

# CSR HIGHLIGHTS 2016



# CSR AT A GLANCE

TORM regards responsible behavior as a central part of the Company, our business and of the mindset of our people. TORM is committed to the UN Global Compact and our CSR approach is rooted in the values of the Company.

*“TORM remains committed to protecting our employees, assets, reputation and the environment by maintaining the highest possible standards. Transparency and accountability are central parts of TORM’s way of doing business and play a central role in our CSR approach.”*

Jesper S. Jensen,  
Head of Technical Division



This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

We welcome feedback on its contents.



## FUEL EFFICIENCY IMPROVEMENT



RESULT

**3.6%**



TARGET

**2%**

IN 2016, TORM INTRODUCED A NEW SAFETY PROGRAM CALLED **ONE TORM SAFETY CULTURE**



**OneTORM**  
Safety Culture  
*driving resilience*



**66** SCHOLARS SUPPORTED

BY THE TORM PHILIPPINES EDUCATION FOUNDATION

**LOST TIME ACCIDENT FREQUENCY IN 2016**

**0.65**

# ENVIRONMENT

Within the shipping industry, marine pollution constitutes the largest environmental risk. Thus, it is a key priority for TORM to avoid pollution of the seas, the marine environment and the atmosphere.

## FUEL CONSUMPTION AND ENERGY EFFICIENCY

Throughout 2016, TORM continued to have a strong and dedicated focus on fuel consumption, and the efforts made within this area have generated a positive impact. During the year, the Company implemented a number of new tools and procedures to monitor and oversee daily fuel consumption in order to identify areas where efficiency can be higher, and to be able to minimize the global environmental impact and reduce TORM's overall fuel costs.

TORM's Operational Performance team shares the performance of the vessels with the respective vessel managers on a monthly basis. This ensures that corrective action can be taken at the right time. The One TORM platform facilitates efficient knowledge sharing of key fuel performance data across the Company.

In 2016, TORM set a goal to improve fuel efficiency by 3% compared to 2015. Due to the Company's continued focus on operational procedures and on minimizing hull fouling, TORM achieved an improvement of 3.6% in 2016, which is better than the 3% target. The goal for 2017 is a further improvement of 2%. As part of the maritime industry, TORM will monitor trends and targets set by the industry and follow these where relevant.

## GREENHOUSE GAS (GHG) EMISSIONS

In 2015, TORM changed the system used for generating emission data. Thus, the CSR Highlights 2016 include emission data from 2015 and 2016 only. Data for the three consecutive years, 2015-2017, will be included in the CSR Highlights 2017. For an overview of TORM's GHG emission data, please see page four.

## BALLAST WATER

Ballast water is used to stabilize the vessel and to optimize operational efficiency. Ballast water is taken in or discharged to sea during a voyage. The discharge of ballast water may introduce non-native species into the recipient marine ecosystem, whereby disturbing the local maritime ecosystem and endangering indigenous species. To alleviate this threat and prevent the invasion of non-indigenous species in alien waters, TORM will comply with the forthcoming stipulations of the IMO Ballast Water Management Convention and is in process of identifying the best suitable ballast water treatment systems for our fleet.

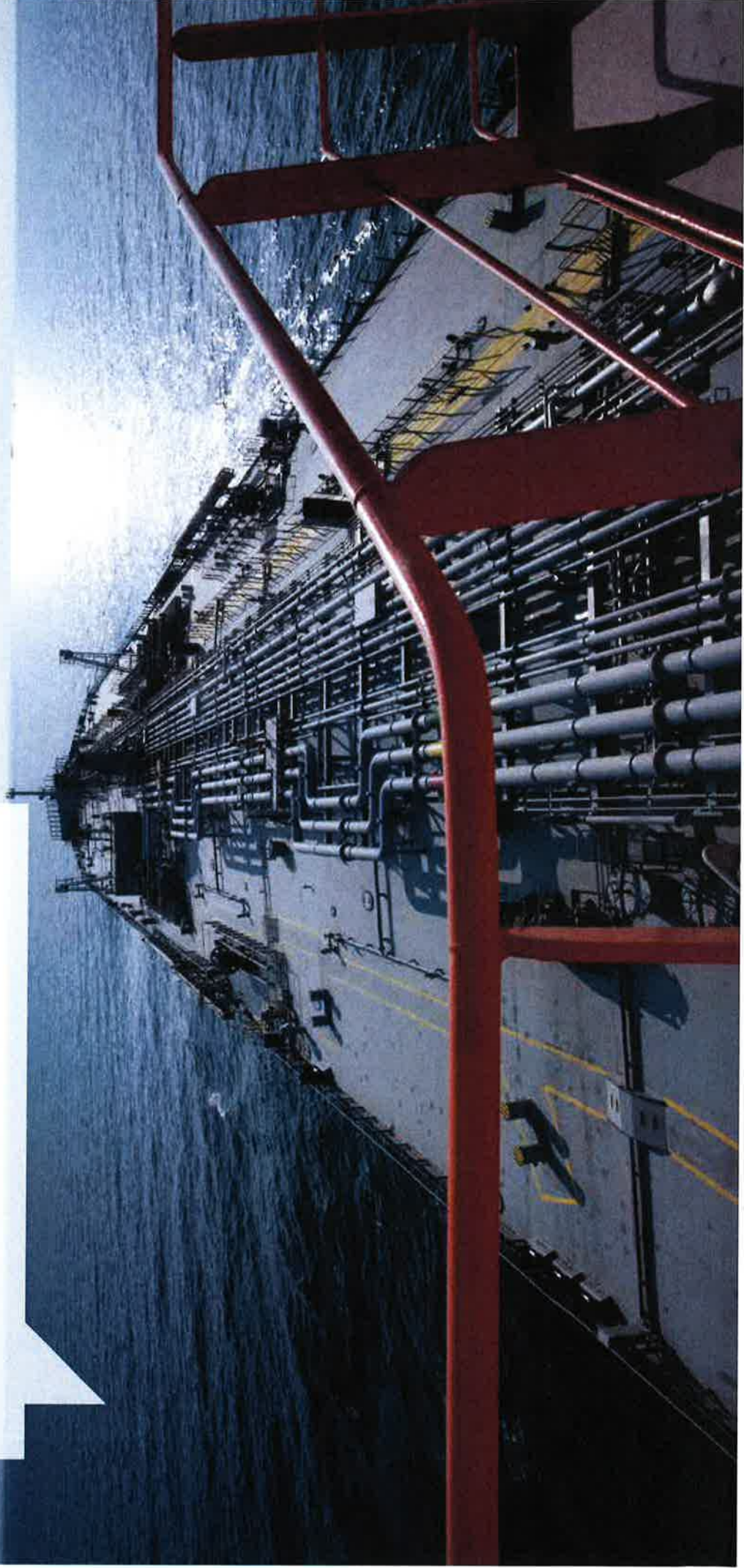
## OIL SPILLS

In 2016, TORM experienced zero oil spills larger than one barrel, but one small oil spill overboard of less than one barrel was experienced. The incident was investigated and procedures revised where required.

	2016	2015
<b>GREEN HOUSE GAS EMISSION DATA</b>		
<b>VESSEL EMISSION AND INDICATORS</b>		
Number of vessels in operation at the end of the year (in technical management)	76.0	72.0
Number of vessel months (one vessel one year equals 12 vessel months)	910	813
<b>Usage of oil and the generated CO<sub>2</sub> emissions</b>		
Used heavy fuel oil (ton)	308,467	343,785
Used low sulphur heavy fuel oil (ton)	0	9,579
Used marine gas oil (ton)	56,549	50,704
Generated CO <sub>2</sub> emission from vessels (ton)	1,141,862	1,262,933
NO <sub>x</sub> (ton)	26,992	30,227
So <sub>x</sub> (ton)	15,289	17,477
<b>Distance and cargo</b>		
Distance sailed in nautical miles	3,279,977	3,214,973
Average cargo on board (ton)	37,433	39,117
Ton-km	251,946,149,526	263,691,358,733
CO <sub>2</sub> emission in grams per ton-km (one ton of cargo transported one km)	4.5 g/ton-km	4.8 g/ton-km
<b>OFFICE EMISSIONS AND INDICATORS</b>		
<b>Electricity, heating and other office-related activities</b>		
Electricity used in kWh all office locations	924,951	1,099,823
District heating in GJ	1,619	1,340 <sup>*)</sup>
Generated CO <sub>2</sub> emission in ton from office location	562	646 <sup>*)</sup>
<b>Employees</b>		
Number of office employees at the end of the year	277	271
CO <sub>2</sub> emission per employee (ton)	2	2,4 <sup>*)</sup>
<b>FLIGHT EMISSIONS AND INDICATORS</b>		
<b>Air travel</b>		
Air mileage in kilometers	77,284,100	68,523,791
Number of travels	13,056	12,725
CO <sub>2</sub> emissions in ton	6,750	6,069

<sup>\*)</sup> The figure has been amended compared to the figure in TORM's Annual Report 2015 due to revised data.

Throughout 2016, TORM continued to have a strong and dedicated focus on fuel consumption, and the efforts made within this area have generated a positive impact. TORM improved its fuel efficiency by 3.6% in 2016.



# SAFETY

**Approximately 90% of TORM's personnel works at sea, and providing healthy, safe and secure working conditions for them, is an essential part of the business.**

Respecting employees' human rights is pivotal to the Company, and policies are outlined in TORM's Business Principles and reflected in the commitment to the UN Global Compact. The Company's safety policy is rooted in the rules and regulations issued by the Danish Maritime Occupational Health Service.

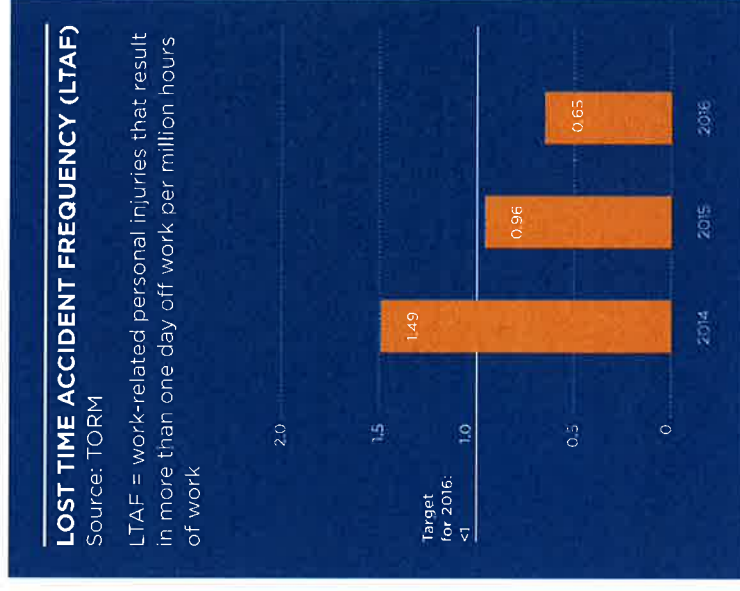
## **LOST TIME ACCIDENT FREQUENCY (LTAF)**

A strong safety culture is central to TORM, and the Company has not experienced any work-related fatalities in 2016.

Lost Time Accident Frequency (LTAF) is an indicator of serious work-related personal injuries that result in more than one day off work. The definition of LTAF follows standard practice among shipping companies. During 2016, TORM

had a LTAF of 0.65 (2015: 0.96). In 2016, a member of TORM's crew went missing on board a vessel while at sea. Notification and extensive search were carried out, however, unfortunately without success. Following, the family of the crew member was supported and compensated as per the Collective Bargaining Agreement. The decrease in LTAF from 2015 to 2016 is a result of four less injuries.

Near-miss reports provide TORM with an opportunity to analyze conditions that might lead to accidents and ultimately prevent accidents. A higher number of near-miss reports thereby implies that the organization is aware of the risks and responds to them. In 2016, TORM exceeded





the target of 6.0 near-miss reports per month per vessel on average by reaching 6.7 (2015: 6.6) due to continued focus on this area.

**ONE TORM SAFETY CULTURE**

In line with the Company's strategic focus on safety performance, TORM introduced a new safety program in 2016 called 'One TORM Safety Culture - driving resilience'. TORM has the ambition to become the Reference Company in the product tanker industry, and with the enhanced safety program, the Company wants to take its safety culture, performance and quality to a higher level. In order to ensure a common understanding of safety across the organization, the One TORM Safety Culture involves all employees ashore and at sea.

In 2017, TORM will further roll out the program including a new safety philosophy, training courses and workshops for all employees.

**SECURITY**

TORM's response to piracy is founded in the Best Management Practice 4 (BMP). In 2016, TORM experienced six robberies, and seven cases of stowaways were found on board the Company's vessels. Throughout the year, the security situation and developments in various risk areas have been monitored closely, and actions have been taken to safeguard TORM's seafarers and vessels.

The Company will continue to monitor the risk situation and pre-empt hijacking and robbery attempts by following security procedures.

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# LABOR

## Labor conditions are particularly important for our seafarers because the vessel serves both as their work place and their home.

TORM is in compliance with the ILO's Maritime Labour Convention, an international set of standards pertaining to labor conditions at sea. The convention was ratified by 30 countries in 2012. All vessels under TORM's technical management were audited and certified as required under the Maritime Labour Convention of 2006 when it took effect in August 2013.

TORM respects employees' right to associate freely, to join – or not join – unions and to bargain collectively. TORM offers equal opportunities for our employees as stated in TORM's Business Principles. TORM has an obligation to its customers, shareholders, employees and other stakeholders to develop the Company's talent pool irrespective of attributes such as gender, religion, sexuality, nationality, ethnicity or disabilities. As stated in TORM's Business Principles under 'Respecting People', the Company does not accept any kind of discrimination. TORM works towards a diverse workplace, in

which everyone is included and respected, and in which well-being at work is regarded as a shared responsibility. For more information on TORM's Business Principles, please visit <http://csr.torm.com/torm-s-way-of-doing-business>

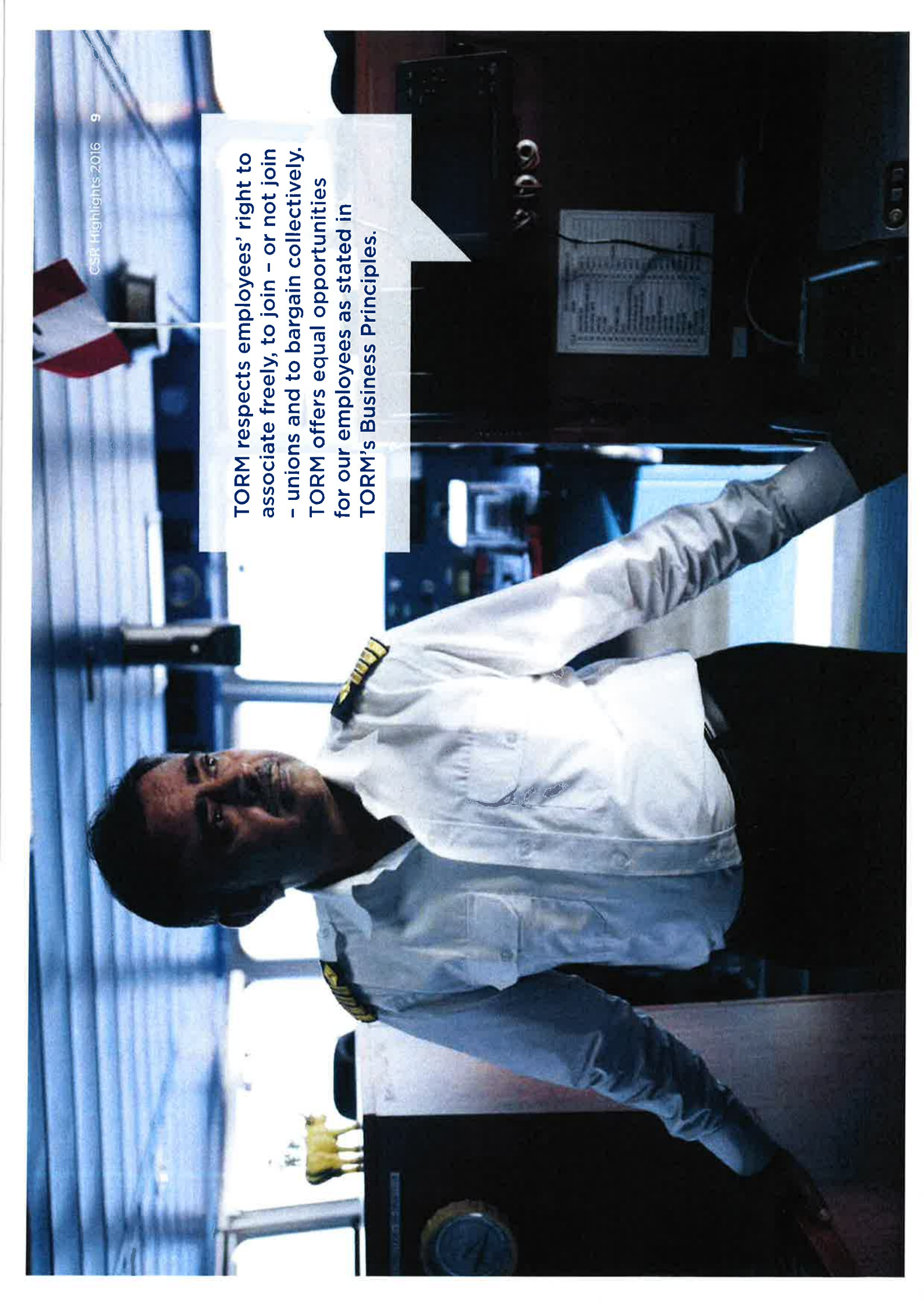
Since 2006, the Board of Directors has provided for a whistleblower facility with an independent lawyer to detect any violences of laws, regulations or business ethics by TORM representatives as part of the internal control system. In 2016, the whistleblower facility received two notifications, which were investigated and closed without any critique or requirements for special measures.

In 2016, TORM continued its focus on increasing commitment and engagement among seafarers. In November 2016, TORM opened a new branch office in Cebu, the Philippines. The opening of the new office, will allow TORM to adjust to the increase in number of seafarers. Furthermore,

with a branch office in the southern part of the Philippines, TORM will be able to provide excellent service to the Company's seafarers from this region and have a presence in its second largest recruitment area.

Throughout the year, the Company further focused on improving the cooperation between seafarers and the shore-based organization, and on allowing all seafarers to join the same vessel whenever possible. In 2016, TORM continued hosting town hall meetings and seminars for its officers, as these gatherings constitute a valuable forum for sharing knowledge and best practice regarding the operation of TORM's vessels. Moreover, the Company changed its training set-up for seafarers, thereby allowing TORM to better direct and align training with on-board learning from the vessels. TORM further enhanced its training facilities with the installation of new bridge, engine and cargo simulators at the Company's office in Manila.





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# ANTI-CORRUPTION

**TORM does not accept corrupt business practices. The Company has co-founded the Maritime Anti-Corruption Network (MACN) to take a joint stand in the industry towards the request for facilitation payments, which exist in many parts of the world.**

In the network, best practices are shared and members align their approach to bringing down payments. In April 2016, TORM joined the annual MACN members meeting in London to share best-practices and further improve practices to eliminate corruption.

The network seeks support among government bodies and international organizations to eliminate the root causes for corruption. TORM is committed to address corrupt business practices among stakeholders.

In addition to its efforts within MACN, TORM continued to strengthen its company-wide anti-corruption policies in 2016. Expanding its

anti-corruption training program, TORM now offers mandatory anti-corruption courses for all shore-based staff and all officers on board its vessels. The training not only targets new hires but has to be repeated once a year by all employees mentioned above.



# HUMAN RIGHTS

**TORM has revised our Business Principles to better reflect TORM's Leadership Philosophy and our commitment to the UN Global Compact, particularly regarding human rights.**

TORM has implemented revised business principles training at sea as part of the Officer seminars.

In 2016, TORM has been awarded a recognition by the IMO for outstanding behavior at sea. In honor of its rescuing operations in the Mediterranean Sea in July 2014, the Company has received a certificate, which can be granted to shipowners and vessels that assisted migrants in the Mediterranean Sea during the period from January 2014 to December 2015. With their exemplary behavior at sea, TORM's employees proved the internalization of TORM's Business Principles, which are in compliance with the Universal Declaration of Human rights, and further actively supported the set of defined principles, policies and guidelines.

No claims or offenses have been reported regarding human rights in 2016. Read more about TORM and our CSR at <http://csr.torm.com/>



# ACTIONS SUPPORTING UN GOALS AND ISSUES

## **TORM is a long-standing supporter of maritime education in India and the Philippines**

This commitment reflects the Company's ties to local communities and leads to positive effects on TORM's core business and on the needs of the societies the Company operates in. The TORM Philippines Education Foundation currently supports 66 scholars across the Philippines whereby the students are given the opportunity to train in maritime professions. In 2016, nine students supported by the Foundation graduated. Apart from maritime education, the support also includes training courses for teachers, IT equipment and school kits for students in rural schools.

The benefits enable the students to raise their level of dignity which is indicated by the received education and the increased chances for better economic conditions for themselves and

their families. Furthermore, the personal pride of the students as scholarship recipients of a well-acknowledged Foundation is raised. Simultaneously, the benefits of that program have guaranteed TORM a supply with professional and well-educated potential employees. Thereby, the Company's brand image in competition for the best shipping talents improves.

TORM expects to include an account of the result of its commitment within India in its CSR Highlights 2017.

## REPORTING SCOPE

Environmental and social data is based on all vessels under TORM's technical management (vessels for which TORM holds the Document of Compliance). Having the technical management of a vessel, implies having control over the vessel in terms of environmental performance and crew.

As of 1 January 2017, TORM had 76 vessels under management compared to 72 vessels as of 1 January 2016.

The report includes emissions from all TORM's offices in Copenhagen, Mumbai, Singapore, Manila and Houston. Emissions for the Company's office in London will be included in the CSR reporting for 2017. Emissions from air travel are included for all office staff and all crew.

Data from vessels is collected according to a specific reporting routine, mainly on a monthly basis but for certain data at a lower frequency. Other environmental data is collected on an annual basis. Safety data is based on reporting made to TORM's Safety, Quality and Environmental department whenever an incident occurs.

## REPORTING GUIDELINES

The 2016 greenhouse gas emissions (GHG) reporting covers scope 1 (direct emissions from own production) and scope 2 (emissions from own production but others' emissions) of the Greenhouse Gas Protocol except for the activities listed below, as well as selected scope 3 (other's production and emissions services) activities.

### SCOPE 1

Consumption of bunker oil has been calculated to CO<sub>2</sub> emissions using IMO's factors for heavy fuel oil and marine gas oil. SO<sub>x</sub> and NO<sub>x</sub> emissions are calculated using the third IMO GHG Study from 2014. Emissions are calculated for each vessel and consolidated. Numbers under scope 1 data sheet have been collected on board the vessels or at the offices. The collection is based on actual usage or disposals.

### SCOPE 2

Emissions from heating (district heating) in the Copenhagen and US offices are calculated using Danish and World Resources Institute emission factors.

### SCOPE 3

Emissions from plane travel are provided by our travel agent.

### OTHER PRINCIPLES

2016 greenhouse gas emissions are calculated for vessels in technical management (vessels for which TORM holds the Document of Compliance) in TORM, amounting to a total of 910 vessel months of operation.

Ton-km is calculated by use of actual cargo multiplied by the distance with actual cargo; thus a ballast voyage will give 0 (zero) in ton-km.

CO<sub>2</sub> emission per ton-km is the full CO<sub>2</sub> emissions on board all vessels divided by the ton-km for all voyages; thus it includes emissions from ballast voyages, electricity production, inerting, cargo operations, etc.

## MANAGEMENT SIGNATORIES

TORM's management is committed to responsible behavior and continues its support of the principles of the UNGC. Our CSR performance is important to our stakeholders and our company. We confirm the performance illustrated by the above-stated material key performance indicators.



**Jacob Meldgaard**  
Executive Director



**Jesper S. Jensen**  
Head of Technical Division