

TCFD⁴ Disclosure 2022

TORM PLC
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Executive summary

In 2022, TORM conducted a climate-related scenario analysis using the Task Force on Climate-related Financial Disclosures (TCFD) guidelines to assess transition and physical risks and opportunities and how they might impact the resilience of our company strategy.

To complete this, we engaged with an external consultancy company and developed three bespoke climate scenarios to assess TORM's risks and opportunities: Net Zero 2050 (+1.5°C), Delayed Transition (+1.8°C) and Hot House World (+3°C). TORM's scenarios were based on publicly available scenarios published in 2021 by the International Energy Agency, the Network for Greening the Financial System and the IPCC Sixth Assessment Report. The scenarios were supplemented by data and insights relevant to upstream and midstream oil and gas, and the transport of refined oil products.

The scenarios considered TORM's full value chain, including upstream oil and gas production, refining, and downstream customer demand. The scenarios also examined production and demand for renewable energy fuels and technologies, including biofuels, hydrogen, ammonia, and carbon capture utilization and storage (CCUS).

The process to undertake the scenario analysis included a workshop with TORM's CFO and senior representatives from Finance, Investor Relations, Risk, Strategy, Market Research, and Operations and Technical departments to consider the three scenarios and identify climate-related risks and opportunities. The risks and opportunities were

then assessed for financial materiality and their potential impact on TORM's business model and strategy.

The scenario analysis identified four financially material climate-related risks:

- Risk 1: Declining demand for oil and gas
- Risk 2: Higher cost of capital and reduced access to capital
- Risk 3: Carbon price regulations
- Risk 4: Decarbonization of vessels

And three financially material climate-related opportunities:

- Opportunity 1: Diversification into transport of low-carbon and renewable fuels
- Opportunity 2: Market volatility due to weather and refinery consolidation
- Opportunity 3: Higher asset utilization due to vessel supply shortage

Details on the financial impact, risk mitigations, and strategies to capture the opportunities are outlined in this disclosure, along with information on TORM's governance of climate-related risks and opportunities, and the metrics and targets which TORM uses to assess and manage them.

The findings from the scenario analysis were presented to TORM's Senior Management Team and the Risk Committee and were considered as part of TORM's corporate strategy process to improve its resilience.

The climate-related risks identified through the scenario analysis exercise have been incorporated into TORM's annual Enterprise Risk Management process and the Enterprise Risk Management Report.

Governance	Disclose the organization's governance around climate-related risks and opportunities.
a Describe the Board of Directors' oversight of climate-related risks and opportunities	The Risk Committee has oversight of climate-related risks and opportunities through its responsibility for the governance of TORM's enterprise risks, which includes climate-related risks and opportunities. The Risk Committee is composed solely of independent Non-Executive Directors. The Risk Committee meets three times a year at a minimum and is a permanent committee reporting to the Board of Directors. The Audit Committee has oversight of financial reporting, external audit, internal controls, and risk management. It also oversees non-financial reporting, including the annual sustainability report. The Board of Directors approves TORM's quarterly financial results and annual sustainability report.
b Describe Management's role in assessing and managing climate-related risks and opportunities	The Senior Management Team has overall management responsibility for climate-related risks and opportunities at TORM. The CFO is responsible for the development of TORM's ESG strategy and reporting. The Head of External Reporting monitors new ESG-related regulatory requirements and develops initiatives to ensure that TORM complies with stakeholder expectations. Strategies to explore and develop business opportunities both related to customers, brokers, and industry stakeholders, and further energy efficiency technologies to increase decarbonization on commercially viable terms are led by the Head of Commercial Decarbonization and the Head of Technical Decarbonization. Risks related to climate change are incorporated into TORM's Enterprise Risk Management process and the annual Enterprise Risk Management Report.
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.
a Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	In 2022, TORM undertook an assessment of the transition and physical climate-related risks and opportunities which it faces until 2050. The assessment used three climate scenarios (described in further detail below) and defined short, medium, and long term as 2025, 2030 and 2050, respectively. The following climate-related risks and opportunities were identified. Risk 1: Declining demand for oil and gas Type of risk Market. Description of the risk The outlook for oil demand and traditional, refined products such as gasoline and diesel varies significantly across scenarios. In the Net Zero 2050 scenario (IEA NZE), oil demand peaked in 2019 and will decline rapidly, falling by 71% to 24mb/d by 2050, driven mainly by the electrification of transport. In the Delayed Transition scenario, oil will peak in 2030 and will fall rapidly from then. In these scenarios, reduced demand for oil and gas would also significantly impact the refining sector with runs declining by 85% in the Net Zero 2050 scenario as demand for traditional, refined products such as gasoline and diesel will fall. The reduction in demand for oil and traditional, refined products under these scenarios would significantly reduce the volumes of refined oil products carried by the tanker industry in the medium to long term. TORM's profitability is vulnerable to this decline in demand and subsequent changes to transportation patterns.

By contrast, oil demand will rise by 11% in the Hot House World scenario (IEA STEPS), peaking in 2035 and reaching 91m/bd in 2050.

Potential financial impact

We estimate that reduced demand for products and services in the Net Zero 2050 scenario would lead to a significant decline in net profit in the medium term and a decline in asset value due to write-offs, asset impairment, or early retirement of existing assets.

While the impact is deemed significant, this risk is considered unlikely in the medium term (2025-2030) given the current demand for oil and traditional, refined oil products such as gasoline and diesel.

In the Net Zero 2050 scenario, the IEA estimates a 71% decline in oil demand from 2019 to 2050. Given the difficulty in forecasting tanker market dynamics over such a long-term period, it is not possible to provide a financial impact estimate for the period from 2030 to 2050.

Risk mitigation

TORM is responding to this risk through four levers:

1. Given the divergence in oil demand across scenarios, TORM is monitoring this risk closely by following a number of “disruption indicators” which function as a warning sign as to whether TORM’s corporate strategy needs to be reconsidered, including our investment strategy in newbuildings. This risk and the disruption indicators are a reoccurring agenda item at every meeting of the Risk Committee
2. To ensure competitiveness in a potentially declining market, TORM aims to exceed emission efficiency requirements set by the IMO and to decarbonize its fleet by targeting a 40% reduction in CO₂ emissions by 2025 and a 45% reduction in 2030 from a 2008 baseline
3. To become less exposed to the potential decline in oil transport volumes, TORM is investigating diversification into transport of renewable fuel types (see opportunity 1)
4. Further to these mitigations, there is a strong opportunity for higher implicit asset utilization due to vessel supply shortage (see opportunity 3)
5. To mitigate the risk of a decline in asset value, we apply modest financial gearing (net LTV and gross LTV can be found in the most recent quarterly report) and operate in a lease structure to remove asset risk due to the repurchase option

The cost of monitoring the risk is low. If the risk did materialize, TORM would respond to it through its corporate strategy. This response is difficult to price given the uncertainty in timing and the type of response which TORM would give.

Risk 2: Higher cost of capital and reduced access to capital

Type of risk

Reputational risk: Access to capital.

Description of the risk

Banks and institutional investors are reducing the carbon intensity of their portfolios in order to align with the Paris Agreement thresholds, meet requirements of global industry organizations such as the Poseidon Principles, and comply with regulations such as the EU’s SFDR and the EU Taxonomy, the purpose of which is to direct finance towards green activities.

Over time, this may lead to the withdrawal of banks and investors from the oil and gas value chain, including tanker companies carrying refined oil products. It may also affect pricing due to a potential reallocation of funds available to shipping from banks and investors.

This may impact TORM's ability to fund investments as terms such as price (margin), repayment profile, loan-to-value, covenants, and tenor become less attractive, or issuing shares or obtaining funding becomes less accessible to TORM.

Lack of adequate financing would impede the ability to grow the business or maintain the current average fleet age. Moreover, in case funding terms deteriorate, TORM's long-term profitability would be negatively impacted by higher break-even rates. This could ultimately lead to inability to refinance expired debt or to resist critical pressure on liquidity by raising capital.

Potential financial impact

We estimate that this risk would result in a moderate increase in indirect costs in the medium and long term. The risk of limited access to funding is currently considered relatively low but is expected to increase as new regulation is introduced in the medium term.

In the long term, the trend is expected to continue with the withdrawal of banks from the sector and a more limited pool of investors over time, resulting in more expensive debt/equity financing.

Risk mitigation

TORM is responding to this risk by:

1. Maintaining a conservative capital structure profile and access to multiple funding sources
2. Investigating diversification into transport of renewable fuel types to become less exposed to the potential decline in oil transport volumes (see opportunity 1)
3. Staying within the top quartile in the tanker industry in decarbonizing its fleet which is important in order to remain attractive towards the financial markets. For this reason, TORM is targeting to reduce emissions faster than required by the IMO and as a minimum meet all efficiency requirements set by the IMO. This is reflected in our targets to decarbonize our fleet through a 40% reduction in CO₂ emissions by 2025 and a 45% reduction in 2030 from a 2008 baseline

The cost of maintaining a conservative capital structure is limited. Costs related to reducing emissions from TORM's fleet are described in Risk 4. The cost of diversification is not yet possible to estimate.

However, if TORM is successful in diversifying its revenue out of oil and gas, the medium to long-term net impact could potentially be zero.

Risk 3: Carbon price regulations

Type of risk

Emerging regulations.

Description of the risk

The number of carbon markets around the world is increasing. In addition to the EU emissions trading system (EU ETS), over 50 national and sub-national jurisdictions are currently operating or planned.

The EU has announced plans to include emissions from shipping within the EU ETS for voyages to and from the EU from 2024 onwards. It is expected that additional jurisdictions will include emissions from shipping, and there is potential for the IMO to introduce a global shipping carbon pricing mechanism.

Potential financial impact

This risk would significantly increase TORM's operating costs in the medium term due to carbon taxes to comply with the EU ETS.

Risk mitigation

Any carbon tax would be incorporated into the market rate, and, thus, TORM would only be exposed if its vessels' emissions were higher than the "average vessel" of competitors. To limit this exposure, TORM is targeting to reduce emissions faster than required by the IMO and as a minimum meet all efficiency requirements set by the IMO. This is reflected in our targets to decarbonize our fleet through a 40% reduction in CO₂ emissions by 2025 and a 45% reduction in 2030 compared to the current IMO target of a 40% reduction in 2030.

Limiting exposure, coupled with the expectation that the majority of the carbon cost will be passed on to customers, means that the net impact after mitigation is expected to be negligible. Costs relating to reducing emissions from TORM's fleet are described in Risk 4.

Risk 4: Decarbonization of vessels

Type of risk

Emerging regulation: Mandates on and regulation of existing products and services.

Technology: Substitution of existing products and services with lower emissions options.

Market: Changing customer behavior.

Description of the risk

Requirements from the IMO and from customers to operate vessels using low-carbon technologies pose a transition risk to TORM and other vessel owners as existing vessels may become obsolete earlier than initially expected, resulting in stranded assets.

As an owner and operator of a modern fleet, TORM continuously needs to replenish and renew its fleet or technically upgrade it with viable technologies.

However, there is a number of obstacles which need to be overcome in order for shipping to transition to low-carbon or "green" fuels. These include:

- The maritime industry is complex, global, and decentralized
- The current cost gap between conventional fossil fuels and alternative fuels is high, leaving few financial incentives to make the switch
- And even if shipowners wanted to switch, the supply chains for alternative fuels are not yet ready for global distribution to accelerate the transition

Potential financial impact

This risk could result in a significant increase in CAPEX. The required investment in CAPEX to reduce emissions faster than required by the IMO and as a minimum meet all efficiency requirements set by the IMO could be significant, if we do not upgrade vessels sufficiently.

This risk also has the potential to lead to stranded assets due to selection of the wrong engine technology and higher operating costs for alternative fuels.

Risk mitigation

TORM is responding to this risk by:

1. Focusing on using known solutions to decarbonize our fleet and awaiting investments in new technologies
2. Participating in industry decarbonization groups which facilitate the development and implementation of new technologies and drive the required systemic and regulatory change, such as the Mærsk Mc Kinney Møller Center for Zero Carbon Shipping
3. Targeting to reduce emissions faster than required by the IMO and as a minimum meet all efficiency requirements set by the IMO. This is reflected in our targets to decarbonize our fleet through a 40% reduction in CO₂ emissions by 2025 and a 45% reduction in 2030 from a 2008 baseline

Costs relating to points one and two above are negligible, and the cost of point three is captured in the risk exposure itself.

Opportunity 1: Diversification into transport of low-carbon and renewable fuels

Type of opportunity

Products and services: Development and/or expansion of low emission goods and services.

Description of the opportunity

Demand for low-carbon fuels will increase under the Net Zero 2050 and Delayed Transition scenarios. This includes biofuels, green methanol, liquid hydrogen, and hydrogen-based fuels such as ammonia.

Biofuels and green methanol are expected to be the first wave of decarbonized fuels and grow across the three climate scenarios. Liquid hydrogen and ammonia are expected to be the second and more lasting wave of decarbonization under the Net Zero 2050 and Delayed Transition scenario where it is expected to be 2-3 times larger than the biofuel market by 2040.

There are significant similarities across the business model, customer segments and vessel operation of transporting these new products, and TORM therefore has an opportunity to diversify its revenue into these new and growing markets. This applies particularly to biofuels, which 64% of TORM's fleet is already able to carry.

Potential financial impact

TORM will assess the size of this revenue opportunity which would be expected to materialize in the medium to long term.

Strategy to realize the opportunity

To realize this opportunity TORM is:

1. Monitoring this opportunity closely by following a number of "disruption indicators" which function as warning signs as to whether TORM's corporate strategy needs to be reconsidered, including our investment strategy in new buildings
2. Actively pursuing opportunities within the biofuel market to start building a market position with existing assets and capabilities
3. Upgrading a number of vessels in TORM's current fleet to carry methanol, which will make us a large player in the methanol carrier segment
4. Investigating the opportunity in the hydrogen/ammonia segment and investigating different initiatives with potential customers. A move into this segment would require additional investments in different assets

Monitoring of disruption indicators and pursuit of biofuel opportunities are marginal and part of business as usual. Costs related to upgrading our vessels to carry methanol are currently being assessed. The price of a typical ammonia carrier varies from USD 50-60m depending on size.

Opportunity 2: Market volatility due to weather and refinery consolidation

Type of opportunity

Increased revenue due to opportunities created as a result of disruption to refinery production and increased market volatility.

Description of the opportunity

Across all three scenarios, the frequency and intensity of extreme weather such as tropical cyclones and storm surges will increase as compared to a world without climate change. An increase in extreme weather would lead to more frequent disruption to refinery production, resulting in a higher frequency of market volatility.

TORM has an opportunity to improve its forecasting for these events and the positioning of its vessels to take advantage of the supply and demand imbalances which occur during periods of market volatility.

Potential financial impact

This opportunity is expected to have a medium positive impact on revenue per annum in the short to long term. TORM is already earning revenue by being better positioned than peers during periods of market volatility. Our assumption is that the size of this opportunity may increase by 2030 due to the increased frequency of market disruptions as a result of extreme weather events disrupting refinery production, or due to consolidation or closure of refineries creating tightness in the local market.

Strategy to realize the opportunity

TORM is realizing this opportunity through:

- Investments in vessel positioning tools, route optimization through advanced use of AI models, and a data driven culture governed by TORM's BI and data strategy
- Predictive analytics and AI to better forecast these extreme events and have our vessels positioned to take advantage of this

The cost of these investments is negligible and already part of TORM's existing operation.

Opportunity 3: Higher asset utilization due to vessel supply shortage

Type of opportunity

Market: Changing market dynamics due to underinvestment in new assets and continued demand.

Description of the opportunity

Across all three scenarios, it is expected that investments in newbuildings vessels will be limited due to reduced access to capital, uncertainty relating to the transition of shipping to new fuel types, and uncertainty relating to future demand for oil products.

Except for the Net Zero 2050 (+1.5 degree) scenario, it is, however, expected that the demand for oil products will remain strong in the medium term. When combining these factors, there is a strong likelihood that high vessel utilization will be strongly supported due to continued demand for refined oil products and a reduction in supply due to older vessels being scrapped or unable to remain competitive due to decarbonization requirements.

TORM could see higher asset utilization of its existing fleet due to a supply/demand imbalance in the short to medium term.

In addition, the limited investments in newbuildings due to uncertainty around future technology and propulsion choices will stretch the world fleet for the ton-mile demand. This will lead to an overall increase in freight rates.

Combined, TORM could see increased revenues resulting from the supply/demand imbalance and related increase in rates.

Potential financial impact

We estimate that the improved asset utilization from this opportunity could have a positive impact on TORM's earnings up until 2030.

	Strategy to realize the opportunity - Monitoring of a number of “disruption indicators” to assess the likelihood of the opportunity materializing - Remaining exposed to the refined oil products segment in the medium term to capture the opportunity whilst diversifying revenue in the longer term The cost of capturing this opportunity is negligible and already part of TORM’s existing operations.
b Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning	At TORM, climate-related risks and opportunities are fully embedded in the corporate strategy and financial planning process. TORM’s corporate strategy consists of three key elements of which one is to achieve a “greener future with a zero-emission ambition”. We believe that decarbonization will have a significant impact on the future of the product tanker business, but at the same time we acknowledge that refined oil products will continue to play an essential role in the global economy across all scenarios. Our objective is to distribute refined oil products with the lowest carbon intensity possible given currently accessible means. To achieve our ambition, TORM is: 1. Optimizing performance now TORM is maintaining focus on the optimization and improvement of our existing fleet and on enhancing the efficiency of our existing fleet by applying a broad set of operational and technical improvements. TORM has allocated more than USD 20m in capital expenditure for 2023 for this purpose. In our efforts to obtain commercially viable and environmentally friendly results, we have established a new position as Head of Commercial Decarbonization, a role that together with our Head of Technical Decarbonization will be pivotal in exploring and developing business opportunities with our customers, brokers, and industry stakeholders so that we can utilize the power of our integrated platform to reinforce our position as a leading product tanker owner. 2. Participating in long-term industry collaboration Alternative fuels in shipping will be required on a global scale to reach the ambitious 2050 targets set by the IMO. TORM supports broad industry cooperation to accelerate the decarbonization of shipping by joining industry groups such as the Mærsk McKinney Møller Institute for Zero-Carbon Shipping as a Mission Ambassador. TORM monitors the development of new fuels and associated technologies, and TORM aims to be part of shaping their development and deployment whenever this is commercially and operationally viable. 3. Setting a 2030 target and a 2050 ambition To ensure competitiveness in a potentially declining market, TORM has set the goal to accelerate our climate target and deliver at least a 40% CO₂ emission reduction by 2025 – instead of in 2030 – compared to a 2008 baseline using IMO’s defined methodology, and a 45% reduction by 2030. For the long term, TORM has an ambition to achieve zero CO₂ emissions from operating our fleet in 2050. To support these goals, TORM’s Management (and from 2023 TORM’s organization) has specific KPIs on achieving this trajectory, and the impact on the trajectory is included as a decision-making criterion for instance when assessing fleet renewal options. The outlook for oil demand and traditional, refined products such as gasoline and diesel varies significantly across scenarios. Therefore, TORM monitors a number of “disruption indicators” which function as warning signs as to whether TORM’s corporate strategy needs to be reconsidered, including our investment strategy in newbuildings. This risk and the disruption indicators are a reoccurring agenda item at every meeting of the Risk Committee.
c Describe the resilience of the organization’s strategy, taking into consideration different climate-related	In 2022, TORM conducted a climate-related scenario analysis using the TCFD guidelines to assess transition and physical risks and opportunities under multiple climate scenarios and how they might impact the resilience of TORM’s company strategy. Three bespoke scenarios were developed for the analysis: Net Zero 2050 (+1.5°C), Delayed Transition (+1.8°C) and Hot House World (+3°C):

scenarios, including a +2°C or lower scenario

Net Zero 2050 scenario

- The Net Zero 2050 scenario is an ambitious scenario which will limit global warming to +1.5°C. It is an orderly scenario which includes stringent climate policies and fast technology change to reach net-zero CO₂ emissions in 2050. Carbon prices in advanced economies rise to USD 130 t/CO₂ in 2030, USD 205 t/CO₂ in 2040 and USD 250 t/CO₂ in 2050 (source: IEA WEO 2021). The shadow cost of carbon rises to USD 185 t/CO₂ in 2030, USD 350 t/CO₂ in 2040 and USD 675 t/CO₂ in 2050 (NGFS 2021). This scenario tests for immediate transition risk and low physical risk

Delayed Transition scenario

- In the Delayed Transition scenario, a delay means that global emissions will increase until 2030 and then strong policies are needed to limit warming to +1.8°C. The shadow cost of carbon rises rapidly from USD 70 t/CO₂ in 2030 to USD 325 t/CO₂ in 2040 and USD 625 t/CO₂ in 2050 (NGFS 2021). This disorderly scenario tests for delayed and high transition risk

Hot House World scenario

- This scenario assumes that only currently implemented policies are preserved, leading to high physical risks. Emissions will continue to grow until 2080 leading to +3°C of warming and severe physical risks. This includes irreversible changes like higher sea level rise. Carbon prices remain relatively low. This scenario can help to consider the long-term physical risks if we continue on our current path to a “hot house world”
- We paired this scenario with data from the IPCC SSP5-8.5 scenario

TORM's scenarios were based on publicly available scenarios published in 2021 by the International Energy Agency (IEA), the Network for Greening the Financial System (NGFS), and the IPCC Sixth Assessment Report. The scenarios were supplemented by data and insights relevant to upstream and midstream oil and gas, and the transport of refined oil products.

The IEA scenarios considered as input included the Net Zero Emissions (NZE), Announced Pledges (APS) and Stated Policies (STEPS) scenarios published in the World Energy Outlook 2021, along with the WEO 2021 extended data set.

The NGFS scenarios considered as input included the Net Zero 2050 scenario (an orderly scenario), Delayed Transition (a disorderly scenario) and Current Policies (a disorderly scenario) published in 2021.

For physical climate risk, we used data from the updated high emissions scenario SSP5-8.5 in the IPCC Sixth Assessment Report published in September 2021.

The scenarios considered TORM's full value chain, including upstream oil and gas production, refining and downstream customer demand. The scenarios also examined production and demand for renewable energy fuels and technologies, including biofuels, hydrogen, ammonia, and carbon capture utilization and storage (CCUS).

TORM's process included a workshop with the CFO and representatives from Finance, Investor Relations, Risk, Strategy, Market Research, and Commercial and Technical departments to consider the three scenarios and identify climate-related risks and opportunities. Existing climate-related risks included in TORM's ERM system were also included, and an analysis of risks and opportunities identified by companies across the oil and gas value chain was also completed.

The process identified a list of climate-related risks and opportunities which were then assessed for financial materiality and potential impact on TORM's business model and strategy. This step involved the Head of Treasury, the Head of IR and the strategy office.

The findings from the scenario analysis were used as input to TORM's corporate strategy development process to improve its resilience.

The process and findings were presented to TORM's Senior Management Team and to the Risk Committee.

Key findings from the climate scenario process:

- The electrification of transport will reduce demand for refined oil products in all three scenarios to a varying extent (in the Hot House World scenario, the lower demand is offset by an increase in aviation and shipping)
- Demand for low-carbon fuels will increase under the Net Zero 2050 and Delayed Transition scenarios. This includes biofuels, green methanol, liquid hydrogen, and hydrogen-based fuels such as ammonia
- The global refining industry is under pressure across all scenarios, whether from changes to product demand, risk of stranded assets, or from cyclones, storm surges, and water stress. In all scenarios, refineries in Europe will close as demand shifts to Asia Pacific
- The Net Zero 2050 and Delayed Transition scenarios will create challenging conditions for the tanker market due to the costs of decarbonizing vessels and the destruction of product demand. The tanker market will grow in the Hot House World scenario
- Import dependency on fossil fuels in developing economies in Asia will remain high in all scenarios, leading to further concentration of trade flows between the Middle East and Asia
- An increase in the frequency and intensity of extreme weather such as tropical cyclones and storm surges may lead to more frequent disruptions to refinery production and higher market volatility

Risk management

Disclose how the organization identifies, assesses, and manages climate-related risks.

a Describe the organization's processes for identifying and assessing climate-related risks	The climate-related risks identified through the scenario analysis exercise have been incorporated into TORM's annual Enterprise Risk Management (ERM) during which the critical risks which TORM is facing were identified, assessed, and discussed by TORM's Senior Management Team and included in the Enterprise Risk Management Report delivered to the Risk Committee.
b Describe the organization's processes for managing climate-related risks	The Enterprise Risk Management Report sets the tone for risk management in TORM and indicates how risk management supports TORM's strategy. The Enterprise Risk Management Report includes TORM's definitions of risk and risk management, the risk management objectives, the risk approach and philosophy as well as the various responsibilities and ownership for risk management within TORM.
c Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	TORM prepares an internal Enterprise Risk Management Report which assesses risks as per their financial, reputational and compliance impact. For climate-related risks and opportunities, we define the types of risks by using the TCFD guidance for transition and physical risk categories. The Risk Committee assists the Board of Directors in fulfilling its responsibilities relating to the oversight of the quality and effectiveness of the company-wide risk management program including strategic, operational, compliance, HSSE-related, financial, credit, market, reputational and other risks. The full terms of reference for the Risk Committee are available at: https://s27.q4cdn.com/924515718/files/doc_downloads/governance_documents/2021/Risk_Committee_-_Terms_of_Reference_(clean).pdf The risk of substitution of oil for other energy sources will most likely have a negative impact on the tanker markets. TORM manages this market risk through reports to the Risk Committee on the development of "disruption indicators" which function as warning signs as to whether the strategy needs to be reconsidered. Indicators are adjusted when appropriate. Disruption indicators are a reoccurring agenda item at all Risk Committee meetings. TORM also manages its climate risks through membership of industry bodies such as the Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping, where we work with industry partners, hereunder Danish Shipping, and knowledge specialists to achieve zero carbon shipping by 2050. In addition, TORM is an active member of industry organizations such as the Getting to Zero Coalition and Danish Shipping. Throughout the year, specialists across TORM interact with our customers and other stakeholders (including employees, community, suppliers, investors, and authorities) to ensure an open dialogue. This includes our ongoing dialogue with financial institutions to ensure a high level of transparency in our climate efforts – both ashore and at sea. On a day-to-day basis, TORM manages policy and legal risks by monitoring regulatory developments in the markets where it operates, and in particular with regard to the EU's FuelEU Maritime Initiative and proposal to include shipping in the emissions trading scheme (ETS), as well as the IMO's Initial Strategy for international shipping which seeks to reduce greenhouse gas (GHG).

Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
a Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	The following metrics are currently under consideration by TORM for use in assessing climate-related risks and opportunities: GHG emissions: • Absolute scope 1, 2 and 3 GHG emissions • Intensity-based scope 1 GHG emissions • AER: gCO₂e / dwt x nm • EEOI: gCO₂e / cargo x nm Climate-related risks and opportunities • The metrics used to track mitigation of transition risks and progress on climate-related opportunities. Key indicators for Absolute Scope 1+2 emissions reductions: • Electricity consumption kWh – Scope 2 • Energy consumption in ton: Heavy fuel, low-sulfur fuel and marine gas oil Key indicators of revenue diversification away from O&G: • Share of fleet able to transport low-carbon fuels • Share of revenue from transporting low-carbon fuels Key indicators of exposure to carbon trading schemes: • Gross Scope 1 covered under EU ETS or other trading schemes Capital deployment Amount of investments deployed for climate-related risks and opportunities: • CAPEX investment in vessel decarbonization activities • Share of total CAPEX relating to decarbonization Internal carbon price Price on each ton of carbon used internally by TORM for investment decisions: • Currently being developed (USD/tCO₂e) Remuneration Proportion of executive management remuneration linked to climate considerations: • Subject to various decision criteria, up to 14.6% of the CEO's total bonus payment relates to AER performance against target

b	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks TORM discloses its Scope 1, 2 and 3 greenhouse gas (GHG) emissions in its 2022 Responsibility Report which is available at: https://www.torm.com/responsibility/responsibility-reports/default.aspx
c	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets The following targets are used by TORM to manage climate-related risks and opportunities: - Targeting to reduce Scope 1 emissions from fuel consumptions on its vessels faster than required by the IMO measured in AER and from a 2008 baseline 40% reduction by 2025 45% reduction by 2030 100% reduction by 2050 - CAPEX investment in vessel decarbonization activities of more than USD 20m in 2023. From 2024 to 2030, TORM expects to agree new CAPEX targets - Currently in the process of developing targets for the following metrics: - Scope 2 (absolute) - Scope 3 (absolute or intensity) - Share of fleet able to transport low-carbon fuels - Share of revenue from transporting low-carbon fuels