS' activities in Northern Europe, including ships, port terminals and offices, including the head office in Copenhagen. CO<sub>2</sub> data is based on documentation of bunker consumption and does not currently include energy or CO<sub>2</sub> data from the Logistics business area and offices. The report does not include joint

venture activities or partner organisations' activities. The information in this report meets the amended requirements of the Annual Accounts Act of 2009 and is subject to internal data-management systems and audits. The data covers the period from January to December 2012. The report has not been externally and independently evaluated. The report has been drawn up in accordance with the principles for content and quality outlined in the Global Reporting Initiative (GRI)'s Sustainable Development Reporting Guidelines (version 3.1).

# SAFETY AND SECURITY

## THE SAFETY OF PEOPLE IS OF PARAMOUNT IMPORTANCE TO DFDS

### SAFETY AND SECURITY – SEA

#### Highlights

- No incidents with a high severity rating recorded in 2012
- Continuously improving safety & incident reporting
- Design and implementation of a Global platform to facilitate Operational Safety Performance in the Fleet

#### Our approach

Part of DFDS' customer service is to ensure systematic implementation and monitoring of safety standards. Safety processes build on continuous improvement and sharing of best practices. In our approach to managing health and safety (H&S), employees, passengers, freight customers and regulators are key stakeholders.

Corporate safety and security objectives and requirements are determined by national and international regulations. Under the International Safety Management (ISM) code and the International Ship and Port Facility Security Code (ISPS), all maritime safety measures and security factors must be reported for all ships on an ongoing basis, and all ships must report any incidents on board. This can be anonymously under a 'no blame' policy according to Company Procedures and international safety guidelines. In our logistics business we are guided by industrial and highways regulations as standard.

The ISM code aims to ensure that all relevant standards are respected, and that safety contingency plans work. This applies to safety equipment, safe ship construction, management procedures, training of the crew, drills, document control, and formal safety monitoring, structured management reviews and auditing principles.

The ISM code also requires a designated person ashore to ensure safe operations and a link between the shore-based management and the captain and crew

onboard. Safety and security audits are held on all ships in the fleet at least once a year. Findings are detailed, analyzed, measured and shared to promote best practice and continuously promote a strong safety culture onboard. In addition, inspections are also carried out as a separate task during the year.

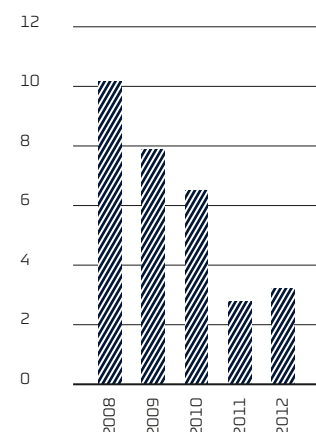
DFDS' Health, Safety and Environment Policy, which is reviewed annually by Management, strives to deliver improvement through active demonstration of commitment and leadership at all levels in the shipping and logistics businesses. This means practicing what we preach, where all managers behave in a way that demonstrates safety and accountability.

Operational Safety Performance is a huge part of "THE DFDS WAY", where the implementation and roll out of global systems supports the DFDS Operating model in striving for continuous improvements and applying best standards across flags. One of the core principles of managing vessels on different flags is to ensure that the highest standards from one flag is made applicable to the rest of the fleet through our Safety Management System.

Our security management is governed by the International Ship and Port Facility Security (ISPS) Code, which helps protect against terrorist attacks and other disruptions. Shipping and logistics are subject to security inspections on a regular basis. Audits are held in conjunction with safety audits. The fleet regularly takes part in exercises with different countries' emergency services, in order to train staff, exchange experiences and ensure the ships are prepared for any eventuality.

We monitor the vessel's performance on external surveys, accidents, incidents and near-misses and review the outcomes of regular audits on a monthly basis. This approach involves clear targets for shipping safety at business unit level. Our Marine Standards experts, People and Ships VPs and CEO meet to formally review the vessels safety related perfor-

LTIF ON DFDS PASSENGER AND FREIGHT SHIPS  
(LOST TIME INJURY FREQUENCY)



mance monthly. Core to this process is to review all safety and operational related data collected from ships in readiness for inspection by maritime authorities, and is published to all vessels and key shore based managers.

We engage on safety and security with relevant national and international stakeholders, National Maritime and Port Authorities, the Danish Shipowners' Association, British Chamber of Shipping, Nautical Institute, UK Passenger Shipping Association, International Chamber of Shipping's Passenger Ship Panel and the Nordic Committee for Passenger Ship Safety ("Nordkompass"). DFDS employees sit on H&S meetings of Work Councils and work with suppliers to identify safety opportunities.

Training for situations requiring first aid is also maintained. For example, each year, hundreds of officers and all crew are trained to various levels in paramedic care and basic or advanced first aid. On all passenger and cargo ships extensive drills are conducted each week based on around 15 different scenarios such as marine evacuation.

Shipping incidents reported*	2012	2011	2010	2009	2008
Near miss reports (average per vessel)	38.5	31.7	13.4	4.8	4.2
Lost time injury frequency (LTIF)	3.3	2.9	6.6	8.0	10.2
Fatalities	0	0	0	0	0

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

### Important events in 2012

All vessels are surveyed and certified according to international, EU and national legislation, including internal audits and inspections on safety and security according to statutory instruments and company procedures.

In 2012, the Lost Time Injury Frequency (LTIF)<sup>1</sup> was 3.3, up from 2.9 in 2011. Near misses on average per vessel were recorded at 38.5, up from 31.7 in 2011. The increase reflects a higher level of awareness on safety and the number of near misses reported is expected to continue to increase in coming years based on our continuous focus to improve. There were zero fatalities in 2012 in sea operations.

In August 2013 the ILO Maritime Labour Convention will come into force, which is applicable to all DFDS managed vessels. This new set of rules apply minimum standards on an international level in terms of crew welfare, Food and Hygiene Safety and safety related issues, which will be governed, certified and audited at the same level as the Safety Management System.

In early 2012 LIVERPOOL SEAWAYS was detained in Karlshamn, Sweden until deficiencies were corrected, including evacuation ladders that were too short.

### Future steps / Commitments 2015

- Roll out of a global platform to facilitate Operational Safety Performance in the entire fleet.
- Maintain progress towards zero lost time accidents
- Report group wide safety data in 2014

## HEALTH & SAFETY – LAND

### Highlights

- No fatalities and no events with a 'high severity' rating recorded in 2012
- Group-wide network of safety data

responders developed for collation of a 'headline' safety performance KPI at Group level on a monthly basis

- Injury accident trend analysis generated for events in 2012 to assist in the formulation of Site Safety Action Plans for 2013
- Regular, periodic engagement with industry agencies in UK (the Passenger Shipping Association and Port Skills & Safety Ltd.<sup>2</sup>) maintained

### DFDS' Safety Management System

Safety management is operated by local management teams per individual operating entity to maintain flexibility and proportionality of response based on risk. Thus, more safety controls are being operated for higher risk activity (Terminals) than lower risk activity (Offices), eg. formalised inspection regimes only operated on higher risk sites.

The national and international safety legislation applicable across the DFDS Group has a common basis in EU Legislation allowing an internal safety management standard to be developed for application within the DFDS Group 'Dry' activities based on a UK model of safety management. The system is detailed in a Safety Framework Document, a guidance document providing a model for safety management throughout 'dry' activity (Port Terminals [Freight & Passenger operations], Warehouses and Offices). Internal auditing has been performed on a risk-prioritised basis using the Safety Framework Document to assess compliance; the audit programme will continue in 2013, again, on a risk prioritised basis.

### Reporting

A network of 43 individual 'data responders' covering 59 operational sites has been developed in 2012. This allows the centralised collation of Group safety performance data on a monthly basis which forms the basis of a monthly report made available to management.

### The following vessels recorded no lost time accidents for 365 days or more by the end of December 2012

Britannia Seaways	1,275
Primula Seaways	1,163
Ficaria Seaways	972
Anglia Seaways	681
Flandria Seaways	645
Dunkerque Seaways	556
Begonia Seaways	484
Freesia Seaways	483
Magnolia Seaways	482
Selandia Seaways	481
Suecia Seaways	421

Due to the wide variance across operational entities/sites, the reporting system is both simple (so as to not over-burden small, low-risk units) and yet sophisticated enough to allow the reporting of injury accident detail allowing generation of causal analysis. Causal analysis is used to inform managers of trends for actioning and to feed into managers' 'safety action plans' to ensure the proactive management of safety.

Manual handling and slip/trip have been identified as major causes of injury accidents (both lost-time and minor) in 2012. As both these causes are largely within the control of the individual, the main thrust of safety performance improvement in 2013 is to target the development of overall safety culture within the workforce to grow the concept of personal responsibility for safety; safety culture development is complementary to the overall culture of the DFDS Way (continuous improvement with the organisation becoming a learning organisation).

### Safety Performance

Overall, safety performance was satisfactory in 2012 with zero penalties, zero fines etc imposed by regulators and with 72% of operational entities reporting 'no injuries' at all.

<sup>1</sup> Lost Time Injury Frequency is the frequency of lost work days per one million exposure hours. A lost work day is time lost from an injury which results in an individual being unable to carry out any of their duties or to return to work on a scheduled work shift on the day following the injury.

<sup>2</sup> Data exclude local operating subsidiaries AB DFDS SEAWAYS (Lithuania) and DFDS Logistics AS (Norway)



The key safety performance indicator used is 'Lost-Time Injury Accident Frequency Rate'<sup>3</sup> which provides a single 'headline' statistic to allow direct safety performance comparison (i) across all DFDS 'Dry' activity and (ii) between DFDS 'Wet' and 'Dry' activity and also (iii) with external organisations (benchmarking).

Data on minor injury accidents is also collated centrally whilst data on Accident Potential (non-injury events ie. near-misses and hazardous observations) is maintained within individual operational entities and is not collated at Group level.

2012 safety performance data will be taken to represent 'average' safety performance and thus become the 'baseline' for future performance comparison/improvement target setting.

The Accident Frequency Rate (AFR) chart shows an overall downward improvement trend in the period August-December 2012 which is hopefully to be continued in 2013.

The dominant causes of injury accidents are slip/trip and manual handling; these two causes combined account for 57% of all injury accidents. Injuries caused by both slip/trip and manual handling (and handtools usage and tug driving) are largely due to human factors (individual mistakes and errors) by personnel who have a large element of personal responsibility for safety.

Thus, causal analysis has identified that safety culture needs to be improved to reduce the number of injury accidents, ie. a general improvement of personal safety attitudes and behaviours, rather than improvement to the 'hardware' of existing safety management systems/practices being required. This will be addressed in 2013 by the provision of specialist safety training.

### Safety Training in 2013

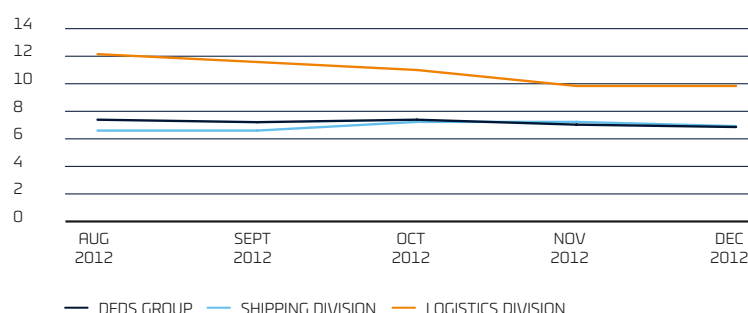
A 'Safety Workshop' is to be held early in 2013 (6th March, at Immingham Terminal, UK) for the network of safety data responders to assist in developing the homogeneity of the safety management system across the Group. Also to develop data responders into the role of 'site

### SAFETY PERFORMANCE LTAS1 2012\*

DFDS Element	2012 Actual LTAs (Jan-Dec)	Headcount, dry (Ann. Av.)	Man-Hours (est.)	Annualised AFR 'less is more' Ideal is zero
Logistics Division	17	857	1,727,712	9.84
Shipping Division	22	1578	3,181,248	6.92
DFDS Group	39	2821	5,687,136	6.86

\* Lost-Time Injury Accident Frequency Rate

### ACCIDENT FREQUENCY RATE, MOVING ANNUAL TOTAL (AFR)

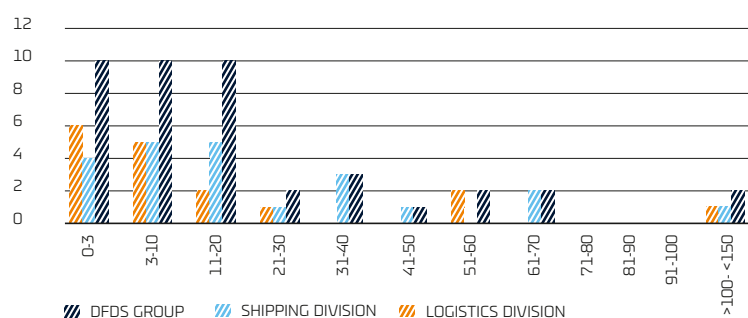


### Injury Severity (Lost-Days)

DFDS Element	LTAs	Actual Lost-Days 2012	Average LDs per LTA	Adjusted* LDs per LTA
Logistics Division	17	344	20	13
Shipping Division	22	528	24	19
DFDS-koncernen	39	872	22	17

\* The average lost-day-per-event data can be skewed by the inclusion of single extreme events which result in excessive time off work for an individual. There have been 2 such events in 2012, with absences of 134 days and 123 days respectively (see lost-day distribution chart). Removal of these 2 extreme events allows a more representative average lost-day per LTA to be generated.

### LOST-DAYS DISTRIBUTION CHART (EVENTS)



<sup>3</sup> Definition; Lost-Time Injury Accident Frequency Rate (LTA-AFR) is the frequency of lost work days per one million man-hours (exposure hours). A lost work-day is time lost from an injury which results in an individual being unable to return to work on a scheduled work shift on the day following the injury.

safety champions' as part of the overall development of safety culture within the DFDS Group.

With regard to the provision of specialist safety training, DFDS now has two qualified trainers, one in Immingham, one in Dover, for the delivery of IOSH (Institution of Occupational Safety & Health) Managing Safely training (high quality, externally approved specialist safety training for managers and supervisors). Specialised IMDG (International Maritime Dangerous Goods Code) code training is also provided in-house.

Basic safety training is to be further promulgated amongst the workforce in 2013 via modules delivered on-line using an e-learning package which has already been successfully piloted within several locations in 2012. This methodology provides a very flexible, resource-effective approach to safety training. This will be supported by the provision of short, in-house, training courses on a variety of safety topics eg. risk assessment, event investigation, to be made available as a form of mentoring to personnel to assist in developing skills in operating the Group safety management system.

The Group safety manager attended an 18001 auditing course in January 2012 as research for the potential application of this international standard within the DFDS Group.

#### Next steps/commitments 2015

- Wider use of on-line training tool
- Applicability of 18001 safety management standard to be further researched
- Risk-prioritised auditing programme to continue
- Workshop feedback to be used to formulate specific actioning
- Support improvement actions at individual sites based on causal analysis

#### COMBINED INJURY CAUSAL ANALYSIS (LTAS & MINOR)

Injury	Code	Cause	Percentage of Total
8	'B'	Falling Object	6%
3	'C'	Moving Vehicle Strike	2%
9	'D'	Struck something fixed	7%
35	'E'	Manual Handling	28%
37	'F'	Slip/Trip	29%
2	'G'	Fall from height	2%
1	'H'	Trapped by collapsed load	1%
3	'J'	Burnt (workshop)	2%
1	'M'	Injured by animal	1%
7	'N'	Handtool	6%
9	'O'	'Other'	7%
12	'T'	Tug Driving	9%
<b>127</b>		<b>Total</b>	<b>100%</b>

#### SAFETY CULTURE DEVELOPMENT AS PART OF THE DFDS WAY

The DFDS Way	Safety Culture
Customer Driven	Customers want to use reputable organisations; this requires good H,S,E
Continuous Improvement	SMS drive is to zero injury accidents & healthy workforce
Best Practice	Performance comparison identifies good practice for promulgation between BUs within the Group
Leveraging Scale	Group-wide SMS creates supportive network of safety advisors replacing isolated individuals
Performance Culture	Safety culture requires individuals to change their existing attitudes & behaviours; DFDS to become a learning organisation

# STAFF AND LOCAL COMMUNITIES

WE BELIEVE DIVERSITY WILL **STRENGTHEN OUR ABILITY** TO MEET CHALLENGES AND REACH OUR GOALS

## Highlights

- 5,900 employees in 20 countries
- Internal management-development programme – ZOOM (400 participants since 2009)
- New Shipping & Logistics trainee programme
- Internal development programme for specialists – FOCUS

## OUR APPROACH

Our human resource management is based on The DFDS Way, which describes the principles according to which the company operates and the way employees are expected to act and conduct themselves.

Our work with human resources (HR) and social responsibility (CR) focuses on employee health, safety, security, training, career development, diversity and working conditions.

## HR POLICIES

DFDS has developed a range of joint policies in areas such as international management, employee assessment, training and development, salaries and bonuses, working time, employee satisfaction, recruitment, work standards, ethics, complaints and company cars.

Policies have also been drawn up regarding consumption of alcohol/drugs, employee development and officer replacement. Joint policies are currently being drafted on diversity and employee retention.

Many of these policies are clearly set out in DFDS' Code of Conduct, which provides a framework for how DFDS employees should act. This applies to working with customers and suppliers as well as with the outside world in general, on matters such as, for example, the environment, working conditions, health, safety and financial transactions.

As a next step, a whistleblowing scheme is envisaged that will allow anonymous

information about serious breaches of the guidelines to be submitted.

## Diversity

Diversity will play a crucial role in DFDS' future growth. We believe that different skills and ways of seeing the world and meeting challenges strengthens our ability to fulfil our strategy and vision. DFDS' workforce should be multicultural and diverse in order to reflect the society in which we live and work.

As diversity among employees and managers is important to us, we would like to see more women in senior management positions. This fits well with a Danish bill requiring the 1,100 biggest companies in the country, including DFDS, to set targets for the number of women on their boards. At present, women only account for approximately 27% of the Supervisory Board. Our ambition is to increase this to at least 33% within the next four years and at least 40% by 2020.

Based on company policy, DFDS has drawn up an action plan containing specific short- and long-term initiatives. Each year, we will report on our goals and progress in these areas.

## New to DFDS

We have introduced a wide-ranging Group Induction Policy to help new employees' acclimatise to their workplace and to the corporate culture and working environment. Under this policy, all managers will be given guidelines to ensure that new team members undergo a systematic induction that is consistent with our core values, The DFDS Way and our performance-driven culture.

## Testing at DFDS

As part of DFDS' recruitment process, tests are used as a dialogue tool, but not as a method of examining applicants. Following the acquisition of Norfolkline, the need arose to adapt these tests so that they could be administered by a single provider. During the summer of 2012, after assessing several providers,

we decided to use Thomas International for future testing. Certification and implementation is taking place in the period Q4 2012 to Q1 2013. Along with the decision about the new testing tool, a general group policy has been defined that describes tests in DFDS and related ethical principles.

## HR ORGANISATION: PEOPLE & SHIPS

Responsibility for HR lies with People & Ships. People & Ships is responsible for personnel and human-resource development in both the Shipping and Logistics divisions, as well as in the central functions, including Technical Organisation and operating ships.

Employees at sea and on land are subject to a number of collective-bargaining agreements that vary according to seniority and rank/pay grade and under which flag a ship is sailing.

HR and CR work is co-ordinated by DFDS' Director of Environment & Sustainability, who is chair of the CR Committee and reports to the Executive Vice President for People & Ships. This ensures high-quality health and safety management at sea and on land in accordance with The DFDS Way.

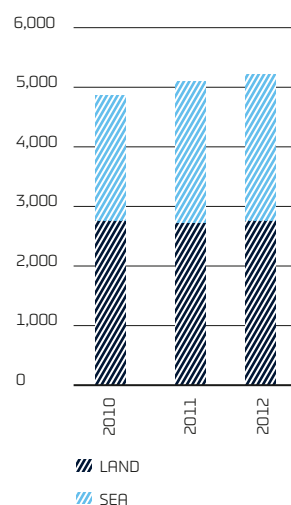
## Collaboration and local conditions

Three HR directors report to the Director of People & Ships and work with local managers to ensure understanding of and respect for local conditions. This includes working with the staff in health and safety committees, works councils and trade unions.

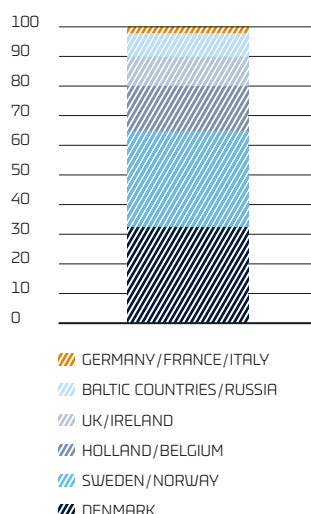
DFDS encourages open and trusting dialogue with unions and staff, who are also encouraged to discuss any issues with the relevant HR director.

In 2012, no fines, lawsuits or breaches of rules were registered in the HR area.

**DISTRIBUTION OF EMPLOYEES  
ON LAND AND SEA**  
(NO. OF EMPLOYEES)



**EMPLOYEES PER COUNTRY, 2012**  
(NO. OF EMPLOYEES)



## DFDS AND DMMA INTRODUCE INNOVATIVE AGREEMENT

In 2012, DFDS and the Danish Metalworkers' Union – Maritime Section (DMMA) drew up an innovative agreement to set up a social fund. DMMA members in service functions on a number of Danish passenger ships will be offered the option to reduce their working hours, with compensation for loss of wages (via disbursements from the fund), if due to illness or for other reasons they can no longer cope with a full-time job. This will allow them to retain their social links to the workplace.

The fund was established with DKK 1m from the Lauritzen Foundation along with additional support from DFDS' Jubilee Foundation, and is funded through payments by DMMA members and by DFDS. These payments form part of the collective agreement between DFDS and DMMA. A fund board, comprising members from DFDS and DMMA, will make decisions regarding payments. The chair of the board, which will rotate between DFDS and DMMA, is currently held by the Group manager for People & Ships. DFDS would like to see similar agreements in more areas.

## PRIORITIES 2012

### Improvements following the staff survey

Our last employee survey was conducted in 2011. The survey is conducted every two years and involves all DFDS staff. The study indicated a need for further action in the area of personal and professional development. As a result, a new training programme, FOCUS, was introduced for specialists and key employees. The two programmes we ran in 2012 were highly successful, and we plan to run three in 2013.

### Training for customer project

A further need for training was identified in connection with the DFDS project Customer Focus Initiative (see page 16 for an introduction to this project). HR has therefore started to develop and organise a training programme that will encompass sales, customer service, skills enhancement, etc.

### Management training

DFDS runs an internal management training programme (ZOOM). Since 2009, 400 managers have taken part in it. In 2012, a version of ZOOM was adapted for senior management.

### Integration of CR into HR

In 2012, in order to focus more directly on CR and the integration of DFDS' HR work, a working group was set up com-

prising representatives from different parts of the organisation. Within the CR area People & Community, the main focus is on inclusion, social impact and DFDS as a workplace. The objectives include defining KPIs for these areas.

#### **Trainees**

A new training programme, developed along with the Danish Shipowners' Association, led to the recruitment of six international trainees in September 2012. They have commenced a two-year period of rigorous training in our business areas, combined with theoretical study at college. A further six will be recruited in 2013 – this process has already begun.

#### **Continuing education**

In connection with the renewal of agreements in 2012, DFDS and the shipowners reached agreement on a number of issues with the Danish Metalworkers' Union – Maritime Section (DMMA). It is now possible for seafaring employees who are members of the union to take training courses if they have no or few certified qualifications.

The parties have discussed how this should be financed and have agreed to apply to various funds for support. In addition, individual seafarers may enter into a training agreement with DFDS, which will then help fund their training by paying a lower wages during the training period. Agreements with DMMA cover most employees in catering and about half of all other employees (deck/engine).

#### **Apprenticeship scheme for ships under the UK flag**

Due to the demographic profile of our maritime employees on vessels under the UK flag, it is predicted that a large proportion of our able-bodied sailors will retire over the next 2–5 years. We have therefore, in collaboration with the Merchant Navy Training Board and the British Chamber of Shipping, secured funds for an apprenticeship scheme for local youngsters in the Dover area. We have begun collaborating with local schools in order to attract suitable candidates. Apprenticeships are combined with seasonal positions as car-deck marshalls, which means that candidates go to college for maritime training during the off-season, and in the high season, they return to the ships as car-deck marshalls and gain practical work experience at sea. The programme was launched in November 2012. After 18/24 months, the first "local born and

bred" able-bodied seafarers will qualify just in time to take over when the first of the older generation retires.

#### **Socially relevant support**

Relationships with local communities are mainly a local responsibility. DFDS disseminates information about local initiatives such as volunteering and fundraising projects initiated by employees. This demonstrates DFDS' values and inspires others to take similar initiatives.

It is also complemented by initiatives across the Group, including with the support of the Lauritzen Foundation. One example is DFDS' ongoing collaboration with the partially publicly funded company High Five (highfive.net), which finds jobs for young people with criminal records. The aim is to give the participants the opportunity to return to a normal life. At present, five young people working for DFDS were recruited in this way. In total, approximately 30 youngsters have been recruited to date, of whom 60% have gone on to a permanent job.

Another example is the Christmas party for homeless people, which is held in December in Oslo and Copenhagen and attracts approximately 200 attendees in both cities. In Oslo, the event was held on CROWN OF SCANDINAVIA, in co-operation with Nettbus and the Salvation Army. In Copenhagen, the Christmas party was held on PEARL SEAWAYS, in collaboration with the Mission for the Homeless. The crew worked on a voluntary unpaid basis.

#### **Behaviour – The DFDS Way**

Throughout 2012, training sessions have been organised and conducted under the banner "Performance Management – The DFDS Way". This initiative is aimed at managers and supervisors throughout the whole of DFDS Seaways, including ships from Sweden, Norway, the Netherlands, Belgium, Germany and the UK, as well as DFDS Logistics. The objective is to provide managers with a set of tools that will help them effectively measure and manage performance and foster a performance-driven culture.

#### **Future steps/commitments 2016**

- Develop and implement an HR management information system across the group
- Establish a training programme for Customer Focus Initiative
- Implement a diversity policy
- Report on diversity targets and progress
- Create career paths for employees



# ENVIRONMENT

## A PRIMARY GOAL IS TO LOWER EMISSIONS & IN PARTNERSHIP WITH STAKEHOLDERS TO CONTRIBUTE TO AN EFFICIENT & CONSIDERED EVOLUTION OF ENVIRONMENTAL RULES

### Highlights

- Bunker consumption reduced by 10% over five years
- Over the next five years, bunker consumption to be reduced by a further 5%
- Environmental work based on effective knowledge-sharing based on local and central initiatives
- Strategy and plans for the transition to lower sulphur content in 2015 in place

### Our approach

DFDS' approach to the environment is guided by company policy, as drawn up by Executive Management and approved by the Board of Directors.

The frameworks for the work and reporting are laid down by the CR Committee, which is chaired by the Director of Sustainability & Public Affairs. The day-to-day work is mainly done by Technical Organisation and the Sustainability & Public Affairs department, both of which are a part of People & Ships.

As per The DFDS Way and its ambition of continuous improvement and effective sharing of best practices, local initiatives, departments and employees are the main driving force behind work on the environment.

The environment report deals with initiatives at sea and on land.

### At sea

Reducing fuel consumption and CO<sub>2</sub> emissions at sea consists of three main priorities:

#### A: The interface between ship and shore

This includes schedules, arrival and departure times, co-ordination between ship and shore on arrival and departure, load planning, loading, etc. The goal is to make sure that the ship has the shortest possible stay in port and maximum time

at sea. This allows us to cut the sailing speed and fuel consumption.

#### B: Technical optimisation

Technical optimisation incorporates e-navigation, including IT programmes that plan optimal sailings based on detailed information about ships and routes, along with real-time information about currents, water depth, wave direction and height, wind, optimisation of the ship's trim, etc. It also includes the optimisation of engines, switching to more energy-efficient propellers and rudders, cleaning of hulls and reducing on-board energy consumption, which includes hundreds of initiatives regarding pumps, heating, lighting, etc.

#### C: On-board behaviour

Via their behaviour, individual employees and teams can make a significant impact on energy consumption. A considerable shift in attitudes has already been noted, and each and every individual now aims to help reduce energy consumption. To support this, DFDS awards a quarterly Bunker Prize to the ship that is best at sharing experiences of the bunker-optimisation initiatives implemented on board. As all of the ships vote for the winner, ideas are spread effectively, everybody is kept up-to-date, and – as per The DFDS Way – best practices in the environmental field emerge.

#### Laws and regulations

The maritime environment is covered by international and regional conventions and laws, which are continuously adopted and implemented. As far as DFDS is concerned, the most important ones are usually conventions and laws passed by the UN's International Maritime Organization (IMO) and by EU and national governments.

Most of the rules that affect efforts to reduce pollution from ships are part of the MARPOL Convention.

The MARPOL Convention regulates the use of hazardous substances, the processing and discharge into the marine environment of potentially environmentally harmful substances (e.g. sewage, oily water and ballast water) and emissions into the atmosphere of potentially environmentally harmful substances such as CO<sub>2</sub>, NO<sub>x</sub> and sulphur from ships' engines.

The AFS Convention governs the use of antifouling paints on ships. The routines and processes that ensure compliance with these rules are described and documented in the company's safety-management system, International Safety Management (ISM), which is maintained and updated by the Marine Standards department. A complete, updated version is available on all ships.

DFDS and each of its ships are regularly audited, both internally and by external authorities. This ensures that the regulatory framework and the necessary routines are known and respected.

### On land

On land, standard EU and national laws govern our work.

Environmental work on land is initiated by Health, Safety & the Environment, a sub-section of the Sustainability & Public Affairs Department in the People & Ships Division. Local management also initiates activities.

For example, activities on land must comply with legislation relating to climate change, e.g. Carbon Reduction Commitment (CRC) in the UK – a government scheme designed to promote efficiency amongst medium and large energy consumers.

In ports and terminals, every effort is made to improve energy efficiency in buildings, plant and equipment.

As part of our customer service, DFDS' logistics units in Belfast, Bruges, Ghent, Gothenburg and Helsingborg are ISO 14001 EMS-certified.

### Environmental risks

The main commercial risk factors are changes in environmental regulations and increases in energy prices. The environmental policy contains guidelines for the analysis of costs associated with new regulations and their implementation, as well as the potential costs of solutions.

### Legislation on sulphur content in bunkers

A particular risk is the introduction in 2015 of IMO rules about not using fuel with more than 0.1% sulphur content in a special control area comprising the Baltic Sea, the North Sea and the English Channel. This entails a risk that inflated prices for low-sulphur oil and generally higher costs for shipping could, in some transport corridors, lead to a greater proportion of freight customers opting for land-based transport solutions, which would have unintended environmental effects on land.

DFDS has adopted an innovative course to meet this challenge, and is studying solutions using new technology. In 2008, the company initiated collaboration with Alfa Laval and MAN Diesel to test new scrubber technology on the freight vessel FICARIA SEAWAYS, making it a pioneer in the use of sulphur scrubbers on a ship's main engine. The scrubber removes sulphur dioxide and particles from the exhaust fumes. Lloyds has been involved

in the testing and auditing of the results for the device. As well as the technical development of the marine scrubber system, DFDS has also been involved in developing the regulatory framework that underpins their use.

However, despite the positive results on FICARIA SEAWAYS, a range of factors place limits on the use of scrubbers, including their size and weight, installation complexity and the stability and age of the vessel. Dialogue with the EU on funding for this kind of environmental investment will therefore continue. Alternative fuels are also being considered. Liquefied natural gas (LNG) may be suitable in some new ships, but the supply chain, price and practical implementation require further study and development. Although the shipping industry is prepared to invest, we (and our competitors) fear that switching to alternative solutions will not be feasible for ships within the deadline stipulated by the EU Directive.

### Cleansing ballast water

Similarly, new regulations for cleansing ballast water, which are designed to counteract the spread of invasive species, will also present a major challenge for shipping companies, as they will need to invest in on-board waste-water treatment plants, greater tank capacity, etc.

### Design index for ships (EEDI)

Under the auspices of the IMO and the EU, an Energy Efficiency Design Index (EEDI) has been adopted, which states that efficiency must be incorporated into ship design in order to reduce CO<sub>2</sub> emissions.

An EEDI has not yet been adopted for ro-ro and ro-pax ships, as a calculation method that will be accurate and useful for these types of vessel has not yet been identified. DFDS is involved in the dialogue and work to find a fair and workable calculation that takes into account the special conditions that apply to these ships.

## PROGRESS IN 2012

### CO<sub>2</sub> intensity

Fuel consumption (bunker oil) is the main source of CO<sub>2</sub> emissions from ships. Total consumption varies over time as the fleet changes. In order to trace trends on a transparent and objective basis, consumption is measured in grammes per gross ton (GT) per nautical mile (g/GT/nm).

The target of reducing CO<sub>2</sub> emissions by 10% was achieved in 2012.

However, the fleet has undergone substantial changes in this period and bunker consumption has been systematically quantified and monitored. With the acquisition of Norfolkline, DFDS acquired a significant business area in the English Channel, which altered the ratio of ro-ro to ro-pax ships. Ro-pax ships, especially those on short routes in the English Channel, are more fuel-intensive, which affects the level of savings on energy consumption. It is also significant that, in the first five years, DFDS has reaped the benefits of a number of readily accessible opportunities to achieve savings.

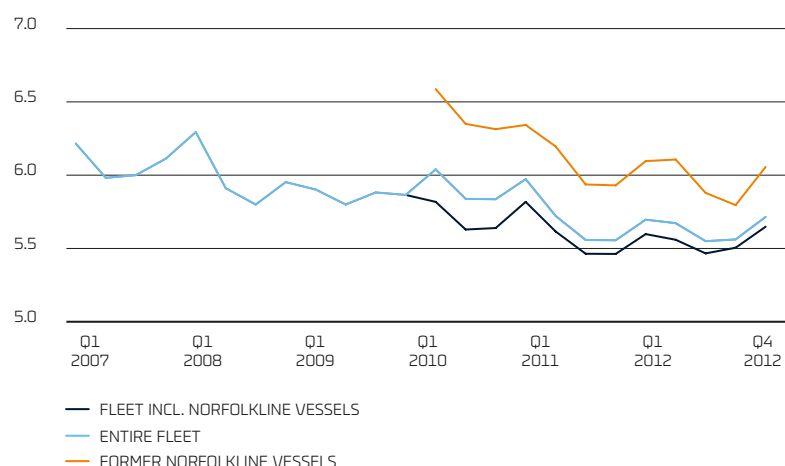
In spite of all this, we have now set ourselves the target of reducing fuel consumption per nautical mile per GT by an additional 5% by 2017.

In 2012, the average consumption (in g/GT/nm) for the whole fleet was 1.9% lower than in 2011.

As shown in the figure, the changed profile of the fleet following the acquisition of Norfolkline has had an impact on the overall trend for fuel consumption. However, for all types of ships, the trend is for a steady reduction in consumption.

As seen in the tables on p 56, the target of a reduction of 10% between 2007 and 2012 has been reached (11.18%) if Norfolkline ships are excluded. If they are included, the reduction in the period was 9.5%. If neither the former Norfolkline ships nor the other vessels deployed on the English Channel in 2012 are included, the reduction was 18.4%.

**FLEET FUEL CONSUMPTION 2007-2012**  
(FUEL CONSUMPTION, G/GT/NM)



**FLEET INCL. NORFOLKLINE SHIPS FROM 2010 [G/GT/NM]**

	2007	2008	2009	2010	2011	2012
Bunker consumption g/GT/Nm	5.95	5.84	5.68	5.75	5.39	5.38
% reduction from 2007	NA	1.85	4.52	3.27	9.33	9.50
% reduction p.a.		1.85	2.72	-1.31	6.26	0.19

**% REDUCTION P.A. FLEET EXCL. NORFOLKLINE SHIPS [G/GT/NM]**

	2007	2008	2009	2010	2011	2012
Bunker consumption g/GT/Nm	5.95	5.84	5.68	5.51	5.27	5.28
% reduction from 2007	NA	1.85	4.52	7.38	11.39	11.18
% reduction p.a.		1.85	2.72	2.99	4.33	-0.23

**SAVE ENERGY WITH LED BULBS**

An example of the many small initiatives taken on board DFDS ships is the three Dover–Dunkirk ships on which the lighting really lives up to the company’s goal of cutting energy consumption and CO<sub>2</sub> emissions. Over the past year, almost 90% of the bulbs in the passenger areas have been replaced with LED bulbs. A total of 2,346 bulbs have been changed, resulting in a saving of 94,376 watts per hour for all three ships. The big 800- and 400-watt floodlight bulbs on deck have been replaced with 86- or 56-watt LED bulbs, resulting in a saving of more than 29,754 watts per hour.

**Ship Energy Efficiency Management Plan (SEEMP)**

On 1 January, a new rule came into force. All ships over 400 GT must have a Ship Energy Efficiency Management Plan (SEEMP). This is an IMO initiative aimed at improving the energy efficiency of ships. DFDS was well prepared to implement the plan, since we had already made a well-documented and structured effort to plan and implement energy-efficiency initiatives, including quantification and follow-up. SEEMP can be integrated directly into the DFDS maintenance system Sertica, which staff on the ships are trained to use.

Improvements in logistics activities  
On land, port terminals and distribution hubs are becoming more energy efficient, e.g. through the establishment of an Energy-management Team (EMT). In Larkhall and Belfast, for example, new, more efficient cooling technology is expected to generate annual electricity savings of 30%. Increasingly environmentally efficient trailers and refrigerated vehicles are being used, including in collaboration with customers, e.g. the supermarket chain ASDA in Great Britain, which uses double-decker trailers to reduce greenhouse gas emissions per transported pallet. DFDS is also taking part in a public trial in Great Britain and Northern Ireland to test special long trailers that will reduce energy consumption per transported unit.

Work is ongoing with suppliers on the use of more fuel-efficient trucks, and we are continuously investing in upgrading the truck fleet to more energy-efficient and environmentally friendly EURO 5 trucks. In 2012, the proportion of EURO 5 trucks in DFDS’ 150-vehicle fleet reached 50%. In Peterborough, the whole fleet has now been replaced with EURO 5 trucks.

Throughout the year, a number of local initiatives were implemented to reduce the number of kilometres driven without a load, which also helps to reduce energy consumption. The main focus was on planning and the use of IT tools. Gathering trailers and containers into larger pools is a particularly good way to plan this work more efficiently.

**Environmental collaborations and partnerships**

Considerable environmental benefits can be achieved by devising joint solutions in collaboration with suppliers, customers, authorities and other partners.

In 2012, in addition to the extensive co-operation with Alfa Laval, MAN and the Danish environmental authorities on the development of a sulphur scrubber (discussed above), DFDS worked with several other partners on a range of environmental initiatives. Projects included:

High-efficiency water-cleansing system  
DFDS has installed and tested a new system for cleaning oily bilge water on PEARL SEAWAYS. It is more efficient and reliable, faster and cheaper to operate than existing ones, and is also certified as per IMO regulations. The cleansing effect far exceeds the requirements for bilge

water, which are currently max. 15 parts per million (ppm) oil residue. The new system produces bilge water with less than 5 ppm.

#### **Catalytic reactor on PETUNIA SEAWAYS**

The manufacturer and supplier MAN has developed a new catalytic reactor that effectively purges ships' smoke of NOx. A pilot model was built into the engine room and chimney system of PETUNIA SEAWAYS in 2012. It is now being tested in regular daily operations in the North Sea.

#### **Shore power**

In accordance with the rules and as part of the campaign air emissions in ports, DFDS has been using fuel oil with a sulphur content of less than 0.1% while in port since 2010. Locally, this has resulted in a 90% reduction of sulphur in air pollution. In some ports, nitrogen oxides (NOx) are also removed using catalysts. With the help of local measures, DFDS is also continuously striving to reduce noise from ships' generators, ventilation systems and port operations.

Another effective tool for improving the environment in port areas is the establishment of shore-based electricity supplies, which enable ships to be powered from the grid while in port. DFDS has entered into collaboration with the Port of Ghent, Volvo Group and the EU (which will support the project with EUR 1m) on shore power in the ports of Ghent, Immingham and Gothenburg, as well as on the six ships calling at these ports. DFDS' investment in the project is approximately DKK 50m. The plants are expected to be ready to conduct shore-power tests by 2014. These particular ports and ships were chosen because they have the best conditions for setting up shore power, i.e. in terms of the ships' length of stay in port, the fact that the ships are expected to be deployed on these routes on a long-term basis, and the nature of ports and ships.

#### **Dialogue with neighbours**

In our port terminals, for example in Rotterdam, as well as on the ships, e.g. between Oslo and Copenhagen, DFDS enjoys and wishes to continue a positive dialogue with our neighbours regarding the inconvenience that shipping can cause, what we can do to reduce it and how best to create understanding between the parties through meetings, neighbourhood visits and other initiatives.

## **NEW SAILING TIMES SAVE FUEL**

On 2 April 2012, departure times for the two passenger ships on the Copenhagen–Oslo route were modified to reduce oil consumption. The ships embark 15 minutes earlier and arrive 15 minutes later, so spend an extra half hour at sea every day. This cuts oil consumption by more than two tons per ship per day, which corresponds to a reduction in CO<sub>2</sub> emissions of over 6.4 tons per ship per day.

#### **Waste processing and recycling of ships**

Waste is produced by most activities on board ships and in logistics centres. Oil, chemicals and water used for cleaning purposes must be processed in accordance with environmental legislation (see the section on cleaning bilge water, above).

On the passenger ships on the Copenhagen–Oslo route, DFDS, in co-operation with an external company and in accordance with the rules in force in the two countries where the ships dock, has developed a particularly efficient and environmentally friendly overall plan for the processing and disposal of waste from the ships' operations, including the kitchens, passenger departments, etc. Ships are scrapped in accordance with the IMO's proposal to the Hong Kong Convention of 2009. In future, this will be done in accordance with the rules currently being discussed by the EU, which are expected to be adopted soon. DFDS did not scrap any vessels in 2012.

#### **Future steps/commitments until 2015**

- Further development of the plan to reduce bunker consumption by 5% over the next five years
- Continued focus on reducing energy consumption on board ships by local and central initiatives
- Increase the number of EURO 5 trucks
- Investment in shore power
- Continued testing of catalytic reactor for eradication of NOx emissions
- Investment in technology and equipment for cleansing smoke of sulphur.

# CR CUSTOMERS

## OUR GOAL IS TO BE OUR CUSTOMER'S PREFERRED SUPPLIER

### Our approach

DFDS' approach to all customers is based on the five elements of our guiding star to customer service. We regard these as the key building blocks to customer service excellence, be that in a restaurant on one of our ships or as a freight customer requiring products delivered on time and in good condition.

We recognise that customers increasingly seek to understand companies' corporate responsibility (CR) policies and practices and aim to communicate these clearly in this report. Of particular relevance for DFDS' customers are safety, security, and the impact of transport services on the environment. Reporting on these areas of CR is available elsewhere in this report.

### Our freight customers (B2B)

DFDS Seaways' route network comprises 30 routes with freight services offered on all routes. The main activity is shipping of unaccompanied and accompanied trailers for our largest customer segment, forwarding companies and hauliers. For manufacturing companies, heavy goods such as automobiles, steel, paper and forest products, and chemicals are transported. The network also carries containers and project cargo for the offshore and renewable energy industries.

Freight customers thus range from drivers accompanying their vehicles, to haulage and forwarding companies and large industrial production companies. For the latter customers, DFDS' services are an integrated part of the company's supply chain based on multi-year contracts, which often involve considerable investments in cargo carrying equipment and IT-systems. In some cases, deployment of larger ships to accommodate volumes, or ships with hanging decks for automotive logistics, are necessary.

DFDS Logistics provides door-to-door transport services for customers with full and part loads, both ambient and temperature controlled. Rail and warehousing services are also provided for customers. More complex logistics services that

are an integrated part of the customer's supply chain are also provided, mostly for retailers and producers of temperature controlled goods.

All in all, DFDS provided transport and logistics services to thousands of customers in 2012. On the freight routes a total of 25 million lanemetres of freight were transported. The door-to-door and logistics services transported 330,000 freight units.

We continue to demonstrate commitment to our customers through ongoing investments in ships, port terminals, cargo carrying equipment, warehouses, IT systems and training.

### Improving our customers results

We recognise that one of our responsibilities is to help our customers become more competitive through delivering efficient services. This requires continuous improvement in all parts of our operations, supported by a structure that nurtures innovation and spreads best practice.

DFDS' Fleet, Terminal, Rail, Haulage and Equipment competence centers contribute to growing efficiency and cutting costs. This work is supported by our Industry and Key Account Manager Teams that in collaboration with the local offices drive improvements to customer services, sales excellence and product offerings.

### Actions in 2012

**Cargo care & claims handling:** When customers place their cargo in our care they rightly expect that we will treat it with care, from point of collection through to final delivery. We work intensively with damage prevention based on performance measurement, operational reviews, sharing of best practice, training and awareness. This is done in close cooperation between our Operational Competence Centers, ie. the Terminal Competence Center, local offices and the Claims Management team. Statistics and learnings are exchanged to drive through efficiencies and minimise damage to our customer's cargo.

We share the results of this work with our customers as it often can provide customers with opportunities to improve own operations and the type of equipment they use.

However, due to the significant volumes involved damages do occur. When they do we aim to handle the claims process in a fair, fast and effective manner, which ensures all claims are settled quickly and correctly.

We adhere strictly to our Terms & Conditions, which are build on international conventions such as Hague Visby and CRM, and always refer to them as part of our quotation process in a clear and concise manner, giving customers the opportunity to understand them fully before placing orders.

**Online freight bookings (InfoBridge):** To further simplify the booking process and information exchange, the online booking system (InfoBridge) was upgraded with new, customer friendly features, including a new screen lay-out making InfoBridge quicker and easier to use for customers. The system will be further upgraded during 2013 with the aim of becoming industry leader in terms of e-Business.

**Enhanced terminal operations:** To improve reliability and reduce our carbon footprint we continuously seek to increase the turn-around times of our vessels in a safe manner. The net effect has been a reduction in fuel consumption and an improved service to customers.

**POD service:** As an ongoing part of efforts to improve services and competitiveness, DFDS Logistics will introduce a mobile phone based POD service during 2013.

**Equipment innovation:** In order to lower DFDS' environmental impact, the fleet of Supercube trailers, capable of carrying up to 52 pallets, has been increased. Working closely with major retailers, this project has helped to reduce truck numbers and provide a significant reduction in CO<sub>2</sub> per pallet moved.



## DFDS GUIDING STAR

**1. Superior reliability and schedule:**

- a. On-time reliability
- b. High frequency services and flexibility

**2. Easy to work with:**

- a. Transparent contact points for customers, simple communication
- b. Clear team structures, team services to support customers
- c. Simple and accurate customer processes

**3. Fast communication when it matters:**

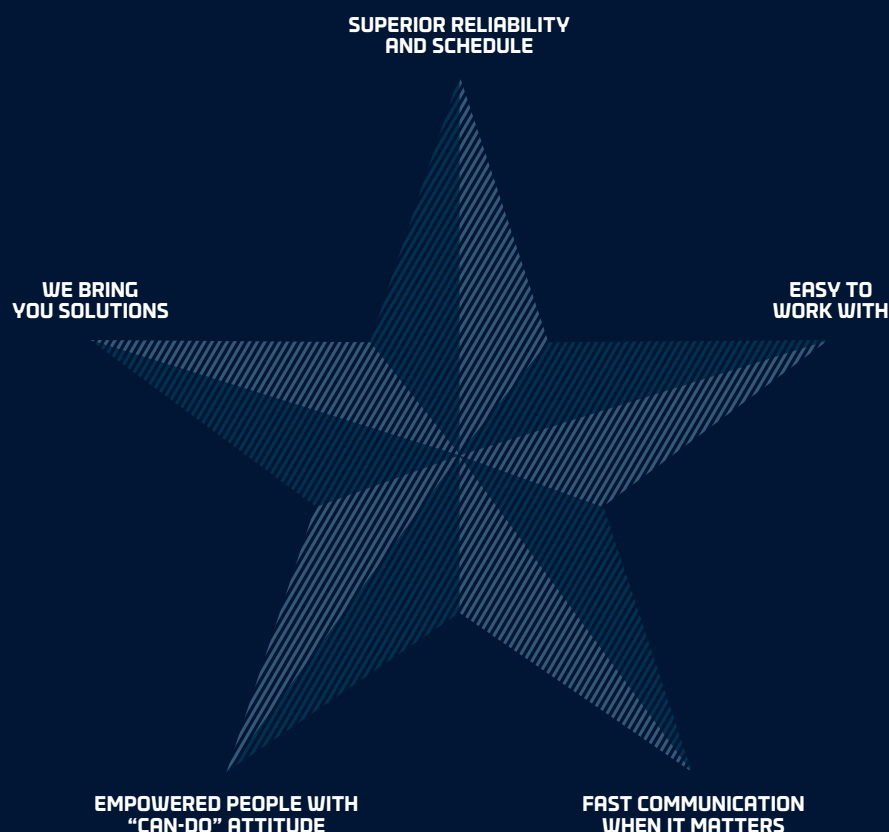
- a. Communicating changes to customers based on what matters to customers and which communication options best fit their needs

**4. Empowered people with “can-do” attitude:**

- a. Customer service by informed, empowered, and motivated employees
- b. Service and action mindset always in place at DFDS

**5. We bring you solutions:**

- a. Active provision of services based on thorough understanding of customer needs
- b. Bringing new solutions to customers ranging from day-to-day, operational adjustments to exploiting DFDS’ entire range of services and network to optimize a customer’s operations.



DFDS also participates in trials conducted by the Department of Transport to operate longer semi trailers in the UK. The Department for Transport started the trials of 1,800 longer semi-trailers in January 2012. The trial involves semi-trailers of 14.6m in length (1 metre longer than the current maximum), and semi-trailers of 15.65m in length (2.05 metres longer). This brings the total maximum length of the articulated vehicle to 17.5 metres for the first trial category and 18.55 metres for the second. The trial provides the opportunity to establish the environmental and safety impacts of each length.

**Next steps / Commitments 2015**

- InfoBridge – implementation of phase 2 upgrades
- Providing KPI's to customers to monitor service levels and part of own cost of operation
- Customer payment performance

**Our passengers (B2C)**

In DFDS' route network, passenger travel services are offered on 13 routes. A total of 5m passengers travelled on these routes in 2012. The short crossings between France and the UK in the English Channel recorded the highest passenger volume with 3.3m passengers. Like the English Channel, DFDS' passenger routes in the Baltic Sea mainly serve the demand for transportation among its passengers and attracted 201k passengers in 2012. Furthermore, 1.4m people sailed on the three overnight cruise-ferry routes that connect the Netherlands, the UK, Denmark and Norway.

It is a key goal for DFDS to offer an experience to its customers across Europe that is in line with or exceeds their expectations. In order to live up to that goal, a safe journey for all passengers is of utmost importance. Safety on board the ships has highest priority and you find

more information on regulations and initiatives in the 'Safety and Security' section of this CR report, see pp 47-50. In addition to taking responsibility for all passengers' safety, understanding customer needs is the cornerstone of DFDS's approach to satisfy customer expectations.

To accommodate and foster a customer centric approach within the company's organizational structures, a special Passenger Competence Center (PCC) was created. Its purpose is to increase consistency of passenger operations and to show 'one face to the customer'. Goals and tasks of the PCC include a unified level of customer service, alignment of all activities and services with DFDS standards, conformity in marketing communication and an overall travel experience that meets high standards on all DFDS routes.

#### Customer surveys and customer service projects

In DFDS, we have over the years developed a strong sense for our customer's expectations through ongoing and comprehensive Customer Satisfaction Surveys (CSS). The surveys enable a deeper understanding of customer demands and a transformation of those findings into day-to-day operations and services on board. The CSS provides the customers with the possibility to give individual feedback to DFDS and thereby contribute to the continuous process of adapting the on board experience to passengers' expectations.

To support our capability for continuous improvement two important initiatives were created and promoted in 2012.

The Customer Focus Initiative (CFI) cuts across the Group and will be a key initiative for DFDS in 2013. The project incorporates further research on customer values that is central to retain and improve today's high level of satisfaction. The diverse set of CFI work streams includes many facilities and service areas on board like restaurants, recreational facilities as well as entertainment on board. See also p 16 for an introduction to CFI.

Secondly, the Compax initiative focuses on DFDS' passenger operations in the Baltic Sea. By identifying improvement potential for passenger service throughout the whole voyage, from ticket purchase to disembarking the ship, the project team aims at raising customer satisfaction for the Baltic routes.

#### Data protection

For the described continuous and project based improvements, DFDS addresses customer specific needs through analysis of customer information. Within the scope of any such evaluation, 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 we operate in. In consequence, marketing communication is only sent to individuals who have explicitly agreed to this. DFDS further follows the process of enacting the proposed "European General Data Protection Regulation" to ensure compliance with new regulation.

#### Passenger rights

DFDS follows the European Maritime Passenger Rights Regulation (1177/2010) that entered into force in December 2012. In accordance with the regulation, DFDS ensures that assistance is offered to disabled passengers and those with reduced mobility. From the booking, to port facilities and the voyage on board the DFDS vessel, passengers with special needs are supported and appropriately informed. Further topics of the Regulation that DFDS covers include transparency in pricing across countries and the entitlement of passengers to certain rights in the event of delay or cancellation.

#### Communications with passengers

DFDS puts high emphasis on informing all passengers about the various important matters of their journey. A lot of this communication takes place directly at the check-in and on board the ships. However, a significant and increasing proportion of information is given through different channels, including the internet. Developments range from service calls prior to departure to increased social media presence that help to fulfill DFDS' responsibility of informing passengers on all matters of importance. The approach to social media is decentralized and country specific, supported by an overarching DFDS social media guideline that ensures consistency across markets.

#### Acknowledgements

The DFDS approach towards meeting customer expectations has been acknowledged by several awards throughout the year 2012. Especially the recognition for sophisticated customer service mirrors the effort towards meeting or even exceeding customer expectations.

- 'Europe's Leading Ferry Operator' and World's Leading Ferry Operator'**  
 DFDS added another chapter to its success story at the yearly World Travel Awards. Being ahead of its competitors in both, the European and World Wide competition acknowledged DFDS' strong focus on superior customer service and a genuine experience on board its ships. The sixth year running DFDS managed to win one of the prestigious World Travel Awards, also labelled as the 'Oscars' of the travel industry. It is even the second year in a row that DFDS obtains the trophy for Europe and the whole world.
- 'Best passenger shipping company'**  
 Besides the European and World Wide honours, DFDS received the Danish Travel Award as best passenger shipping company operating between Denmark and foreign countries. This is the sixth time that DFDS received the award, which underlines the company's focus on customer satisfaction and the willingness to listen to the voice of the consumer.
- Norwegian Customer Service Prize**  
 DFDS won the 'journey by boat' category of the Norwegian Customer Service prize for the third year running. DFDS emerged as the winner of an extensive survey, including 90 of the biggest customer centres in Norway. Especially DFDS's commitment towards finding customer friendly solutions in order to deliver a good customer experience was praised by the jury.
- 'Good Hospitality' and 'Premier Collection'**  
 David Urquhart Travel, DFDS' largest UK tour operator partner awarded its 'Good Hospitality' and 'Premier Collection' prizes to the Amsterdam-Newcastle ferry route. DFDS scored very high on the overall assessment of the journey, including key service dimensions as restaurant service and staff efficiency.

#### Future steps / Commitments 2015

- Customer Focus Initiative to be continued in 2013. Several Workgroups are running pilot projects and the results will be used to accomplish improvements for the near- and mid-term.
- The identified improvement potentials for on-board services from the Compax initiative will be integrated into day-to-day operations from the beginning of 2013.

# SUPPLIERS

## ENSURING RESPONSIBLE & DEDICATED SUPPLIERS THROUGH TRANSPARENT SELECTION PROCESSES & COMMITTED RELATIONSHIPS

### Highlights

- DFDS sources goods and services for more than 50 ships: around 5,000 purchase orders each month
- 20 logistics offices, managing 3,100 trailers
- New Group Procurement organization under development
- All supply contracts include our Supplier Code of Conduct

### Responsible Procurement

Responsible procurement is part of DFDS' CR strategy with bearing on brand, reputation, relationships and customer orders. Group Procurement work closely with suppliers on a day-to-day basis and suppliers' feedback and innovations are valued by DFDS.

To do business with DFDS a supplier must conform to the DFDS Supplier Code of Conduct and thereby comply with all applicable international conventions and national legislation in the country where the work or service is being performed, and specifically the supplier 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 Works
- 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 the product is manufactured or the service performed.

At the request of DFDS, the supplier must actively participate in DFDS' follow-up on compliance with DFDS' Supplier Code of Conduct through dialogue, questionnaires, systematic reporting, visit to the supplier's address(es) or by other means of verification or control which DFDS might wish to use.

### Our approach

DFDS' Group Procurement covers some 1,000+ suppliers in more than 13 countries. In our cooperation with our suppliers we strive to create and protect commercial value affected by issues relating to security, product safety, quality, environmental protection and social responsibility. DFDS' Group Procurement team aim to help minimize the risk and maximize the security of the supply network and reduce acquisition and administration costs through working together across the DFDS Group.

The Group Procurement function is part of the Finance division of DFDS. Focus in the sourcing process is on selecting suppliers with the best fit for the needs and demands of DFDS. Therefore any supplier selection process begins with analysis of our own needs, demands and requirements. Through a close dialog with a broad spectrum of suppliers, we assess the supply base for its cost-effectiveness, resilience, safety and compliance to regulatory requirements.

On land and at sea, DFDS demands that suppliers operate in a decent and respectful manner. In the shipping business, for example, our audit programme checks that a supplier is on the relevant maritime authority database as required under the EU Marine Equipment Directive 1996. A supplier will achieve the Wheelmark and be included in the database if it satisfies the criteria. DFDS follows the Global Ship Management System approach to check that a supplier meets safety and environmental requirements, and that it has achieved its Wheelmark.

Since 2009, the DFDS Supplier Code of Conduct has been a part of all DFDS' purchasing and business agreements. Ultimately, when a contract is signed with a supplier in our shipping or logistics businesses, the DFDS Supplier Code of Conduct is attached to it. This outlines DFDS' commitments to applying principles in business and respecting human rights.

### Moving ahead

During 2012 the move towards an integrated purchasing system was put on hold due to changes in senior management of the procurement organisation. The development of integrated tools and processes will therefore be a focus area in 2013 with new management on board. Further in 2012, Group Procurement welcomed new members to the team, as part of the joint venture between DFDS and LD Lines. Group Procurement is now working out of Denmark, France, UK, and Lithuania.

In accordance with The DFDS Way, collaboration and engagement are central to responsible procurement. A major focus for Group Procurement under 2013 will be the integration and collaboration across the whole of the DFDS Group ensuring continuous improvement and adaptation of best practices. External support will in 2013 help Group Procurement's development towards a best in class organization.

In 2011, a new 'efficient trailer working group' was established in our logistics business. During 2012 the focus of the group has been to ensure that the policies, procedures, investments, efficiency and cost associated with our 3,100 trailers are consistent and appropriate for DFDS' needs. Policies for review have been implemented covering purchase and disposal, trailer mix, standardisation of equipment and maintenance. Under 2013 the role out of SERTICA will support this work further.

### Future steps / Commitments 2015

- Continue implementation of supplier database in 2013
- Further develop centralized contract management
- Implement procurement policy for internal agreement