CSR HIGHLIGHTS 2017

TORM

CSR AT A GLANCE

"We continue our commitment to the United National Global Compact and extend this commitment to the United Nations Sustainable Development Goals. For TORM, these goals represent an unique opportunity to combine our way of doing business with solutions for more sustainable and inclusive development."

Jacob Meldgaard,
Executive Director

UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS

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 EFFECIENCY IMPROVEMENT

2017

RESULT

5.2%*

*compared to 2015 baseline

2018

TARGET

1.5%

additional savings

SUSTAINABLE DEVELOPMENT GOALS

TORM EXTENDED ITS COMMITMENT TO INCLUDE THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS.

72 SCHOLARS SUPPORTED

BY THE TORM PHILIPPINES EDUCATION FOUNDATION

0.67 LOST TIME ACCIDENT FREQUENCY IN 2017

TORM'S COMMITMENT TO THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

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 signed the UN Global Compact in 2009 as the first shipping company in Denmark. In 2017, TORM also started looking into the UN Sustainable Development Goals (SDGs) and assessed how the Company can best contribute to their achievement by 2030.

By looking at our industry, our value chain and our business practices, we decided in the beginning of 2018, to focus on five distinct SDGs on which we are working going forward.

These five SDGs are rooted in our CSR activities and are material to the Company and its stakeholders. As such, TORM sees its commitment to and reporting on the SDGs as a natural progression of its commitment to the UN Global Compact.

Please see below graphic showing TORM's chosen SDGs.

Jacob Meldgaard, Executive Director

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.

INSPECTIONS AND AUDITS
In order to maintain Company standards and exceed the targets set by its customers, TORM has enhanced the vetting preparations and increased the number of internal audits on its vessels carried out by Safety Quality and Environment (SQE) officers. On average, each vessel is subject to ten inspections a year. Inspections are carried out by customers, terminals, internal auditors, ports and classification societies. TORM is committed to meeting and outperforming the ever-increasing standards set both internally and by its customers.

FUEL CONSUMPTION AND ENERGY EFFICIENCY
Throughout 2017, TORM continued to have a strong and dedicated focus on reducing fuel consumption, and the efforts made within this area have generated a positive result.

In 2016, TORM improved its fuel efficiency by 3.6% compared to a 2015 baseline figure. In 2017, TORM has continued its efforts and achieved further improvements bringing the fuel efficiency to 5.2% compared to the 2015 baseline. The target for 2018 is to improve fuel efficiency by further 1.5%. As part of the maritime industry, TORM will monitor trends and targets set by the industry and follow these where relevant.

As in previous years, TORM's Operational Performance team shares the performance of each vessel with the respective vessel managers and vessels 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.

A new initiative was introduced during 2017 with the purpose of engaging the vessels on a daily basis to encourage best practice behavior with regard to power consumption and thereby fuel consumption. The initiative ensures that corrective action can be taken swiftly if needed.

In addition, increased focus was placed on the improvement of hull condition for vessels with a relatively long time to the next scheduled dry-docking. In total, five vessels were taken out of service for a short four-to-five-day docking during which hull coating repairs were carried out.

GREENHOUSE GAS (GHG) EMISSIONS
In 2015, TORM changed the system used for generating emission data. Thus, this year's CSR Highlights for the first time include emission data for the three consecutive years 2015-2017.

As can be seen on page six, TORM has significantly decreased its Scope 1 and Scope 2 GHG emissions over the past three years.

BALLAST WATER
Ballast Water is taken on by the vessel to stabilize trim and optimizing operational efficiency. 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 preventing the invasion of non-indigenous species in alien waters, TORM makes an effort to already comply with the forthcoming stipulations of the IMO Ballast Water Management Convention.

OIL SPILLS
In 2017, TORM experienced zero oil spills larger than one barrel, but did experience one small oil spill overboard of less than one barrel. The incident was investigated and procedures revised where required.

GREEN HOUSE GAS EMISSION DATA

GREEN HOUSE GAS EMISSIONS DATA

	2017	2016	2015
VESSEL EMISSIONS AND INDICATORS			
Number of vessels in operation at the end of the year (in technical management)	74	76	72
Number of vessel months (one vessel one year equals 12 vessel months)	914	910	813
Usage of oil and the generated CO_2 emissions			
Used heavy fuel oil (ton)	236,505	308,467	343,785
Used low sulfur heavy fuel oil (ton)	0	0	9,579
Used marine gas oil (ton)	45,470	56,549	50,704
Generated CO_2 emission from vessels (ton)	882,253	1,141,862	1,262,933
NOx (ton)	20,800	26,992	30,227
SOx (ton)	11,728	15,289	17,477
Distance sailed in nautical miles	3,207,147	3,279,977	3,214,973
Average cargo on board (ton)	34,721	37,433	39,117
Ton-km	207,597,070,516	251,946,149,526	263,691,358,733
CO_2 emission in grams per ton-km (one ton of cargo transported one km)	4.3 g/ton-km	4.5 g/ton-km	4.8 g/ton-km
OFFICE EMISSIONS AND INDICATORS			
Electricity, heating and other office-related activities			
Electricity used in kWh in all office locations	849,644	924,951	1,099,823
District heating in Gj	1,293	1,619	1,340
Generated CO_2 emission in ton from office location	524	562	646
Number of office employees at the end of the year	296	277	271
CO_2 emission per employee (ton)	1.8	2.0	2.4
FLIGHT EMISSIONS AND INDICATORS			
Air mileage in kilometers	76,832,985	77,284,100	68,523,791
Number of travels	12,354	13,056	12,725
CO_2 emissions in ton	6,650	6,750	6,069

ENVIRONMENT – REPORTING SCOPE

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 2018, TORM had 74 vessels under technical management compared to 76 vessels as of 1 January 2017.

Office emissions are included from TORM's offices in Copenhagen, Mumbai, Singapore, Manila and Houston. TORM's offices in New Delhi and Cebu are not included as they have started tracking in 2018. Emissions from TORM's office in London is not included as data is currently unavailable. Emissions from air travel are included for all office staff and crew. Data from vessels is collected according to a specific reporting routine, mainly on a monthly basis but for certain data with less 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 2017 greenhouse gas emissions (GHG) reporting covers scope 1 (direct emissions from own production), scope 2 (emissions from own production but others' emissions) of the Greenhouse Gas Protocol except for the activities listed below and selected scope 3 (others' production and emissions services) activities.

- Scope 1
  Consumption of bunker oil has been calculated to CO_2 emissions using IMO's factors for heavy fuel oil and marine gas oil. SO_x and NO_x emissions are calculated using the third IMO GHG Study from 2014. Emissions are calculated for each single vessel and then consolidated. Numbers under the 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 air travel are provided by TORM's travel agent.

OTHER PRINCIPLES

2017 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 914 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_2 emission per ton-km is the full CO_2 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.
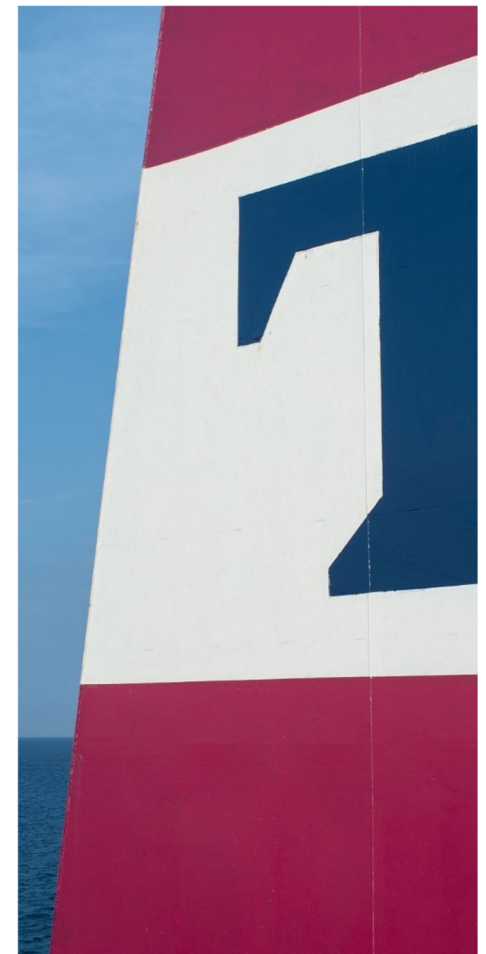
SAFETY

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

Respecting employee's 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 and the Sustainable Development Goals (SDGs). 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) AND NEAR-MISS

Lost Time Accident Frequency (LTAF) is an indicator of serious work-related personal injuries that result in more than one day off work per million hours of work. The definition of LTAF follows standard practice among shipping companies. During 2017, TORM had an LTAF of 0.67 (2016: 0.65). There has been a slight increase in the LTAF from 2016. Each injury has been investigated and corrective measures taken as required.

Near-miss reports provide TORM with an opportunity to analyze conditions that might lead to accidents and ultimately prevent accidents. A high number of near-miss reports indicate that the organization is aware of the risks and responds to them. In 2017, TORM exceeded the target of 6.0 near-miss reports per month per vessel on average by reaching 6.7 (2016: 6.7) due to continued focus on this area.

LOST TIME ACCIDENT FREQUENCY (LTAF)
Source: TORM

Year	LTAF
2015	0.96
2016	0.65
2017	0.67

Target for 2017: <1
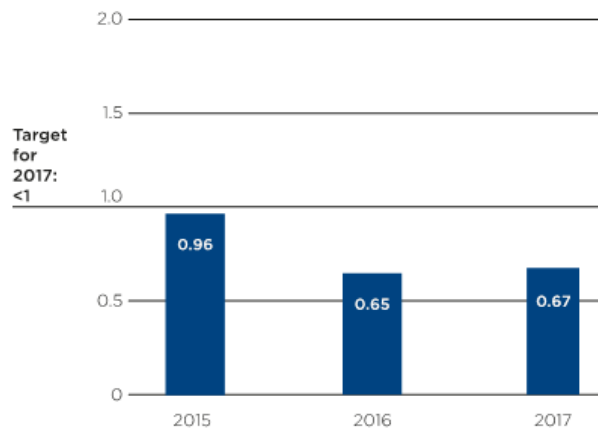
SECURITY

TORM's response to piracy is founded in the Best Management Practice 4. In 2017, TORM experienced one robbery, four attempts to board our vessels by suspected thieves and four cases of stowaways found on board the Company's vessels. Throughout the year, the security situation and developments in the 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 and industry guidelines.

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ONE TORM SAFETY CULTURE

In line with the Company's strategic focus on safety performance, TORM continued its focus on the safety culture program called *One TORM Safety Culture – driving resilience* in 2017.

In April 2017, a kick-off campaign for all employees at sea and ashore was launched. The campaign included workshops where employees were introduced to TORM's new safety philosophy and five best-practice behavior principles, the Five Safety I's: Insight, Innovation, Influence, Intervention and Integration. See figure: Five Safety I's.

The *One TORM Safety Culture - driving resilience* program is focused on continuously strengthening TORM's safety culture beyond compliance – the way we think about and act towards safety, including how we interact with each other across the organization. Thus, during 2017, safety was integrated as the fourth value in TORM's overall leadership philosophy.

In June 2017, a comprehensive safety training program was implemented for all staff. Depending on their role, employees ashore participated in *Basic Safety Behavior* or *Advanced Safety Behavior* courses.

For Senior Officers on board TORM's vessels, *Safety Leadership* courses were introduced with the intention of training the top four officers on board each vessel. These two-and-a-half-day workshops focus on how to be a good leader when it comes to safety and how to positively influence and support colleagues on TORM's journey to be the Reference Company within safety. *Safety Leadership* courses are mandatory for all Senior Officers and key marine shore staff.

In 2017, nine Safety Leadership courses have been conducted with a total of 175 attending officers. The program will continue in 2018 with new activities to ensure that the safety program is fully anchored across the organization.

INFLUENCE

INNOVATION

INSIGHT

INTEGRATION

INTERVENTION

FIVE SAFETY I's.

LABOR

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

Employees are the core and most valuable asset of TORM. The Company continues to grow and thrive due to the efforts and dedication of its staff both at sea and on land.

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 a whistleblower facility with an independent lawyer to detect any violations of laws, regulations or business ethics by TORM representatives as part of the internal control system. In 2017, the whistleblower facility received zero notifications.

EMPLOYEES AT SEA
TORM is compliant 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' technical management were audited and certified as required under the Maritime Labour Convention of 2006 when it took effect in August 2013.
In 2017, TORM continued its focus on increasing commitment and engagement among seafarers. At year-end, TORM's retention rate for Senior Officers was above 90%, and for the third year in a row TORM could demonstrate 100% compliance with customer requirements (the so-called officer matrix compliance).

In 2017, TORM continued its focus on increasing commitment and engagement among seafarers. In September 2017, TORM opened a branch office in Aero City, a prime business location in New Delhi, India. Thus, TORM expanded its presence in the important Indian crewing market and is now also able to provide closer proximity to seafarers from this location. Among other things, this means reduced domestic traveling for seafarers from this region and smooth sign-on and sign-off procedures.

Throughout the year, TORM continued its focus on activities to further improve cooperation between seafarers and the shore-based organization. For this purpose, the Company conducted seminars for its senior and junior officers as well as cadets, providing opportunities to interact with colleagues from the shore organization and share best practice regarding operation of TORM's vessels.

In 2017, TORM also continued its efforts to allow seafarers to join the same vessel whenever possible. The Company employs seafarers from several countries, and it is TORM's experience that having more than one nationality of seafarers on board the same vessel will help build a professional, resilient and safe working environment.

As part of the Company's continued focus on the promotion process, TORM introduced promotion logs and individual development plans in 2017. Furthermore, a new bonus program for seafarers was implemented during the year.
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EMPLOYEES ASHORE
TORM's annual employee motivation and satisfaction survey is of great importance to the Company. The increased positive results for 2017 prove that TORM continues to have dedicated and motivated staff.

In 2017, 96% of all shore-based employees worldwide participated in the voluntary survey, which in itself can be viewed as a testament to employee commitment. The outcome of the survey showed improvements in all

areas, notably with regard to categories covering engagement, reputation, loyalty and satisfaction.

TORM aims to attract and retain the best employees by living the TORM Leadership Philosophy values and by ensuring that the Company's leaders invest in their employees. Through the One TORM platform, the Company strives to continuously develop the employees' abilities to do what they do best.

At the end of 2017, the shore-based organization had 296 full-time employees: 127 in Hellerup, 109 in Mumbai, two in New Delhi, 36 in Manila, two in Cebu, 14 in Singapore, five in Houston and one at the Company's office in London.

ANTI-CORRUPTION AND ANTI-BRIBERY

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.

Corruption and bribery impede global trade and can restrict non-corrupt companies' access to international markets. In this way, corruption and bribery have a negative impact on economic and social development. For TORM, the risk of corruption does not only mean increased costs. Corruption also exposes TORM's seafarers to safety and security risks and poses a potential risk to the Company's legal standing and reputation.

TORM does not accept corrupt business practices and as part of its compliance program, TORM has a policy on anti-bribery and anti-corruption, which supports the Company's Business Principles.

It is TORM's policy to conduct all business in an honest and ethical manner. TORM has a "zero tolerance" approach to bribery and corruption, and the Company is committed to acting professionally, fairly and with integrity in all business dealings and relationships, wherever the Company operates. TORM will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which the Company operates.

To continue a high level of transparency and accountability, due diligence, monitoring and control as well as training of TORM's staff are central parts of implementing the anti-corruption and anti-bribery policy.

In 2011, TORM co-founded the Maritime Anti-Corruption Network (MACN) to take a joint stand within the industry towards the request for facilitation payments, which exist in many parts of the world where TORM conducts business. Within the network, best practices are shared and members align their approach to minimizing facilitation payments.

The network seeks support from government bodies and international organizations to eliminate the root causes of corruption. TORM is committed to addressing corrupt business practices among stakeholders by supporting this cross-sector approach.

In addition to its efforts within MACN, TORM continued to strengthen its companywide anti-corruption policies in 2017 to mitigate the risk of bribery and corruption. TORM has continued its anti-corruption training program, which includes mandatory anti-corruption courses for all shore-based staff and all officers on board TORM's vessels. The training not only targets new hires, but must be repeated once a year by all the mentioned employees. TORM will continue these efforts in 2018.

HUMAN RIGHTS

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

HUMAN RIGHTS

With the TORM Leadership Philosophy, TORM's Business Principles and commitment to the United Nations Global Compact, TORM is committed to respecting internationally recognized human rights as outlined in the United Nations Guiding Principles on Business and Human Rights (UNGPs).

TORM recognizes that implementing the necessary policies and respective processes to be in line with the requirements of the UN Global Principles is part of an ongoing effort. Going forward, TORM will continue to promote its human rights-related policies and processes.

No claims or offenses have been reported regarding human rights in 2017.
Read more about TORM and our CSR efforts at
http://www.torm.com/csr-at-torm.

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 in which TORM operates.

In 2017, 18 students supported by the TORM Philippines Education Foundation graduated. For the school year 2017/2018, the Foundation supports 72 scholars across the Philippines. By June 2018, it is expected that the scholarship program will support an additional 19 new students. Apart from maritime and general education, the program also includes training courses for teachers and a four-year training program for scholars. Furthermore, the program encompasses the distribution of IT equipment and school kits for students in rural schools.

In India, TORM supported the building of the ZP Prathmik School in Zadgewadi near Kurkumbh, Pune, which was opened in 2017. With donations from the Company, the school was constructed and the facilities were furnished.

The schools enable the students to raise their level of education and increase their 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. The benefits also include professional and well-educated potential employees for TORM. Thereby, Company's brand image in competition for the best shipping talents improves.

MANAGEMENT SIGNATORIES

TORM's management is committed to responsible
behavior and continues its support of the principles of
the UNCG. 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 **Jesper S. Jensen**
Executive Director   Head of Technical Division