HAFNIA

Member of BW Group

HAFNIA ANNUAL REPORT 2021

Annual Report 2021

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Letter from the CEO

2021 was another year full of many challenges, as the world continued to confront the Covid-19 pandemic. Although it was a year fraught with difficulties and cycles of hope and disappointment, I think we should all be proud of our individual and collective resilience. As for Hafnia, this is especially true. We continue to be indebted to the admirable service of our seafarers – frontline workers who are constantly sacrificing to keep the world moving. Travelling during these times has not been easy, but it is even harder to be away from loved ones when there is so much uncertainty in the world. So please join me in thanking Hafnia's seafarers, and seafarers around the globe, for the vital service they are providing to the world.

"Future-proofing" through consolidation

Despite the difficulties of 2021, we have a lot to be excited about at Hafnia. The year was full of significant accomplishments: we took advantage of the market downturn to position the company robustly for the future.

Of course, the headline news was the CTI and Scorpio transactions that saw us add 44 modern tankers to our fleet – cementing our position as the world's leading product and chemical tanker shipping company. These transactions underscore Hafnia's commitment to grow our platform in order to maximise stakeholder value, and the fact that leading institutional investors are willing to receive Hafnia shares as payment speaks to the strength of Hafnia's platform.

Consolidation enables us to achieve improved earnings capability through the shipping cycle, especially in the face of volatile markets. The recent transactions immediately enhanced our trading flexibility through the ability to carry both clean petroleum products and chemicals – limiting ballast time by optimising triangulation and offering material cost synergies. All of this ultimately allow us to create a more sustainable and future-proof transportation business. To this end, we still see the need for more consolidation in the industry and we will still look to participate – if the right opportunity presents itself.

Strong focus on improving our ESG performance

On top of our notable consolidation efforts, we made a lot of progress improving the environmental profile of our fleet and developing our company culture through deliberate and thoughtful leadership training programmes.

In 2021, we continued to make notable progress towards our emissions reduction measures and the optimisation of our vessel operations. We are committed to meeting the IMO's Carbon Intensity Targets ahead of schedule, including its regulations on sulphur emissions and 2030 goals to reduce carbon intensity by 40% and total GHG emissions by 50% against a 2008 baseline.

We are working hard to reduce our current fleet's carbon intensity to 4.35 gms/T NM by 2028, meeting the IMO's 2030 targets ahead of schedule. In 2021, Hafnia's carbon intensity as measured by the Annual Efficiency Ratio (AER) was 5.40gms/T NM, 6.40% better than the present IMO baseline. In 2021, Hafnia's owned vessels sailed 161,634 nautical miles (NM) more than 2020. Despite this they consumed 7,256 MT less fuel and emitted 22,866.8 MT less CO_2, with the Energy Efficiency Operational Index (EEOI) improving by 2% compared to 2020.

On the social front, the industry faces several challenges, chief among them gender diversity and employee health and safety. Hafnia recognises the leading role it has to play in addressing these issues and is consistently working on initiatives to ensure a fair, safe and inclusive work environment, where everyone is encouraged to achieve their full potential. This past year we launched several initiatives to help achieve and maintain this positive working culture, including mental health and wellbeing programmes and employee assistance initiatives. It is important to us that all our employees have a voice, hence our monthly townhall meetings and diversity group surveys, and that everyone at Hafnia is aware of our activities and challenges through our regular internal magazines and newsletters.

On the governance front, simply put, Hafnia is committed to upholding the highest corporate governance standards in the industry. Hafnia's governance policies and practices are created to comply with applicable laws and ethical standards while being mindful of the Company's long-term performance and financial soundness. The policies abide to the overall principles of uprightness and fairness in accordance with leading market practices, while aligning with the interests of the board and directors and management, and balancing the reasonable expectations of all stakeholders. If any of our stakeholders feel there are ways we can improve our governance frameworks, we encourage you to share your thoughts with us.

Looking ahead

The fourth quarter of 2021 showed improved earnings for the product tanker segment. I am pleased with our performance relative to peers under circumstances that continue to be challenging for the industry and the world.

Amidst this considerable uncertainty, Hafnia has achieved much to be proud of and is excited about the future.

Mikael Skov, CEO

Key figures

Income statement USD million	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2021
Operating revenue	179.3	198.0	189.5	244.4	811.2
TCE income	100.0	101.6	88.7	112.6	402.9
EBITDA	37.1	37.9	29.7	47.1	151.8
Operating (loss)/profit (EBIT)	(2.2)	(0.9)	(7.9)	6.1	(4.9)
Financial items	(12.7)	(9.0)	(10.7)	(12.1)	(44.5)
Share of loss from associate and joint ventures	(0.3)	(0.6)	(0.7)	(0.2)	(1.8)
Loss before tax	(15.2)	(10.5)	(19.3)	(6.1)	(51.1)
Loss for the period	(15.7)	(11.2)	(20.7)	(7.9)	(55.5)
Balance sheet					
Total assets	2,496.2	2,450.7	2,465.2	2,511.0	2,511.0
Total liabilities	1,353.8	1,319.3	1,352.1	1,398.9	1,398.9
Total equity	1,142.4	1,131.4	1,113.1	1,112.0	1,112.0
Cash and cash equivalents	91.1	86.0	75.5	100.1	100.1
Key financial figures					
Return on Equity (RoE) (p.a.)[1]	(5.5%)	(3.9%)	(7.3%)	(2.8%)	(4.9%)
Return on Invested Capital (p.a.)[1]	(0.5%)[3]	(0.3%)[3]	(1.6%)[3]	0.7%	(0.4%)
Equity ratio	45.8%	46.2%	45.2%	44.3%	44.3%
Net loan-to-value (LTV) ratio[2]	57.9%	55.2%	58.8%	57.0%	57.0%
Earnings per share ("EPS")	(0.04)	(0.03)	(0.06)	(0.02)	(0.15)
Dividend per share ("DPS")	-	-	-	-	-

For the 3 months ended 31 December 2021	LR2	LR1	Panamax[8]	MR	Handy	Total
Vessels on water at the end of the period[4]	6	25	2	50	12	95
Number of operating days[5]	552	2,182	183	4,352	1,194	8,463
Total calendar days (excluding TC-in)	552	1,840	184	3,772	1,195	7,543
TCE (USD per operating day)	21,293	12,838	9,247	12,942	12,402	13,303
OPEX (USD per calendar day)[6]	7,285	7,107	7,248	7,437	6,565	7,203
G&A (USD per operating day)[7]						798
Average broker value for owned fleet (USD milllion)	319.5	480.8	19.5	1,039.5	194.1	2,053.4

[1] Annualised

[2] LTV ratio is calculated as borrowings on the vessels (net of cash) divided by vessel values

[3] ROIC is calculated using annualised EBIT less tax, while prior quarters were calculated using annualised EBIT adjusted for dry dock depreciation

[4] Excluding six LR1s owned through 50% ownership in the Vista Joint Venture and one MR owned through 50% ownership in the Andromeda Joint Venture

[5] Total operating days include operating days for vessels that are time chartered-in

[6] OPEX includes vessel running costs and technical management fees

[7] G&A adjusted for cost incurred in managing external vessels

[8] Panamax at end of Q4 2021 consists of BW Lara and Bw Clyde

02
WHY HAFNIA

Why Hafnia

Best commercial performance

Over the years, we have benchmarked ourselves against our peers to evaluate our commercial performance, while adjusting for fleet composition, speed and consumption. When we look at these 'apples to apples' benchmarks, we are at the absolute top in all of our segments. This is the result of the quality of our daily commercial decision-making which is supported by tracking our own and our competitors' trading patterns. We constantly improve our understanding of cargo flows and seasonal patterns of the product tanker market.

Lowest operating and funding cost

Our operational cash flow breakeven for 2021 was approximately USD 13,087 per day - the lowest in the industry. Our industry leading funding cost, our solid balance sheet and low Selling, General and Administrative ("SG&A") expense of USD 950 per day are also key contributors to our competitiveness.

USD 21.7 million in income from the pools and other fee-generating activities

Income from the management of third-party vessels and buying bunker on behalf of third-party clients was USD 21.7 million for the full year. With this success, we will continue to invest in our commercial platform to increase the service level and build scale in the pools through adding external vessels with the right pool partners.

But our strong business is only possible because we put people first to attract the best talent and partners

By positioning ourselves as a company people want to associate with, we are able to produce stronger results and lower costs. Talented people allow us to be more efficient in our operations and operate diverse revenue streams to protect against market volatility.

Intense focus on growing and retaining a diverse and inclusive talent matrix

We know that in order to attract and retain the best talent we need to constantly provide our employees and our partners opportunities to grow and learn.

Anne Sophie Krabbe Thykier, People, Culture & Strategy

We hire for mindset and values because skills can be taught. Mindset and values comes from within and is hard to influence. You can train people, you can lead them, or educate them, but you can't change who they are. If you focus on personality skills, you can later train them to whatever skills you need them to have professionally. We look for passion, not experience. Employees' coachability, emotional intelligence and motivation are very meaningful for a successful hire. We do not ignore previous experience, any previous experience can be a sign of specific work behaviour and personally developed skills.We believe that people with the right mindset support the culture we have and want to maintain. So, what is the right mindset? The right mindset is being a team player, wanting to build the best company possible with your co-workers, and an eagerness to learn. Wanting to be a part of a teaching environment where everyone helps each other do the best they possibly can, but also giving space to those who might need it in difficult times.

Charleston Lim, Finance Trainee

What drew me to Hafnia was its strong foothold in the very exciting product tanker market, and Hafnia's value of putting its people first. To date, I have seen the latter being displayed in the everyday decision-making of the management team, as well as my colleagues. Hafnia prioritises the well-being of each employee and ensures that everyone feels valued through meaningful contributions. One of my favourite projects I've worked on is a loan agreement for a newbuild, from start to end. It was eye-opening and exciting for me to see through the different stages of the transaction, from the negotiation of the term sheet, the actual documentation and finally to the delivery of the vessel. The seniors in the team guided me every step of the way and that contributed greatly to my learning and appreciation for the work.

As a finance trainee, my short-term ambitions would be to learn as much from my rotations in the next year and to find a role within Hafnia that plays best to my strengths and interests. I hope to be able to learn more about the various moving parts within the shipping ecosystem and to be able to have meaningful contribution in helping Hafnia achieve its vision of being the best on water.

Vivian Tay, Shipping Trainee

Why Hafnia? The reason is simple. I love how dynamic and inclusive the company is. Through the Shipping Trainee program, I am certain that the numerous rotations will broaden my horizon in this vast industry. During my time in each rotation, I can better understand the key functions of each department as well as the pain points faced by my colleagues. The people here are collaborative and care for one another as well. This is evident from the fact that a unique buddy and/or mentor is assigned to me for each rotation. So far I have completed stints in Claims and Operations. The trust that my colleagues placed in me, by allowing me to prepare claims and operate vessels independently shortly after I started my stint, has greatly boosted my learning. Long story short, Hafnia provides an environment that facilitates learning opportunities and allows people to grow.

Meaningful opportunities to disrupt the industry of today

As our recent transactions demonstrate, we continue to believe in the benefits of consolidation. Large scale in number of vessels enables better performance in chartering, operations, bunker and back-office. Thoughtful consolidation presents clear cost synergies and digitalisation across a large fleet improves data intelligence significantly and enables faster and better decision making.

These transactions not only underscore Hafnia's commitment to growing our platform to maximise stakeholder value but also exhibit that we follow through on our intentions. The fact that leading institutional investors are willing to receive Hafnia shares as payment speaks to the strength of Hafnia's platform. For now we will focus on integration efforts, where we have a clear public track record of swift and successful integrations after significant transactions.

Atle Sebjornsen, Head of Chemicals

Major player in the chemical markets from day-one

Through the acquisition of the CTI fleet we have achieved sufficient day-one scale to immediately establish a global trading pattern, moving the ships between the main chemical production areas in Asia, Middle East and the US Gulf. On the back of the existing Hafnia infrastructure we are establishing a global chemical chartering and operations organization to mirror these trade patterns as we view regional commercial and operational support as key to an optimized trading of the fleet. We are already engaging closely with leading producers and traders as we will focus on close and long-term partnerships with the clients who value our significant investment in and commitment to the sector.

Increased flexibility and efficiency by expanding the range of cargoes we carry

The fleet is particularly well suited for a combination of commodity chemicals, vegetable oils and clean petroleum products and we will strive to optimize the trading between these cargo types. Our very experienced chemical team will work closely with Hafnia's best-in-class products team to optimise earnings on each and every leg of the voyage. There is little doubt in my mind that the chemical fleet will benefit greatly from Hafnia's scale, infrastructure and close relationships with the world's leading producers and traders. Similarly, we believe the added capabilities of the chemical fleet, as well as the experience of the chemical team, will facilitate a broadening of the cargo range across the entire fleet.

Leading to increased earnings

A combination of an efficient utilisation of the chemical fleet when employed in the non-chemical trades and the ability to broaden the cargo range for the product fleet will serve to lift earnings across the entire combined fleet.

While providing the energy the world needs today, we are also focused on transitioning to be the shipping company the world needs tomorrow

Our competitive and robust business platform empowers us to invest in and focus on transitioning for the future. We are a company that is uncomfortable with stasis. We are compelled to change with and for the world.

Our team is diverse, full of different skillsets and backgrounds but united through a shared vision to be best on water. Consequently, our ESG efforts and investments in transitioning towards a cleaner future is championed by everyone across the company.

**Pankaj Porwal,
Senior Manager, Performance and Pool Management**

After my undergraduate degree in Mechanical Engineering, I started my journey as an engineer in India's biggest textile manufacturing plant in 1993. Life was comfortable, but my quest for adventure led me to the sea. After sailing for 15 years, 7 years as a Chief Engineer, I began my role as an Advisor of Energy Management project for BW Group in 2011. Simultaneously, I gained the certification of Energy Manager & Auditor by the Ministry of Power, Government of India in 2012. At the end of the project, we had achieved an estimated bunker saving of USD 50 million and carbon dioxide reductions of over 300,000 metric tonnes. After spending a few years as a Technical Superintendent, my desire to achieve fleet-wide environmental impact led me to the Global Fleet performance team. To develop my knowledge and understanding of the synergy between the environment and economy, I graduated from Singapore Management University's (SMU) Master's in Applied Economics in 2018. With over 5% YoY improvement in Fleet environmental performance in terms of Carbon intensity consecutively for the past 3 years, I have been truly grateful to gain a 360-degree exposure of the organisation, collaborate with multiple stakeholders across the board, and most importantly, achieve positive environmental impact while maintaining an economic sense of our business activities.

Our core competence is arranging transportation, we just happen to be carrying oil and chemicals at the moment. We are well-positioned to adapt the transition to transport renewable fuels as long as we continue to put people first. We are actively perusing to secure contracts to transport alternative and renewable fuel sources, for example ammonia.

Company overview

2021 in brief

Operating highlights

102 Hafnia Vessels

196 Vessels in Hafnia's Pools

4 Commercial Shipping Pools

30 External Pool Partners

3,192 Hafnia Vessels Port Calls

USD **12,141** TCE per Operating Day for Hafnia Vessels

0 Fatalities

Fleet utilisation

28% Laden

21% Ballast

35% Port

7% Idle

2% Bunker

4% Others

3% Off Hire

Financial highlights

USD **1,112m** Total Equity

USD **100.1m** Cash and Cash Equivalents

USD **13,087** Operating Cash Flow Breakeven

USD **811.2m**

Revenue

USD **402.9m**

TCE Income

USD **151.8m**

EBITDA

USD **21.7m**

Pool Income

2,114

Employees

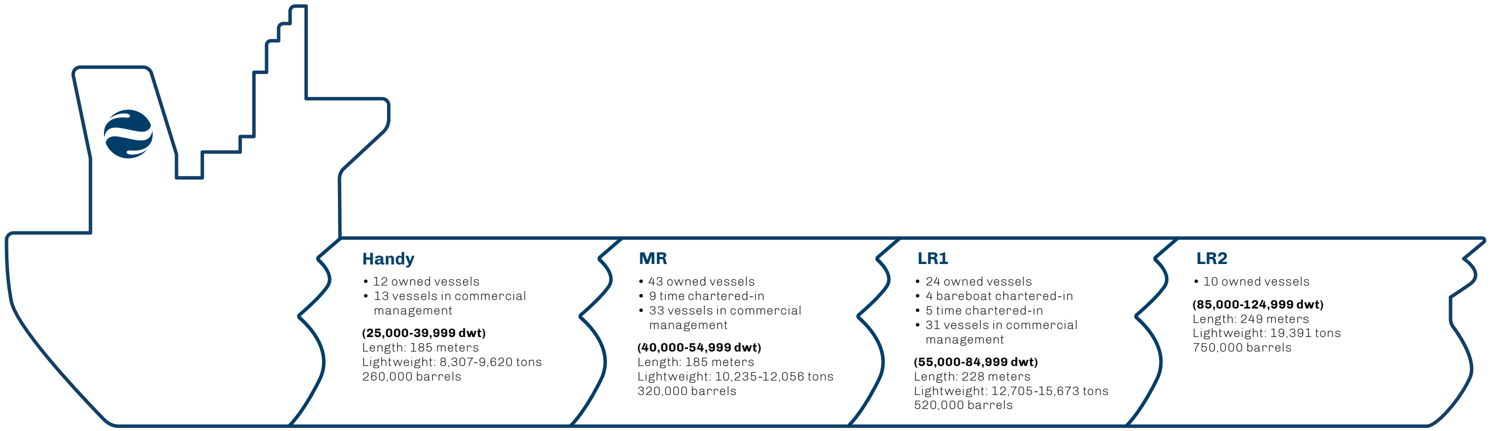
6.2m

Hafnia Vessels
Total Deadweight Tonnage

33,188

Hafnia Vessels
Total Operating Days

Hafnia's Fleet



Type	Description	Owned	Bareboated-in	Time chartered-in	Hafnia total (including newbuilds)	Commercial management	Total
Handy	(25,000-39,999 dwt) Length: 185 meters Lightweight: 8,307-9,620 tons 260,000 barrels	12	-	-	12	13	25
MR[3]	(40,000-54,999 dwt) Length: 185 meters Lightweight: 10,235-12,056 tons 320,000 barrels	43	-	9	52	33	85
LR1[2]	(55,000-84,999 dwt) Length: 228 meters Lightweight: 12,705-15,673 tons 520,000 barrels	24	4	5	33	31	64
LR2[1]	(85,000-124,999 dwt) Length: 249 meters Lightweight: 19,391 tons 750,000 barrels	10	-	-	10	-	10
Specialized		-	-	-	-	17	17
		89	**4**	**14**	**107**	**94**	**201**

[1] *Including four LR2 newbuild owned through 50% ownership in the Vista Joint Venture.*
[2] *Including six LR1 owned through 50% ownership in the Vista Joint Venture*
[3] *Including one MR and one MR newbuild owned through 50% ownership in the Andromeda Joint Venture*

Vision, purpose and values

Everyone impacted by what we do matters to us. Our business is built on a foundation focused on creating strong personal relationships, being straightforward and having integrity.

Our vision, mission and values have been defined so that all our people, both at sea and on shore, have a set of principles to live by as we carry out our work together. At Hafnia we strive to "C A R E" – to be Collaborative, Ambitious, Reliable and Enduring. We aim to integrate these values in our day-to-day operations and our strategy.

Vision

Best on water

At Hafnia, our vision is to be the best on water. We apply craftmanship throughout all areas of our business. We are never complacent, and we adapt in constantly changing conditions. We put people first and attract, nurture and retain talent. As a team we act unified and strive towards our common goals and we CARE. We drive sustainability for the environment, setting the standards in the industry.

Purpose

We put people and relationships first and challenge the industry of today, to deliver the industry of tomorrow

We continuously challenge the way things are done
We work towards changing the industry for the better
We deliver seamless transportation of energy to sustain the world

Values

Collaborative

We put people first
We are one team
We engage with respect and an open mind
We are transparent in our communication

Ambitious

We think out of the box and go the extra mile for our customers
We are empowered
We challenge and give each other respectful feedback

Reliable

We deliver complete solutions to our customers
We say as we do and we do as we say
We take ownership and we are accountable for what we do
We are transparent and share our intentions

Enduring

We act with a long-term perspective to deliver for our customers
We never give up and we do the right thing
We do not accept the status quo, we seek development
We optimise today to ensure there is a tomorrow

As part of the effort to imbue these values in everything we do, we run a continuous values-based leadership programme for all shore-based employees with leadership responsibilities. This allows us to get everyone on the same page, not only in terms of shared values, but also our mission and commitments to stakeholders and the environment.

Our Commitment

Provide safe, sustainable and reliable hydrocarbon transportation solutions

OUR COMMITMENT

Our business is at the heart of global trade, and powers global economies and communities. Our license to operate rests on flawless implementation of our mandate to tranport hydrocarbons.

Active participation in the decarbonisation of shipping

Improve workforce diversity at Hafnia and in shipping

OUR PRIORITY PROJECTS

We make it our priority to support the decarbonisation of shipping and to improve gender diversity in shipping.

OUR FUNDAMENTALS

We remain keenly involved in the management of these material topics.

Safety of life	Environment	Governance	Right People	Resources
Zero harm security at sea	Spills to sea emissions to air ship recycling plaste waste and garbage disposal	Regulatory compliance freedom to trade anti-bribery and anti-corruption	Customer relations crew wellness talent development and retetion workforce diversity culture and values	Asset management innovation description

OPERATIONAL

STRATEGIC

03 SAFE HARBOUR STATEMENT

Disclaimer regarding forward-looking statements in the annual report

This annual report includes “Forward-looking Statements” that reflect Hafnia’s current views with respect to future events, and financial and operational performance.

These Forward-looking Statements may be identified by the use of forward-looking terminology, such as the terms “anticipates”, “assumes”, “believes”, “can”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “may”, “might”, “plans”, “should”, “projects”, “will”, “would” or, in each case, their negative, or other variations or comparable terminology. These Forward-looking Statements are, as a general matter, statements other than statements as to historic facts or present facts and circumstances.

They include statements regarding Hafnia’s intentions, beliefs or current expectations concerning, among other things, financial strength and position of the Group, operating results, liquidity, prospects, growth, the implementation of strategic initiatives, as well as other statements relating to the Group’s future business development, financial performance and the industry in which the Group operates.

Prospective investors in Hafnia are cautioned that Forward-looking Statements are not guarantees of future performance and that the Group’s actual financial position, operating results and liquidity, and the development of the industry and potential market in which the Group may operate in the future, may differ materially from those made in, or suggested by, the Forward-looking Statements contained in this report. Hafnia cannot guarantee that the intentions, beliefs or current expectations upon which its Forward-looking Statements are based, will occur.

By their nature, Forward-looking Statements involve, and are subject to, known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the Forward-looking Statements. These Forward-looking Statements speak only as at the date on which they are made. Hafnia undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral Forward-looking Statements attributable to Hafnia or to persons acting on Hafnia’s behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this report.

04
INDUSTRY OVERVIEW

The product tanker market

Analysis creates expertise and lays the basis for sound decision making

The charter market is highly competitive and based primarily on the offered charter rate, the vessel's location and technical specification, and the reputation of its manager.

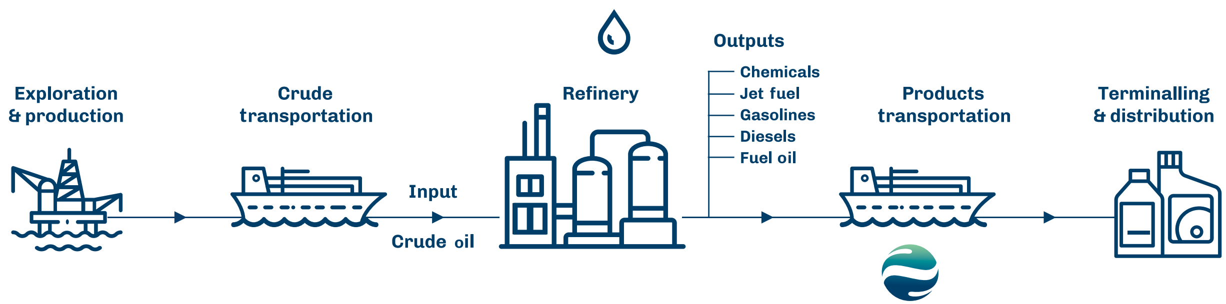
As this simplified tanker market overview shows, the charter rates and product tanker capacities depend on several factors:

- Number of newbuilds and the number of vessels being scrapped
- Oil demand and refinery throughput
- Price of oil
- Oil inventories
- Environmental regulations
- Geopolitics and sanctions
- Location of refineries

Crude tankers transport crude oil from points of production to oil refineries or storage locations. Product tankers can carry both refined and unrefined petroleum products, including crude oil, fuel oil, vacuum gas oil (dirty products), and gas oil, gasoline, jet fuel, kerosene and naphtha (clean products).

Chemical tankers can, in addition to refined products, carry Inorganic Chemicals (e.g. Caustic Soda), Edible Oils (e.g. Palm Oil, Sunflower Oil and Soybean Oil), Renewable Oils (e.g. Used Cooking Oil) and Organic Chemicals (e.g. Methanol, MEG and Paraxylene).

Freight rates for a vessel trading under spot charters are susceptible to fluctuating demand and supply of vessels, and rates are volatile. Rates are also strongly affected by seasonal fluctuations in demand from end consumers, global oil demand and inventories. Product tankers are typically dedicated to trading clean petroleum or dirty petroleum products. Clean tonnage supply can increase at times where clean trading earnings are significantly higher than dirty trading earnings as it will attract dirty tankers to clean up their tanks to clean petroleum products. This is a costly process which is not done easily.



2021 Reflection

Markets

The tanker markets continued to see extremely challenging conditions throughout 2021, experiencing an extended period of bottom-of-the-cycle level earnings since the second half of 2020, representing the weakest earnings environment for over 30 years. Despite continued gradual improvements from the Q2 2020 lows, global oil demand and refinery runs in 2021 remained 3% and 5% below 2019 levels, respectively, limiting the recovery in seaborne oil trade (volumes estimated to still be down 7% vs 2019 levels in Q4 2021), whilst continued OPEC+ cuts (albeit starting to unwind) and high oil inventories entering 2021 also exerted significant pressure. Meanwhile, total oil tanker floating storage has largely returned to close to pre-Covid-19 levels (4% of fleet capacity at end 2021, vs ~11% in May 2020 and ~3% at start 2020, according to Clarksons Research data).

Whilst both the crude and products sectors in 2021 had a weak market, crude tankers overall appeared to fare somewhat worse than their coated counterparts owing to continued weakness in crude oil trade volumes, particularly Middle East Gulf amid ongoing OPEC+ production cuts, compared to gradual improvements in seaborne products trade. Small improvements were seen in Q4 2021 from the Q3 2021 lows, amid slightly higher activity seasonally, weather-related delays and ice tonnage requirements, although this was short-lived.

Meanwhile, Clarksons Research data average weighted product tanker spot earnings averaged below USD 7,000/day for four consecutive quarters from Q4 2020 – the longest period at such low levels in over 30 years.

However, overall earnings in Q4 2021 picked up slightly amid higher levels of activity, taking the full-year average to just over USD 7,000/day (although this still represented a fall of 60% y-o-y).

An uptick in gasoline and diesel flows in Q4 2021 gave support to MR and Handy earnings, whilst LR earnings began to improve somewhat in Q3 2021, helped by firm petrochemical feedstock demand in Asia and competitive pricing of naphtha vs propane in the second half of 2021, particularly for LR2s. Earlier in 2021, market disruptions also spurred some brief periods of firmer rates for product tankers, with the Suez Canal blockage resulting in a temporary uplift to earnings in the LR market, whilst the temporary closure of the Colonial Pipeline in the US led to a slight uptick in demand in the West and supported MR rates before subsequently easing back.

Similarly to the crude sector, in the full year, the larger end of the product tanker segment saw the greatest pressure on market conditions, with LR2 earnings on the benchmark MEG-Japan CPP route averaging USD 7,700/day (2010 built, non-scrubber ship), down 73% y-o-y, whilst LR1 earnings on the same route fell by 64% y-o-y to average USD 7,000/day. Premiums remained for 'eco' and scrubber-fitted ships and held somewhat firmer 'eco' LR1 earnings averaged USD 9,500/day, while scrubber-fitted 'eco' units saw average earnings of USD 11,600/day, down by a lesser 56% and 51% y-o-y respectively. Meanwhile, average clean MR spot earnings averaged USD 6,700/day, down 56% y-o-y. Product tankers also saw increased competition from VLCCs taking clean cargoes on their maiden voyages owing to the record low rates experienced by the larger crude tankers, particularly impacting the larger product tanker sectors.

Trade & demand

Overall, despite y-o-y improvements in global oil supply, demand and refinery runs (+1.6%, +5.8% and +4.0%, respectively), seaborne oil trade showed minimal improvements in 2021, with total estimated volumes expanding by just 1% y-o-y and remaining 8% lower vs 2019 in the entire year. Weakness in seaborne crude oil trade was the key driver behind this limited recovery as volumes registered a third consecutive year of decline, contracting by an estimated 1.5% y-o-y, reflecting high oil inventories at the start of the year and the continuation of deep OPEC+ output cuts.

Although total global oil supply registered a y-o-y improvement, this was driven mainly by a return of Libyan supply following the oil blockade in the country in 2020, along with growth in Canadian and Iranian supply, whilst total OPEC+ output averaged lower for the year (-1%). With OPEC+ accounting for 45-50% of global crude and NGL production and 65-70% of global seaborne crude trade, pressure on OPEC+ output influenced seaborne crude trade patterns more heavily.

Improvements in global oil demand were largely driven by rebounds in the US, European and Chinese oil demand (combined accounting for 60% of the growth in 2021). However, stock drawdowns and refinery closures in Europe maintained pressure on crude imports despite improvements in utilisation (European imports grew just 1%), whilst Chinese import demand was weaker than expected (falling 6% y-o-y, the first y-o-y decline since 2001) with heavy refinery maintenance, a government 'crackdown' on independent refiners and firming oil prices in second-half of 2021 all exerting pressure following the rapid growth in imports seen in 2020 driven by stock building. With China and Europe accounting for over 50% of seaborne crude import volumes but 28% of global oil demand, pressure on these importers had a disproportionate effect on trade volumes (although Chinese imports still held above 2019 levels, albeit just 1.7% compared to demand standing 11% higher). Meanwhile, US demand and refinery throughput recovered by 1.5 million barrels per day (+8.3%) and 0.9 million barrels per day (+6.4%) in 2021, respectively, according to EIA data, accounting for 30% of global growth in both metrics. However, this was not translated into the country's seaborne crude imports, which rose by an estimated 3% (<0.1 million barrels per day), partly as the country drew over 110 million barrels from inventories over 2021 (equivalent to 0.31 million barrels per day). US seaborne exports were also curbed, falling by an estimated 6% y-o-y (0.2 million barrels per day). The Middle East was another key driver of the recovery in global refinery throughput volumes, accounting for 19% of the total, which did not recover crude trade volumes, given the region's role as an exporter. Crude tonne-mile trade fell by a sharper 4.5%, with significant reductions in long-haul trades such as US exports to Asia, Chinese imports from Latin America and West Africa, and Middle Eastern exports to the US. Meanwhile, notable growth was seen on shorter haul routes ex-Med due to Libyan volumes' return, particularly to Europe.

Global seaborne oil products trade (which fell by 11.5% in 2020 to 20.7 million barrels per day) saw some improvement across 2021 and has taken significant steps forward from the Q2 2020 low (-26% y-o-y in May 2020 according to Clarksons Research data estimates), supported by gradually recovering oil demand. Unlike crude trade, the seaborne products trade recovery has so far been largely in line with the recovery in global oil demand and refinery runs. Volumes in 2021 rose by an estimated 5.3% and in Q4 2021 stood up 14% from Q2 2020 and up 10% from the second half of 2020 average, supported by recovering industrial activity and increased demand for transportation fuels as 'lockdown' measures in key regions eased. Nonetheless, volumes in 2021 remained 7% below 2019 levels, partly reflecting the impact of high inventories at the start of the year, and continued pressure on global oil demand from impacts from Covid-19. However, volumes in Q4 2021 were only 3% below the same period in 2019.

Major export-oriented refinery start-ups and expansions in Saudi Arabia, Kuwait and the UAE helped to drive the growth of 21% in Middle Eastern exports in the full year 2021. Meanwhile, a firm rebound in US oil demand helped drive a 16% rebound in US seaborne products imports, with the recovery in US refinery throughput lagging demand improvements. US gasoline imports rose 37% y-o-y in January-November 2021, with US vehicle miles travelled rising 11% y-o-y in January-October. Disruption from the Colonial Pipeline cyber-attack in May 2021 also saw a significant boost to imports (particularly gasoline flows from Europe and the Middle East) which surged to 2.4 million barrels per day across May-June 2021, the highest monthly level since July 2019. Meanwhile, refinery closures in Australia and firm demand for naphtha into Japan and Korea (up 15% y-o-y) supported a 13% rise in seaborne products imports into OECD Asia, up 12% on 2019 levels according to CRS estimates. Long-haul flows from the Middle East to Asia saw the greatest volume growth in 2021, supporting a much firmer rebound in products tonne-mile trade growth of 9.7% in 2021.

Supply side

Expansion in the oil tanker fleet (10k+ dwt) remained moderate in 2021, with capacity increasing by 1.6% in 2021 (1.5% crude, 2.0% products 10k+ dwt) according to Clarksons Research data, following growth of 3.1% in 2020. Deliveries were fairly steady, totalling 24.5 million dwt, whilst recycling accelerated amid weak market conditions and elevated scrap prices. Scrap values rose rapidly throughout 2021 to the highest levels since mid-2008 and have continued rising in 2022 so far, with the scrap value for an LR1 standing at USD 9 million in February 2022. In total, 14.4 million dwt was sold for scrap in 2021, more than double the total volume sold across full years 2019 and 2020 combined (and including a number of VLCCs previously reported to have been engaged in 'subterfuge' trading). However, scrapping has perhaps been weaker than initially expected so far, possibly reflecting the impact of firm demand for older units in the sale and purchase market. Floating storage unwound substantially from the peak in May 2020 (12% of crude tanker capacity and 10% of product tankers 10k+ dwt) to 6.5% and 3% of fleet capacity (crude and products, respectively) by the end of 2020. Storage eased back slightly further across 2021 to end the year at 5% and 2% of crude and product tanker fleet capacity, respectively, albeit remaining elevated vs pre-Covid-19 levels. The 'active' supply growth in 2021 is estimated to have been 5% and 4% on an annual basis for crude and product tankers, respectively, compounded by a reduction in the share of the fleet off-hire for SOx scrubber retrofits (1.0% across 2020 to 0.4% across 2021 for total oil tankers).

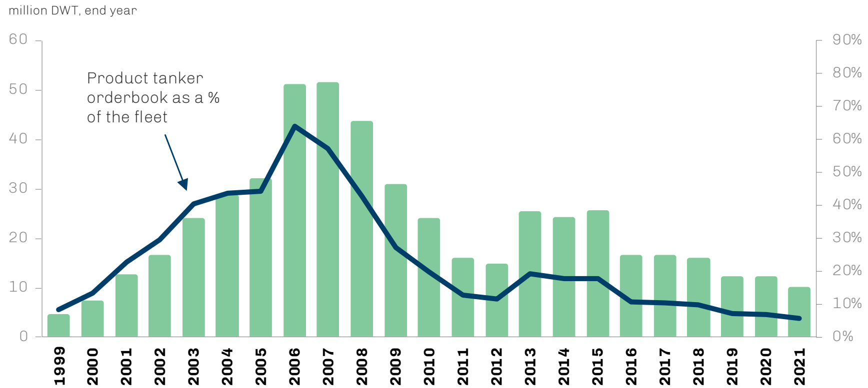
2022 outlook

The tanker markets have started 2022 on weak footing, with earnings across all sectors slipping back across January-Febuary amid lower cargo volumes, partly owing to impacts from the outbreak of the Omicron Covid-19 variant, whilst rising bunker prices have also impacted. Average weighted crude tanker earnings in the first six weeks of the year have softened by 31% vs the December average, with VLCC earnings (2010 built, non-scrubber fitted) falling back into negative territory from mid-January and coming increasingly under pressure amid significant vessel oversupply. Average weighted product tanker earnings have slipped back 27%, with the LR sector posting the largest decline owing to long tonnage lists.

However, the market is expected to gradually improve through 2022, with support from continued recovery in oil demand and supply from the 2020 lows (though uncertainties remain, including those recently building around Russia and Ukraine, that short term has led to an increase in ton-mile due to product supply from the eastern hemisphere). The impact of the Omicron variant on global oil demand appears to have been more limited than previous waves of Covid-19 and consensus expectations are for oil demand to return to pre-Covid-19 levels later this year, with oil demand in the full year expected to average a level similar to 2019. Meanwhile, oil supply is projected to expand by a firm 5.6% on the back of easing OPEC+ cuts and strong growth in US supply. According to IEA forecasts, refinery runs are expected to further recover from 2020 lows, with global crude throughput averaging a level just shy of that seen in 2019. Nevertheless, gains appear to be more focused on the second half of the year, given the phased easing of OPEC+ cuts and the current extent of tonnage oversupply, and the extent of cumulative fleet growth may limit upside since the start of Covid-19.

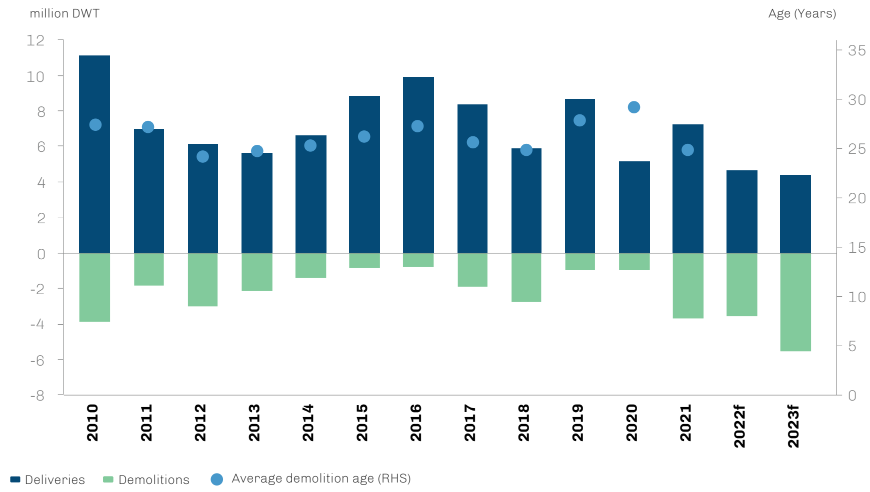
Crude tonne-mile trade is currently projected to expand by 7%, outpacing trade growth of 6% largely owing to the return of growth in long-haul volumes ex-US, notably to Asia, and the replacement of some Mexico-US trade with imports from more distant suppliers such as ECSA and the Middle East following PEMEX's decision to end crude exports in 2023. However, tonne-mile trade is expected to remain 4% below pre-Covid-19 levels in 2022 and, whilst total crude tanker fleet growth is projected to remain fairly moderate at 2.6%, latest projections suggest that by the end of 2022 crude tanker fleet capacity will stand 7-8% above end 2019 levels. This capacity growth is expected to be focussed at the larger end, with total crude

Product tanker order book development



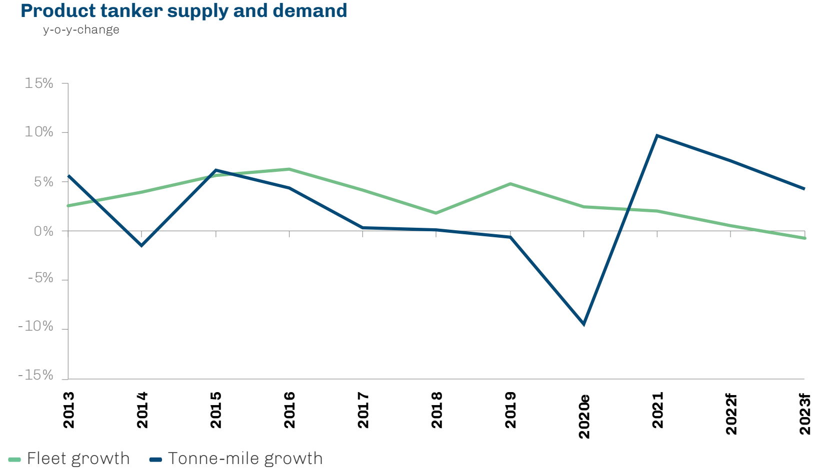
Source: Clarksons Research, January 2022

Product tanker (10,000 dwt+) fleet changes



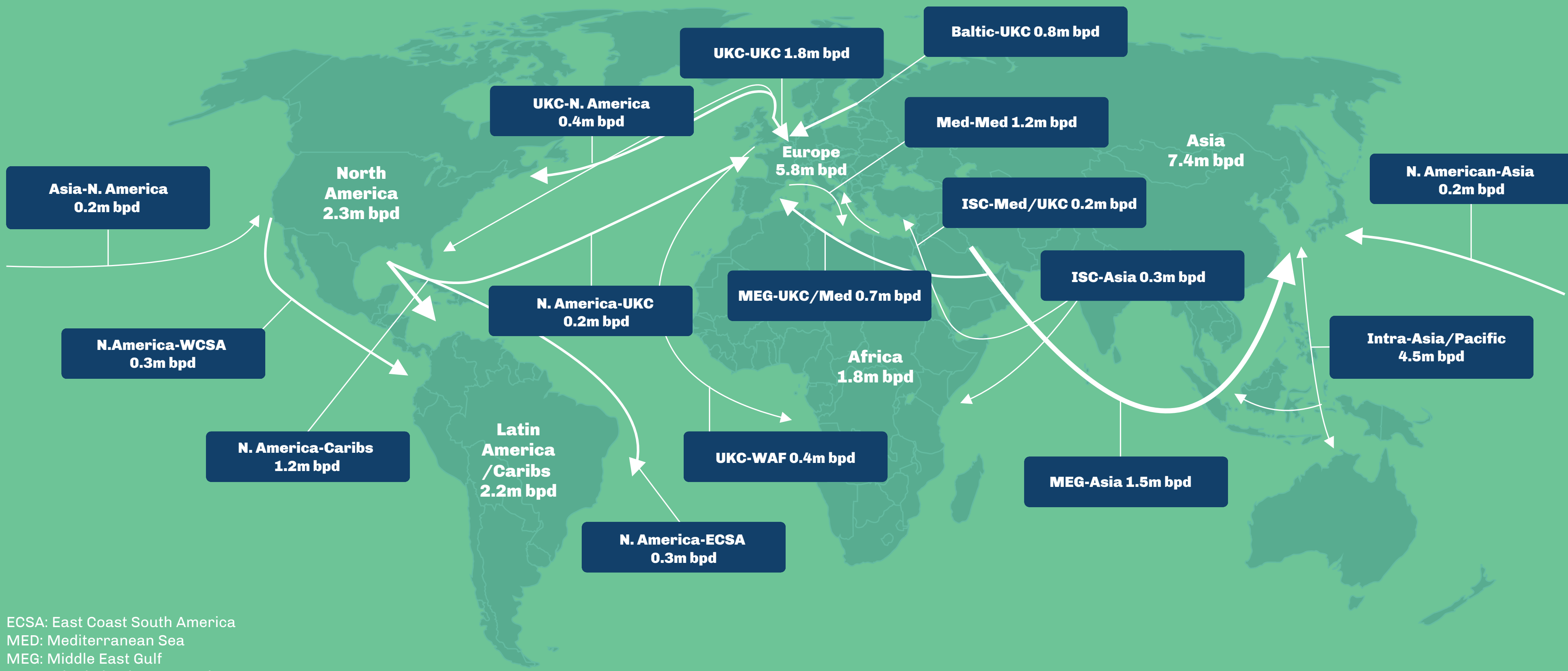
Source: Clarksons Research, February 2022

Product tanker supply and demand



Source: Clarksons Research, February 2022

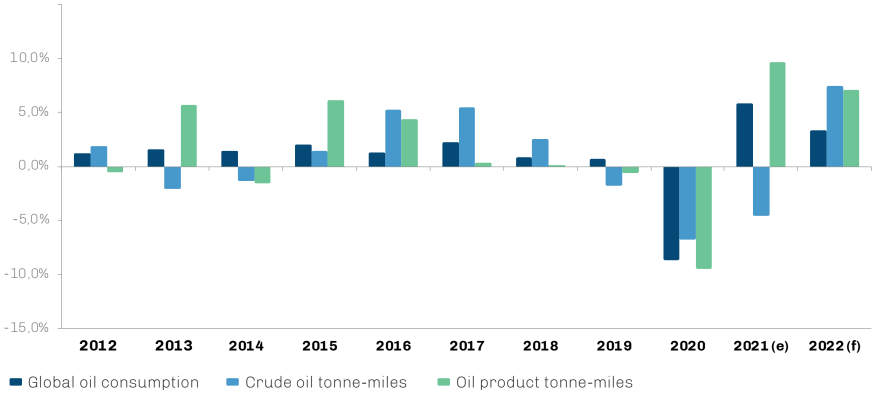
Major seaborne oil products trade routes 2021



ECSA: East Coast South America
MED: Mediterranean Sea
MEG: Middle East Gulf
UKC: United Kingdom to Continent Range
WAF: West Africa
WCSA: West Coast of South America

Source: Clarksons Research, February 2022

World seaborne oil and total consumption growth

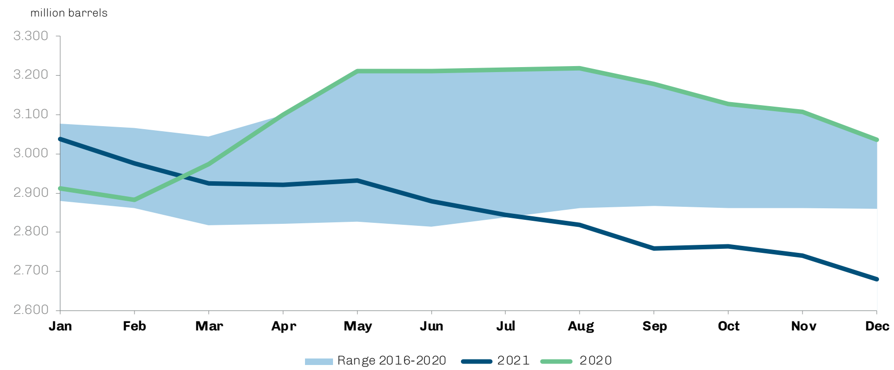


CAGRs 2017 – 2021
Oil consumption: 0.1%
Crude oil tonne-miles: -1.1%
Oil product tonne-miles: 0.8%

2022 / 2023 Forecast:
Oil consumption: 3.4% / 1.8%
Crude oil tonne-miles: 7.5% / 3.3%
Oil product tonne-miles: -7.1% / 4.3%

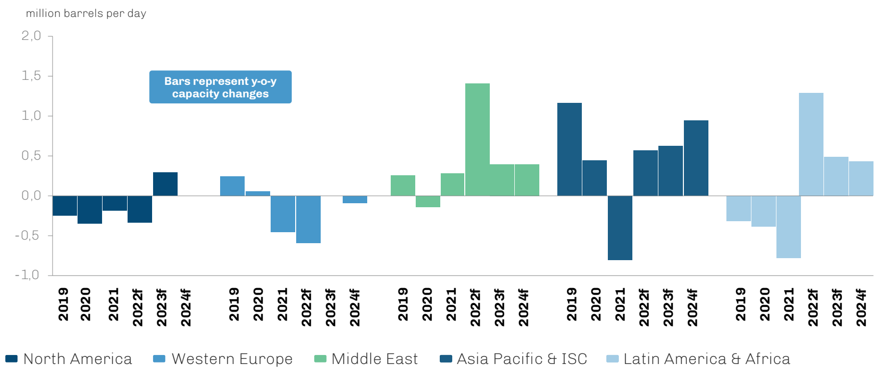
Source: Clarksons Research, February 2022

Total OCED oil inventories



Source: IEA, February 2022

Regional refinery capaticy growth



Source: Clarksons Research, February 2022

Aframax fleet capacity is projected to stand just 1% above end 2019 levels. Crude tanker floating storage remains above pre-pandemic levels. Further unwinding is expected across 2022, particularly given the current high oil price environment, contributing to further oversupply of tonnage and maintaining pressure on market conditions. With such supply-side pressures remaining, material improvements in the crude tanker freight market are not expected to materialise until towards the end of 2022, when some seasonal uplift is expected and as OPEC+ fully phase out supply cuts. However, whilst the return of OPEC+ volumes is expected to support growth in trade volumes, the upside is expected to be limited by the start-up of large refineries in the Middle East, curbing exports from the region to below 2019 levels.

The potential return of Iranian crude volumes to oil markets should sanctions be lifted this year could further support seaborne crude trade volumes provided OPEC+ does not agree to renewed production restrictions. Seaborne products exports may also see some uplift given Iran's refining capacity upgrades over the past few years. However, there remains significant uncertainty over the timing of any deal between the US and Iran is reached. Additionally, there have been reports of a considerable number of aging tankers operating as part of a 'subterfuge' fleet, transporting sanctioned crude volumes. However, due to the elderly nature of these vessels, many may be scrapped, particularly if scrap prices remain elevated although there exists a wide range of scenarios. Whilst the lifting of sanctions may boost traded volumes, impacts on available fleet supply could be negative should this tonnage return to the regular trading fleet.

Product tankers are once again expected to fare better than their dirty counterparts in 2022, with a further 6% growth in trade volumes to levels just below the pre-Covid-19 level supported by continued improvements in global oil demand and refinery runs. Refinery closures in Europe and Australasia are expected to drive firm growth in imports into these regions, of 11% and 24%, respectively, with longer-haul exports from the Middle East expected to fill much of the supply gap following the start-up of significant volumes of new refinery capacity in the region. Expectations are also for continued firm growth in naphtha trade to East Asia, largely on longer-haul routes from the Middle East owing to the start-up of new petrochemical capacity with flexible feedstock capability in China and South Korea. As a result, product tonne-mile trade and product tanker demand growth are expected to exceed the rate of trade growth at 7% in 2022, with tonne-mile trade rising 6% above 2019 levels. Vessel demand growth is expected to be healthy across all product tanker segments, although the LR2 and MR sectors are currently expected to see the fastest growth (8% apiece), with demand in 2022 standing 8-9% above 2019 levels. Meanwhile, LR1 demand growth is expected to expand by a slower 6% to stand 2-3% above 2019 levels. The majority of the expected volume growth is on more MR focused intra-Asian routes or ex-MEG routes to Asia and Europe with more LR2 focus. However, with the LR1 fleet set for a second consecutive year of contraction (latest forecasts suggest -0.2% to 28.1 million dwt as the order book currently comprises just one vessel and stands at 0.3% of fleet capacity following no contracts being placed since the end 2018), headline fundamentals in the sector appear supportive of an improvement in rates over the course of the year.

Total product tanker fleet growth (10k+ dwt) is currently expected to expand by just 0.6% in 2022. However, floating storage remains above pre-pandemic levels (2% of product tanker fleet capacity in 2022 so far, similarly for LR1s), unwinding of which may raise 'active' fleet growth somewhat, 'active' supply growth is still expected to remain limited to 1%. There remains potential for the continuation of competition from large crude tankers carrying clean products cargoes on their maiden voyages given the largely unsupportive fundamentals in the crude tanker markets expected for 2022.

Further ahead, supply-side trends look set to provide positive impetus to tanker market fundamentals. With the tanker order book historically limited (crude tanker currently at 7.5% of fleet capacity – the lowest since start 1997 - and product tanker 10k+ dwt at 5.3% - its lowest in over 26 years), oil tanker supply growth further ahead is expected to moderate further. Growing impacts from environmental regulations also suggest the potential for a more positive period for the tanker market. For example, introducing EEXI and CII regulations in 2023 could encourage accelerated scrapping, reductions in operating speeds, and possible time out of service for the retrofit of ESTs. Additionally, the increasing uptake of alternative fuels as the green transition picks up pace is also expected to lead to accelerated fleet renewal, 31% of oil tanker tonnage on order (10k+ dwt) is now set to be alternative fuel capable with ordering of LNG capable vessels having picked up significantly in 2021.


SW GALATEA

The shipping industry and climate change

According to OECD, approximately 90% of world trade is facilitated by ships. That is a tremendous task and responsibility. As a result, the shipping industry, according to International Maritime Organization (IMO), is estimated to account for around 3% of annual global greenhouse gas emissions. The latest Intergovernmental Panel on Climate Change (IPCC) report alerts us that humanity's actions are now pushing the planet's systems into unsafe territory.

As a leading shipowner and operator, Hafnia has a vital responsibility to contribute towards making the global oil and chemical trades greener. The shipping industry is confronted with the most significant challenge it has ever faced. It will be a long journey: the transformation required cannot happen overnight. All stakeholders must contribute and collaborate to create a pathway for an efficient energy transition. As a part of this, the industry requires support from global regulatory bodies to ensure a level playing field. While the whole shipping industry is making progress in finding sustainable solutions from alternative fuels that limit CO2 emissions to new and improved ship designs, Hafnia too is working on various fronts to make a smooth transition towards a zero-carbon world.

05 ESG STRATEGY

Long-term thinking to deliver the industry of tomorrow

A sustainable business is one that thinks and acts with a long-term focus, allowing it to live within the paradigm of a sustainable world. Businesses typically operate in accordance with the standards set by governance systems. Today, these systems are often designed to meet limits set by local and international regulations. However, these limits are not sufficiently restrictive enough to control our cumulative impacts, such that we remain within the planet's safe operating limits. In areas such as the production of greenhouse gases (GHG), notably carbon dioxide (CO2), biodiversity management, nitrogen use, water management, land use, safety and health management, businesses have to introduce greater levels of management control. By doing so, they will increase and standardise performance in these areas. In many cases, reduction will not suffice, and a complete transformation to new technologies or new methods will be required. This is especially true of the energy matrix, where reduction in the use of energy can only go so far towards reducing CO2, before new fossil fuel-free sources of energy must be introduced to our energy mix.

A sustainable business is also dependent on social aspects. For Hafnia, our social strategy relates to our people employed both at sea and ashore. First and foremost, we strive to offer a physically and psychologically safe working environment. This means a work environment where our employees can be themselves and speak up. On top of this, we also aim to foster an environment where our employees can develop, learn and strive to become better versions of themself.

We have three main areas of focus to deal with climate change while continuing with our core business operations:

The first step is to focus on managing our present actions by building and adhering to a framework of an amalgamation of policy, technical and management standards defined by the IMO and relevant leading international reporting standards (GRI, SASB and TCFD). Hafnia has strict and clear policies to always remain within regulatory compliance. By introducing these additional standards into our systems, we enhance our reporting and management of our operations in the most responsible manner.

The second step is an active and constant effort to understand the external changes that will inevitably impact our business in the future. This step requires strategic alliances with our stakeholders. We strive to build strong relationships with our stakeholders, as well as with key technical experts on climate change, water and waste management, developments in human rights legislation, safety standards, health impacts, good corporate governance and other related areas. By doing so we better understand the trends that will most likely affect our business in the future.

The third step is "Future Proofing". Future Proofing our business means making it resilient to the changes that are happening around us. In the future, many of these changes in external factors can apply severe pressure on our ability to be sustainable. We continue to monitor our environmental performance metrics and keep them embedded into our strategic business plans to minimise risks and find new opportunities that will be presented by the requirements of a sustainable planet and society.

Among many other Environmental, Social and Governance (ESG) objectives, Hafnia is focused on a selection of the United Nations Sustainable Development Goals (SDGs): SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), SDG 14 (Life Below Water) and SDG 17 (Partnerships to achieve the Goal).

Materiality analysis

A materiality analysis is an exercise that identifies a company's critical ESG issues. It engages with internal and external stakeholders to build a full and accurate picture of all organizational matters and then uses these insights to define core business priorities, guiding both strategy and operations.

Hafnia used the following approach to define the organisation's materiality matrix.

1. Identify and prioritise the relevant issues
2. Identify internal and external stakeholders
3. Research and consult with internal and external stakeholders
4. Identify the critical issues and develop a materiality matrix

As a result of this process, the most important issues have been identified and are represented in the Hafnia 2021 materiality matrix below.

Environment

Greenhouse Gas Emissions
Air Quality
Ecological Impacts
Ship and Waste Reduction
Ship Recycling

Social

Diversity / Inclusive
Development
Employment
Health and Safety
(mental health and physical wellbeing)
Accident & Safety management
Human Rights
Training & Education

Governance

Governance Structure and Authority
Business ethics
Anti-Bribery and Anti-Corruption
Whistle Blowing
Code of Conduct
Effective risk management processes
Remuneration process and policies

ESG priorities

SDG's

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

14 LIFE BELOW WATER

17 PARTNERSHIPS FOR THE GOALS

Focus areas & strategic priorities

Economic

At Hafnia, we identify sustainability risks and opportunities to ensure stable growth and maximize value for our employees while reducing the company's environmental impact.

Environment

Our sustainability journey starts with decarbonisation.

Hafnia is commited to the IMO's Carbon Intensity Targets, including its regulations on sulphur emissions and 2030 goals. Our vessel optimization measures are an integral part of our efforts to improve air quality by minimising the emisssions into air.

Our firm focus is on the numerous energies saving initiatives the companies has taken which have resulted in overall fuel savings and improved efficiency. We are commited to compliance to protect our seas, air and the environment as a whole.

Social

It is among our strategic priorities that we foster an environment where all our employees feel safe and valued. We believe that a diverse workforce results in engaged and motivated colleagues, which in turn leads to high retention, creativity, innovation and performance.

We do this through extensive training at all levels, implementing our CARE (Collaboration, Ambitious, Reliable, Enduring) principles to ensure our employees' physical and mental health and safety, and by strategically addressing the challenges facing women in our sector.

Governance

Hafnia stands against corruption and bribery in the maritime industry with a policy of zero tolerance for maritime corruption and bribery. Our focus is on the implementation of good governance and effective risk management processes. One of many ways Hafnia seeks uphold human rights and stop bribery and corruption is through our whistleblowing policy.

Our operations are guided by strategic priorities within governance, environmental, social and economic classifications. Each focus area has one or more committed outcomes, enabling us to set short-, medium- and long-term KPIs and improvement goals.


NO SMOKING
NO SMOKING
DANGEROUS CARGO
NO VISITORS

Engaging our stakeholders

In line with the increasing expectations of stakeholders and society – and because we know it is the right thing to do – Hafnia is committed to its role as a responsible industry leader. Throughout 2021, we have consolidated our material issues and the strategic direction of our ESG efforts. The path towards decarbonisation requires wide-reaching partnerships with internal and external stakeholders, including shipyards, charters, bunker suppliers and regulatory bodies. Regular communication with these parties is essential in informing our approach to sustainability and the development of solutions for net zero carbon shipping.

To achieve the objectives outlined in our ESG strategy, we strive to foster a culture of innovation within Hafnia by encouraging our teams to develop ideas on new ways of meeting and exceeding our stakeholders' needs. We collaborate with our partners and continually scout opportunities to partner with start-ups and industry majors to accelerate our ESG initiatives and tackle some of the significant challenges faced by the shipping industry today.

Introducing best practices in ESG reporting for the shipping industry

In 2021, Hafnia partnered with Diginex, a leading, sustainability-focused Impact Tech company, to bolster the digital collection, management, and reporting of our ESG data. The partnership focused on conducting a joint study of key disclosures relevant to the maritime industry, selecting from best-practice frameworks, including the SDGs, Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Disclosures (TCFD) as well as bespoke indicators. The two companies will work together to digitise and automate ESG data management processes – creating opportunities to increase efficiency, transparency, and reliability of ESG efforts and data.

Hafnia keeps its stakeholders updated and assured of its commitments and actions for sustainability through a variety of channels, including board meetings, conferences, press releases and social media.

Digitalisation to reduce environmental impact

Since 2017, Hafnia has been using and co-developing COACH, a vessel performance monitoring and weather routing system. COACH has helped Hafnia optimise vessel performance, monitor hull performance, reduce fuel consumption and monitor and report on environmental KPIs. Building on this, Hafnia has also invested in SmartShip, a cloud-based solution that collects live data from vessels and provides real time analytics and insights to increase operational efficiency. SmartShip is currently installed on five ships within Hafnia's fleet, with a further 11 to come in 2022.

This type of innovation will continue to underscore Hafnia's sustainability activities in the future. For example, we are exploring the concept of digital twins. Digital twins are near-real time digital models of real-world objects or processes, designed to help optimize business performance. Maritime digital twins will allow us to run hypotheses on marine operations, combining real time data with synthetic values from a simulator. By doing this, we will be able to optimize a vessel's efficiency from cradle to grave.

Collaborating with Chartering Shipping Services SA on LNG fueled vessels

Our collaboration with Chatering Shipping Services SA (CSSA) to develop LNG fueled vessels is an example of a strategic alliance with our customers and how we are working to future proof our operations. Our close cooperation with CSSA add value to both companies, the collaboration allows both companies to determine how to most efficiently take advantage of emerging means of propulsion and other technical applications.

Sustainability-linked financing

Hafnia has long-standing relationships with leading global financial institutions, which, together with the company's strong reputation, enables Hafnia to secure attractive financing regarding both structure and terms. This enhances our ability to move quickly to ensure investment opportunities.

For example, in March 2021, Hafnia signed a seven-year USD 374 million Sustainability-Linked Senior Secure Term Loan and Revolving Credit Facility (SLL), with a syndicate of 10 banks, for the purpose of refinancing existing facilities maturing in 2022 and 2023. This was our first SSL-linked facility, and one of the largest of its kind in the shipping sector. The SSL depends on our continuous improvement in emissions-related KPIs, including the IMO's decarbonization target. As such, we engaged ESG data and research firm Sustainalytics to ensure the SLL's structure supports our sustainability strategy and objectives. Read more about our Partnerships and Open innovation here: ***Partnerships & Open innovation - Hafnia (hafniabw.com)***

06 ENVIRONMENTAL IMPACT

Reducing environmental impact: a responsibility we embrace

The International Maritime Organization (IMO) estimates that shipping accounts for about 3% of global greenhouse gas emissions. Without action to decarbonise the sector, this figure could rise to 10% by 2050 as a result of increased demand from a growing and increasingly affluent global population.

Hafnia's ambition is to be 'best on water'. This means recognising the role our business plays within the wider climate narrative and taking meaningful steps to reduce our environmental impact. We pay close attention to our entire value chain and only collaborate with select suppliers that pass annual or biannual screenings to ensure their values and principles align with ours. We are committed to ongoing adaptation and innovation so we can continue to responsibly deliver the energy the world needs.

Greenhouse gas emissions and air quality

Our sustainability journey starts with decarbonisation, both within our own operations and across the shipping industry as a whole. Since 2020, Hafnia is a committed member of the "Getting to Zero Coalition". Together with members across the entire maritime value chain, we participate in working group sessions on the topics of developing a "transition strategy for shipping decarbonisation", "accelerating shipping decarbonisation through policy action" and calling on governments to support this transition through policy and market measures. Hafnia's efforts around greenhouse gas emissions are focused on three key areas:

- Compliance with the IMO's 2030 decarbonisation targets
- Vessel optimisation initiatives
- Low-emission vessels

Fleet emissions and efficiency metrics	**Unit**	**2019**	**2020**	**2021**
Number of vessels included in emission computation for the year		89	89	88
Fuel use and resulting emissions				
HSHFO	Metric ton	383,202	20,451	20,058
VLSFO	Metric ton	24,066	362,816	356,294
LSMGO	Metric ton	81,128	86,652	86,312
CO_2	Metric ton	1,529,223	1,484,724	1,461,858
NOx	Metric ton	79,586	77,724	76,528
SOx	Metric ton	21,095	4,906	4,819
Distance sailed in nautical mile	NM	4,594,384	4,549,692	4,711,327
CO_2 emission in grams per ton-nautical mile (Based on capacity work) (AER)	gms/T NM	5.83	5.70	5.40
Black Carbon	Metric ton	91.85	86.60	85.51

Please note: For SOx calculation (S%), average 2.7% S for HSHFO, 0.5% S for VLSFO & 0.1% S for LSMGO is used. For NOx calculation, 14.4 g/kwh is used. Kwh is coputed from Specific energy. HFO: 40.400 MJ/Kg, LSHFO: 41.200 MJ/Kg, MGO: 42.200 MJ/Kg was used. Black Carbon calculation is based on Table 63 and Table 64 of MEPC 75/7/15

Decarbonisation

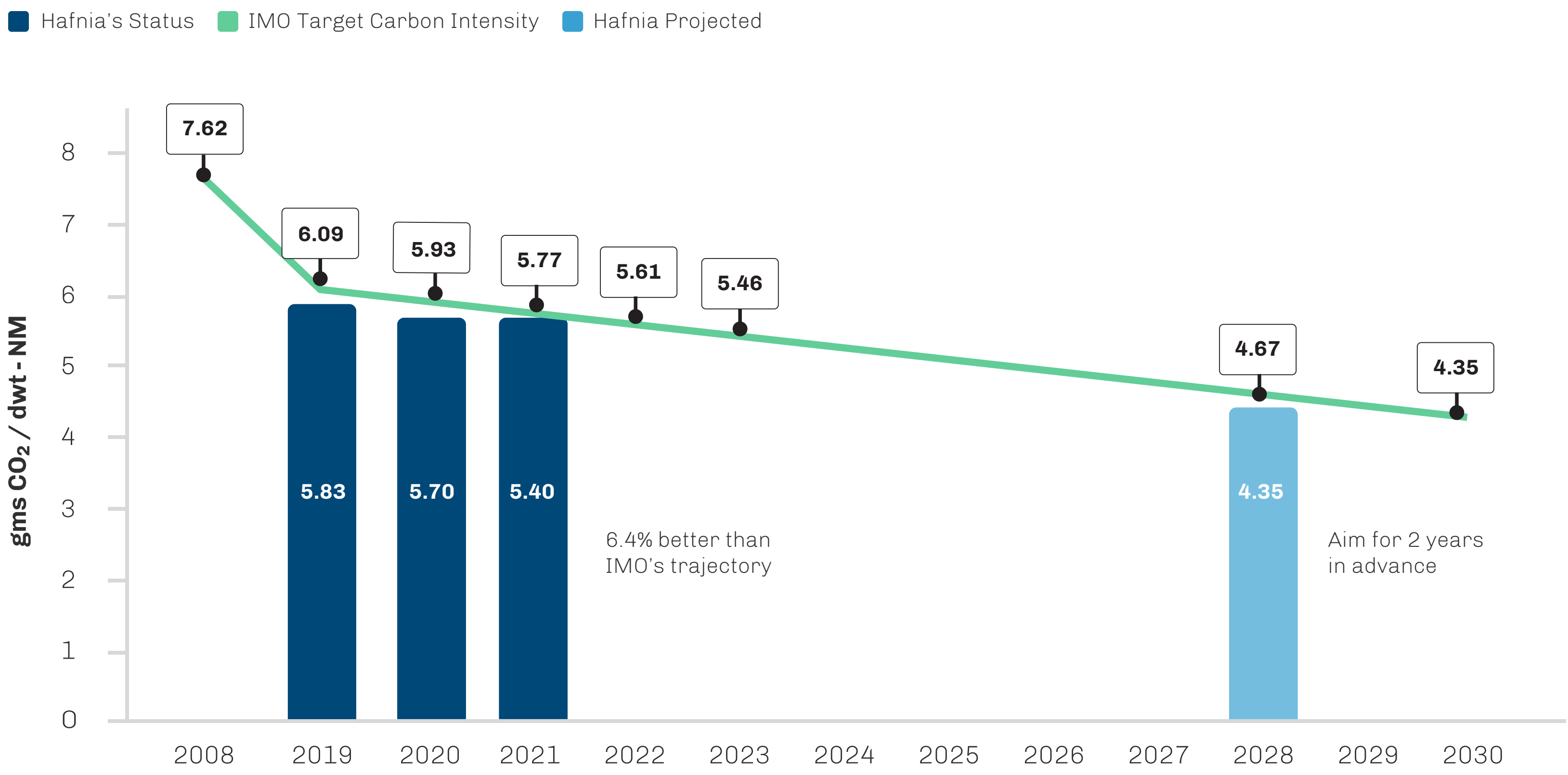
Hafnia is committed to the IMO's Carbon Intensity Targets, including its regulations on sulphur emissions and 2030 goals to reduce carbon intensity by 40% and 2050 goal to reduce total GHG emissions by 50% against a 2008 baseline.

We are working hard to reduce our current fleet's carbon intensity to 4.35 gms/T NM by 2028, meeting the IMO's 2030 targets ahead of schedule. In 2021, Hafnia's carbon intensity as measured by the Annual Efficiency Ratio (AER) was 5.40gms/T NM, 6.40% better than the present IMO baseline.

Vessel optimisation

In 2021, Hafnia's owned vessels sailed 161,634 nautical miles more than 2020. Despite this they consumed 7,256 MT less fuel and emitted 22,866.8 MT less CO2, with the Energy Efficiency Operational Index (EEOI) improving by 2% compared to 2020.

Hafnia's status with IMO's carbon intensity targets – existing fleet



Energy saving initiatives on Hafnia vessels

Hafnia has implemented numerous energy saving initiatives which have resulted in overall fuel savings and improved efficiency:

CO2 emissions and energy efficiency

	2019	2020	2021
Total Transport work (T-NM)	127,613,527,513	141,530,725,954	136,834,276,165
Distance sailed (NM)	4,594,384	4,549,692	4,711,326
Fuel consumed (MT)	488,396	469,919	462,663
CO2 Emission (MT)	1,529,223	1,484,724	1,461,858
Energy efficiency operational index (gms C02/TNM) (EEOI)	11.80	10.90	10.68

SMARTShip - Cloud-based solution that collects live data from vessels and provides both office staff and ship staff with real-time analytics and insights of the vessel's performance to increase operational efficiency.Its user-friendly applications help in faster decision making in day-to-day operations.

Hull coatings (self-polishing type) - Hull coating which is designed to polish off smoothly while maintaining a bioactive interface between the coating and water.

Hull coatings (foul release type) - Silicon based coating with controlled release of biocide. Keeps fouling at bay when vessel is underway and also during long idle periods due to biocide release. Low hull roughness equates to better fuel performance.

Propeller Boss Cap Fin (PBCF) - PBCF is made of the same material as the propeller and installed at its rear, breaking the hub vortex that forms behind the propeller to improve propeller efficiency.

Mewis duct - Cylindrical ducts fitted ahead of the propeller change the inflow angle and speed of water to the propeller, thereby improving propulsion efficiency.

Light Emitting Diode lights (LED) - Replacement of traditional lightning to LED lights with lower energy consumption and maintenance costs.

Kyma performance monitoring systems - is a sophisticated solution for overall vessel performance monitoring. This system integrates the Kyma Power Meter system with advanced Windows based PC software that continuously monitors performance data.

Variable frequency drives (VFD) - VFDs save energy and improve system efficiency by enabling electric motors to operate at various speeds. Hafnia uses VFDs on engine room vent fans, sea water pumps, scrubber pumps and steering gear motors.

Grey wing - A digital platform that integrates across crewing platforms, commercial software, travel providers, port agents, port restrictions, etc. to provide a single source for crew managers to make informed decisions on crew changes especially during Covid-19 times. This has reduced our carbon footprint due to optimised flights for the crew.

Derated engines – The new vessels have derated engines which ensures that the vessels achieve better fuel efficiency and improved performance.

Auto-tuning - PMI Autotuning system automatically adjusts the pressure in the combustion chambers of an engine's cylinders for optimal running. This contributes to fuel saving and improved safety.

Air lubrication - A layer of air bubbles distributed on the flat bottom of the vessel to reduce the friction when moving through the water and thereby reducing the fuel consumption. We are investigating the possibility of fitting it for testing on a Hafnia vessel soon.

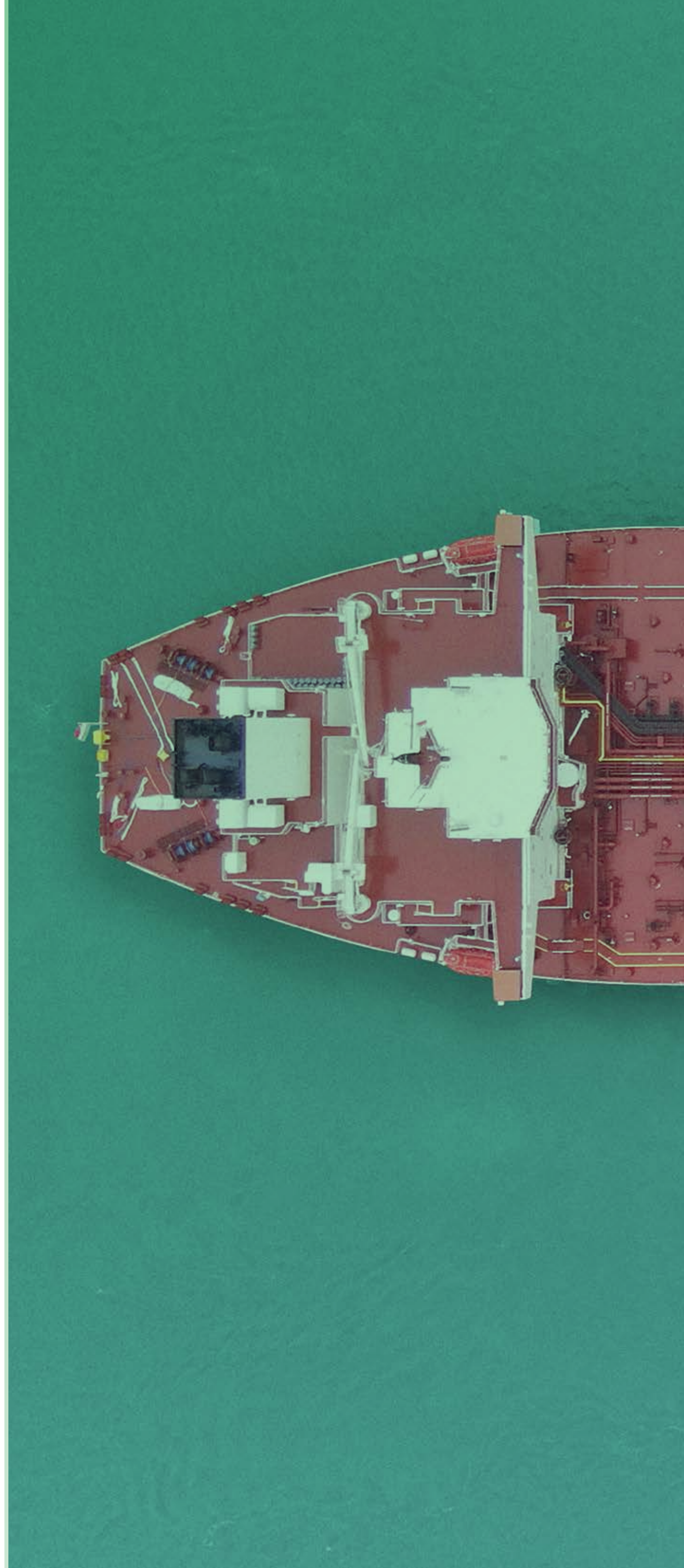
Distributing equipment is installed on the hull and the air is lead in piping through penetrations in the hull to the distributors. The pressurized air is produced in dedicated air compressors installed in the engine room.

Our vessel optimisation measures are an integral part of our efforts to improve air quality by minimising the emissions into air. We regularly monitor and optimise our voyages, implementing corrective measures to improve underperforming vessels.

Low emissions vessels

As part of our commitment to innovation, Hafnia is continually exploring alternative, more efficient ways of conducting its operations. In 2020 and 2021, Hafnia ordered four Aframax LR2 tankers, equipped with liquefied natural gas (LNG) propulsion technology, due for delivery in 2023.

Adopting LNG as a fuel is an example of Hafnia's strategic alliances with its customers and our genuine ambition to transition towards a greener future. LNG is widely regarded as a promising marine fuel to help the shipping industry transition towards its goal of a 50% reduction in GHG emissions by 2050. Switching to LNG as a fuel provides significant benefits, improving overall air quality and reducing GHG emissions. LNG fuelled vessel emit negligible SOx and particulate matter (PM equal to black carbon). LNG propulsion also reduces NOx emissions by up to 85% and GHG emissions by up to 23%. The GHG emissions of these vessels will be 5,000 tonnes per year lower than conventional tankers. Additionally, their design is such that they already meet Phase 3 Energy Efficiency Design Index (EEDI) requirements and will be compatible with multiple fuel types, including the zero emissions fuels of the future. Hafnia has also partnered with Arq to accredit and introduce Arq Fuel as a key blend component for marine fuels. Arq has developed a novel and patented technology that transforms environmentally damaging coal waste into a micro-fine hydrocarbon powder (Arq Fuel). After securing the required accreditations, trials scheduled for mid-2022 aim to confirm Arq Fuel's compatibility for the approximately 450 vessels for which Hafnia procures fuels.




BW TRITON

Ecological impacts

Hafnia recognises that the ocean is a precious resource, supporting life around the world and enabling us to conduct our operations. As such, it is imperative that we treat it and the ecosystems within it with the utmost respect. We are serious about protecting our seas.

Hafnia has a zero-oil spill history

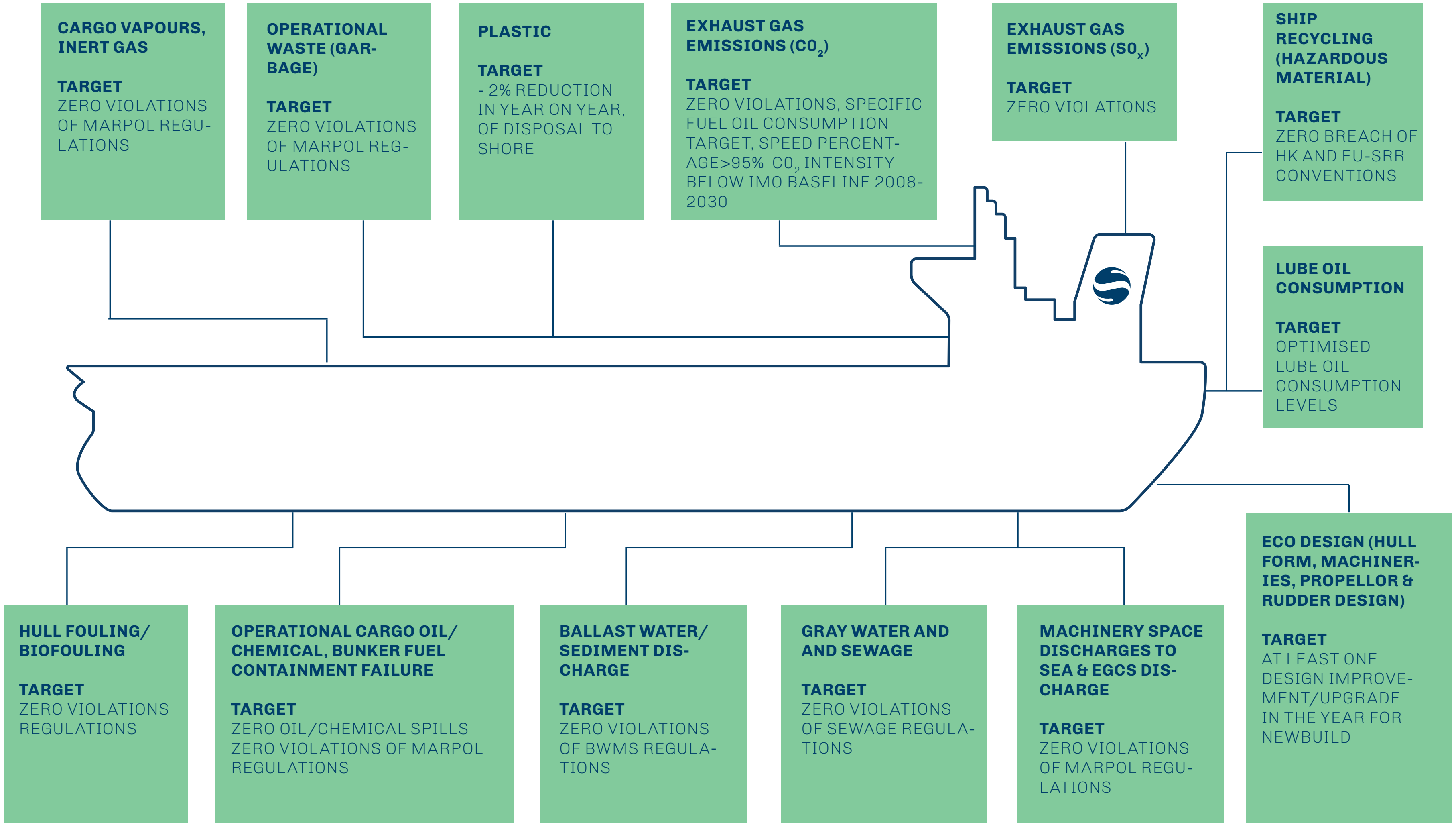
We are proud to be in strict compliance with the relevant global regulations, such as the Oil Pollution to Sea, Chemical Pollution to Sea, Sewage Pollution to Sea, Garbage Pollution to Sea, as well as Ballast Water Management Convention.

While ballast water is essential for safe and efficient modern shipping operations, it may pose serious ecological, economic and health problems due to the multitude of marine species carried in ships' ballast water. The Convention's aim is to prevent, minimise and ultimately eliminate the transfer of harmful aquatic organisms and pathogens via shipping, through the control and management of ships' ballast water and sediments.

Hafnia has been proactive in ensuring that vessels are fitted with Approved Ballast Water Treatment Systems. As of the end of 2021, 78.2 % of our fleet was implemented with ballast water treatment systems.

Hafnia is committed to integrating sustainable technologies and environmental strategies across the entirety of its operations. The illustration on the next page gives an overview of the scope of this activity

Environment plan for 2021



Waste and plastic management

Hafnia recognises that waste from the vessels pose a major threat to the environment.

We are compliant with MARPOL Annex V and any local regulations for the prevention of pollution by garbage from ships. Under MARPOL Annex V, garbage includes all kinds of food, domestic and operational waste, all plastics, cargo residues, incinerator ashes, cooking oil, fishing gear, and animal carcasses generated during the normal operation of the ship and liable to be disposed of continuously or periodically. In line with this regulation, every ship within our fleet carries a garbage management plan on board, which includes written procedures for minimising, collecting, storing, processing, and disposing of garbage, including the use of the equipment on board.

Over and above compliance, we understand the particular risk that plastic poses to marine ecosystems and are continually working to reduce the volume of plastic waste created by our operations. In 2021, we reduced overall plastic waste by 7.5% below 2020 levels.

We achieved our target by reducing procurement and use of single-use plastics, returning of packaging material to suppliers and compressing plastics using a compactor.

Ship recycling

Hafnia and its subsidiaries are committed to conducting all its business in an ethical, legal and socially responsible manner to prevent, reduce and minimise accidents, injuries and other adverse effects on human health and the environment. This commitment extends to ship recycling with an ultimate objective to dispose ships responsibly, in a safe and environmentally friendly manner.

Recycling of any Hafnia vessel shall therefore be performed at a reputable and certified recycling facility. The selected recycling and demolition facility must hold a valid Class issued Statement of Compliance with the Hong Kong Convention 2009 or the EU Regulation 1257/2013.

The recycling may not cause pollution of the surrounding waters, land and atmosphere. The recycling must be in a manner in which hazardous materials onboard are identified, demarcated and carefully removed prior to, or during the recycling process and disposed of in a way which would render them harmless. We require that any recycling is performed in a manner where the safety, health and dignity of the human workforce involved is paramount, and that work practices and conditions of their employment ensure this.

Despite the presence of the aforementioned policy, Hafnia has not recycled any of its ships as we believe in selling them well before the end of their life cycles due to commercial reasons.

07
SOCIAL IMPACT

Our people

At Hafnia, we strive towards a unified company culture and collaborate closely between our departments at sea and ashore.

Off-shore

At the end of 2021, Hafnia had 1,917 seafarers representing 17 nationalities employed on 45 internally managed ships. Additionally, 42 vessels were managed by external technical managers, adding 1,836 to our total number of seafarers. Our seafarers maintain the value and quality of our vessels, playing a critical role alongside our land-based colleagues to achieve the safe transportation of our customers' cargoes. The Covid-19 pandemic has put Hafnia's seafarers around the world in precarious situations. As such, Hafnia has signed the 'Neptune Declaration' in order to work with other ship owners, the IMO and international labour organizations to resolve current and future crewing challenges.

On-shore

Hafnia's headquarters is based in Singapore, with offices in Copenhagen, Houston, Monaco and Mumbai. We have recently, in March 2022, opened a new office in Dubai. On shore, Hafnia employs 197 people representing 19 nationalities in both technical, corporate and commercial support functions, such as chartering, finance, operations and bunker supply.

	2021	2020	2019
Total Number	3,950	3,892	3,509
Women	161	102	61
Men	3,789	3,790	3,448
On-Shore	197	190	152
Women	65	61	48
Men	132	129	104
Off-Shore	3,753	3,702	3,357
Women	96	41	13
Men	3,657	3,661	3,344
By Geography (on-shore):			
Copenhagen	85	81	66
Houston	11	8	4
Monaco	1	0	0
Singapore	99	100	81
Mumbai	1	1	1
Permanent	179	173	146
Contract	18	17	6
Full Time	191	185	143
Part Time	6	5	9

Note: Seafarers are all considered contract workers

The shipping industry faces several social challenges, chief among them gender diversity and employee health and safety. Hafnia recognises the leading role it has to play in addressing these issues and is consistently working on initiatives to ensure a fair, safe and inclusive work environment, where everyone is encouraged to achieve their full potential. We do this through extensive training at all levels, implementing our CARE (Collaborative, Ambitious, Reliable, Enduring) values to ensure our employees' physical and mental health and safety, and by strategically addressing the challenges facing women in our sector.

Material issues:

1. Employment
2. Diversity, Inclusion, Belonging and Equity (strategic priority for Hafnia)
3. Employee Health & Safety
4. Accident & Safety Management
5. Human Rights
6. Training and Education

Our social initiatives comprise two main areas: those focused on off-shore personnel and those specific to on-shore personnel. However, they often intersect, with collaboration between both, to ensure close alignment.

Our corporate culture is about connecting people on and offshore. Creating a culture that is unique, a culture that fosters creativity, innovation, and a sense of belonging that everyone embraces.

Hafnia is a large company operating in a challenging sector, with people, assets and offices spread across the world. It is therefore crucial that we work hard to foster a culture where people feel a sense of belonging and community, where they are valued and recognised for their contributions to our shared successes and are proud to be part of the Hafnia family.

The People, Culture & Strategy team aims to be a strategic sparring partner to our business as we consider our people the most important asset. Over the past year, the team has launched several initiatives to help achieve and maintain this positive working culture, including mental health and wellbeing programmes and employee assistance initiatives. It is important to us that all our employees have a voice, hence our monthly townhall meetings and diversity group surveys, and that everyone in Hafnia is aware of our activities and challenges, hence our regular internal magazines.

All of our efforts in this area are underpinned by our CARE (Collaborative, Ambitious, Reliable, Enduring) principles, which we use as a framework to ensure we are always moving forwards, together.

From time to time, everyone experiences situations that affect their general well-being. Hafnia recognises this and has an Employee Assistance Programme to help all employees be more successful at meeting their responsibilities at home and at work. Through the Employee Assistance Programme, practical information and counselling on a variety of topics are available to our employees and those close to them, such as partners and immediate family members.


MUSTER STATION
FIRST AID

Diversity, inclusion, belonging and equity

Gender inequality and being a female in shipping remains a significant challenge for both Hafnia and the wider shipping industry.

At Hafnia, this issue is high on our agenda. It is already among our strategic priorities that we continually monitor salary ratios between men and women to eliminate differences in pay, but it is crucial that we foster an environment where all of our employees feel safe and valued both at sea and ashore.

It is our goal that by 2024, women will account for at least 40% of the organisation on shore. Currently, women account for 33% of our office staff, however 40% of newly recruited employees in 2021 were females. We acknowledge that the initiatives we run have a long-term perspective and results will not occur overnight, which means we may not reach our ambitious target. But this does not mean we will not keep our high ambitions. We strive to foster a more diverse and inclusive industry – not only for women, but for everyone, as we embrace differences in age, nationality, gender identity, sexual orientation, ability/disability, background and other characteristics that make our employees unique. We believe the collective sum of our individual differences represent a significant part of our company culture.

Hafnia continues to be a committed signatory of the Charter for More Women in Shipping. We believe that a diverse workforce results in engaged and motivated colleagues, which in turn leads to higher retention, creativity, innovation and performance.

The Diversity Study Group

In 2021, Hafnia became a member of Diversity Study Group. The Diversity Study Group offers a confidential interactive web-based business intelligence platform for equality, diversity and inclusion assessments, benchmarking, reporting and strategy development. This means we have data available to measure our efforts and help us monitor our progress. Additionally, it offers a forum to discuss the topic, the development and challenges with companies in our industry. We are a strong believer in working with the industry to solve the challenges.

SeaCode

Hafnia and Shell co-created a program for solving some of the challenges faced by women in the maritime industry, called Women in Maritime Labs. The program shortlisted ideas from 50 participants across the maritime industry and promised to create tangible digital solutions that could solve some of these challenges. The winning idea was 'SeaCode'.

SeaCode is an online platform for seafarers of all gender in the maritime industry facing difficult situations at work (on-shore and off-shore) – such as harassment, discrimination, and mental health struggles. The platform enables one to share their stories in order to shine a light on the real problems that people experience.

By taking firm action on the challenges facing women in the industry and working to dispel misperceptions about life in the sector, Hafnia hopes to improve working conditions, foster an open and transparent culture and continue attracting the very best talent to its inclusive and diverse working environment.

Employee health and safety

At Hafnia we strive to 'CARE' – to be collaborative, ambitious, reliable and enduring. We aim to integrate these values in our day-to-day operations and throughout our business strategy. As part of this integration effort, we initiated a values-based leadership programme in 2020 for all shore-based employees with leadership responsibilities.

The People, Culture & Strategy team has also recently launched several initiatives to bring people closer to each other and to gain a broader understanding of our organisation and industry. One such initiative is our "Back to work workshop", discussing how to best move from remote working into a flexible workplace, where both employees, who prefer work from the office as well as from home are considered. We also found that the unpredictability of Covid-19 was a main challenge.

Hafnia believes in zero harm to people, environment, cargo and property.

Our procedures and risk-based approach helps us to mitigate the hazards faced by the maritime industry. We have a system which is continuously improving and evolving for the better. Our safety culture focuses on people and human factors and is based on improving systems to reduce accidents at sea.

Flexible work arrangements and working from home

We have held flexible work arrangement workshops to learn directly from our employees about the benefits and challenges of working from home while finding a common understanding of what is expected while working from home.

We have a 20% work from home policy, but constantly re-evaluate to assess what our employees prefer and what the business needs.

Mental health and wellbeing initiatives

Health and wellbeing initiatives are continuously being developed by the Company.

Many initiatives and programs are outsourced to partners who are experts in their fields and these partners has been carefully selected with high quality in mind.

We engage for example the following:

- Marine Benefits (health insurance and wellbeing surveys)
- International SOS (medical advice to ships)
- WellAtSea (wellness program)
- ISWAN (helpline)
- MCTC (catering consultancy – training and campaigns)
- Norwegian Training Center (mental health training course)
- Applied Research International (ARI) (training)

During Mental Health Awareness Month, the Company hosted a workshop and a panel discussion on the topic for both seagoing and onshore personnel. The panel discussion included personal stories and experiences from our CEO as well as from experts and victims of diagnosed mental health disorders. The workshop was facilitated by a professional coach. The feedback from the workshop was very positive and has led to additional monthly mindfulness sessions.

Policies in place to protect the wellbeing of our Seafarers includes:

- Company Mission and Values
- Human Factors
- Safety and Quality Policy
- Just Culture
- Anti-Bullying and Anti-Harassment Policies

Wellness program:
An online employee wellness platform that encourages a sustainable lifestyle change for our seafarers through

- Physical activities
- Mental health exercises and training
- Social activities
- Nutrition monitoring and challenges
- Health risk assessment to enable them to be more aware of their body
- Wellness surveys to keep track on the wellbeing of our crew

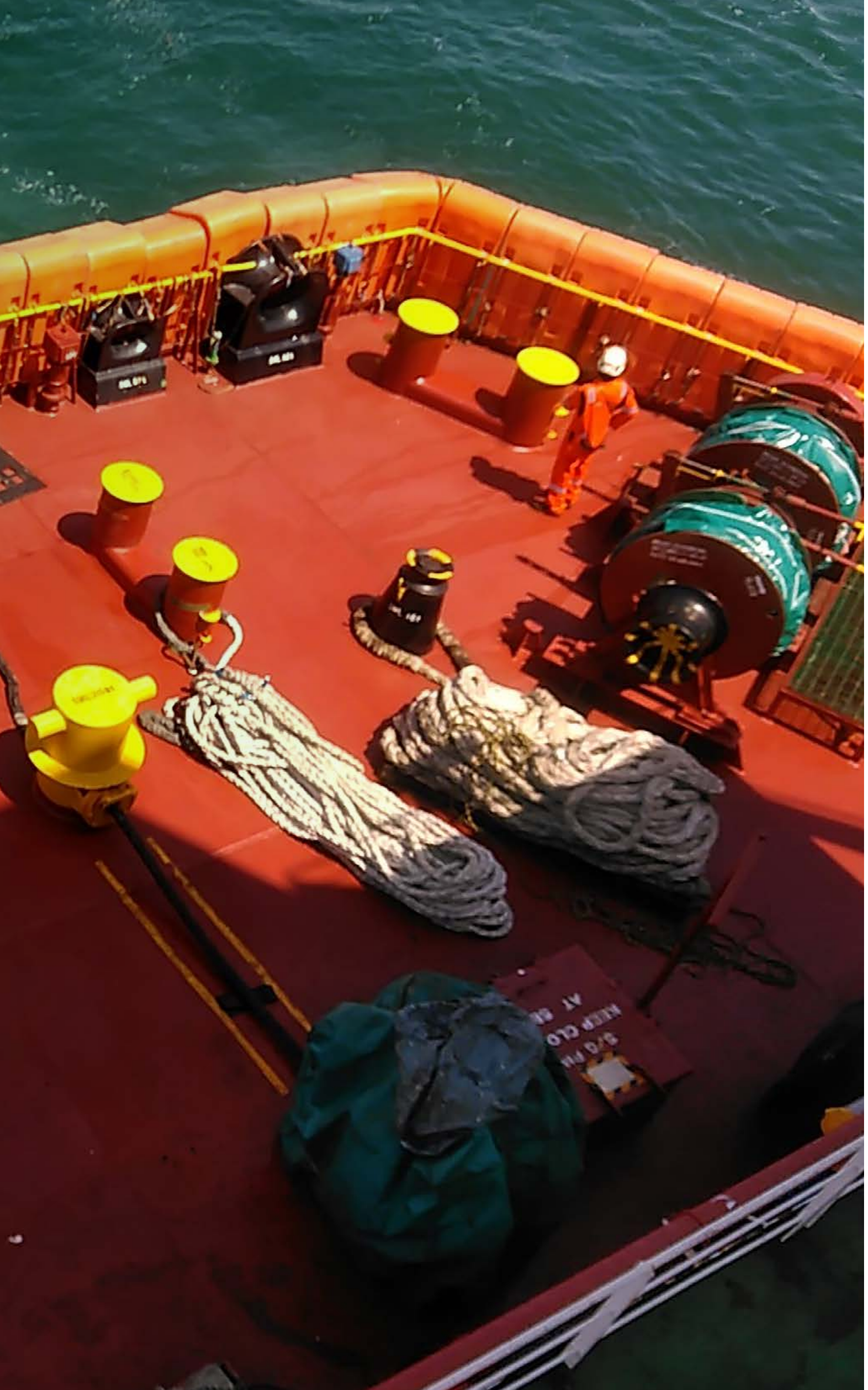
Security at sea

It is vital that we protect our crew and assets from risks in both troubled times and waters. We realize this belief in a number of ways, including fleet-wide initiatives to ensure the security of all our people in the face of piracy, especially in high-risk areas. This includes measures such as the installation of ARX barriers onboard our vessels, to prevent pirates from latching on.

We are proud to report:
- Zero fatalities due to security incidents
- Zero casualties due to security incidents
- Zero days lost due to security incidents
- Zero harm as a firm target across training

The safety and security of ships, cargo and personnel is critically important to the timely flow of goods and commerce worldwide. Common security threats facing our fleet are piracy, land mines and petty thieves. There are certain high-risk areas through which our vessels transit where the threats are elevated. These include the Gulf of Guinea, the Persian Gulf, and the Gulf of Aden.

We take a risk-based approach and put armed guards as required, secure the vessel and enhance lookout duties to prevent security incidents. All vessels are provided with a safe haven with essential resources including communication equipment.



Human rights

Hafnia is committed to treating all people with dignity and respect, upholding human rights and instituting fair and ethical employment practices. The Company prohibits unlawful discrimination based on ethnic or national origin, age, gender identity or expression, sexual orientation, marital status or family structure, religion or disability. Inappropriate workplace conduct, such as harassment, violence or discrimination is not tolerated.

Hafnia supports the United Nations Universal Declaration of Human Rights and the standards advised by the International Labour Organisation (ILO). Slavery, forced labour, child labour, torture and other violations of human rights are totally unacceptable.

Third parties providing goods and services to Hafnia are expected to comply with human rights and relevant employment practices, and the Company performs due diligence to support the effort to ensure that the various supply chains operate in an ethical and responsible manner to prevent slavery, human trafficking, forced or child labour and any other violations of human rights and labour standards.

At Hafnia we want our employees to feel safe and confident raising concerns openly with their manager or department head – or, in the case of seafarers, their Designated Person Ashore (DPA). Under the Maritime Labour Convention, seafarers may also report any complaint directly to the vessel's flag state.

Following industry best practice, Hafnia has also engaged independent compliance service providers to support an external hotline. If Hafnia employees are concerned that internal whistleblowing channels are unsuitable, this external service provides an alternative point of contact. It allows for reports to be submitted anonymously, online or by telephone, in multiple languages.

Talent development, training, and education

With our People First approach, we believe in hiring for mindset and training for skills

Hafnia believes in educating young professionals through a combination of theoretical and practical training. We offer a traineeship program that accepts fresh college and university graduates on an annual basis. Hafnia also collaborates with Danish Shipping's organization Blue Denmark on a mentorship programme, which has secured a strong pipeline of talented trainees.

Our trainees go through a two-year shipping curriculum, alternating between lectures and on-site teaching in relevant subjects, including ship knowledge, commercial negotiations, business ethics, economics and maritime law.

The trainees study this curriculum in conjunction with related work experience in rotating departments at Hafnia, such as chartering, operations and our bunker desk. They are also exposed to other departments such as claims, controls and projects to gain a well-rounded and holistic understanding of how a modern shipping company works. This allows the trainees to continue expanding their maritime education while supplementing it with practical hands-on commercial experience.

Hafnia also invests in trainee program for seafarers, where cadets from India, Philippines, China, Sri Lanka, Singapore, Denmark, Romania and Ukraine are provided with trainee berths on board in order to cater to our future seafaring officer's pipeline.

We have offered a variety of training sessions to our employees:

- Anti-corruption training (mandatory)
- Mindfulness
- Unconscious bias training
- Cyber-security
- Ambitious leadership (mandatory for all people managers)
- Various competency and soft skills training for seafarers

Through quarterly appraisal dialogues Hafnia encourages managers and employees to mutually reflect on ways to develop each employee's talents in service of the organisation. During these dialogues, employees discuss how they can develop in specific focus areas through our tailor-made talent development programs, which include:

- Additional training and courses
- Coaching
- Mentoring
- Job rotation
- Overseas attachments
- Networks
- Career and succession planning
- Feedback sessions
- Promotions

Training to defend against our unconscious biases!

We conducted an unconscious bias training programme facilitated by Sara Louise Muhr, Academic Director of the Copenhagen Business School Business in Society Platform 'Diversity and Difference'.

Our ambition was to help Hafnia employees foster awareness and tools to start blocking their own biases – allowing us to create a more inclusive workplace which would not only lead to improved employee well-being but also superior business results.

We all have biases that affect our choices and decisions. Unconscious bias usually refers to prejudice or unfounded perceptions in favour of or against a person or group of people in a way that is considered unfair. Many researchers suggested that this happens as the brain makes quick judgments based on past experiences and other influences, which could result in certain people getting penalised unfairly. Becoming aware of our unconscious bias can help us avoid forming prejudices against others, which ultimately will create a more diverse, inclusive, and fair workplace.

The training was introduced as mandatory for all people managers at Hafnia, but the invitation was extended to all our shore-based employees as we could see from the Diversity Study Group questionnaire conducted over the summer, that there was an interest to get more training about diversity. We were pleased to see more than 80 people participate.

08
GOVERNANCE

Corporate governance

Hafnia is committed to upholding the highest corporate governance standards, professionalism and business integrity across all activities. To achieve that, the development, implementation and maintenance of well-functioning governance policies and practices are critical.

Hafnia's governance policies and practices are created to comply with applicable laws and ethical standards while being mindful to the Company's long-term performance and financial soundness.

The policies abide to the overall principles of uprightness and fairness in accordance with leading market practices, while aligning with the interests of the Board of Directors and management, and balancing the reasonable expectations of shareholders, employees, customers, suppliers, other contracting parties and the public.

Hafnia's corporate governance policies are based on the Norwegian Code of Practice for Corporate Governance dated 14 October 2021 issued by the Norwegian Corporate Governance Board (the "Code"). The Code is available at www.nues.no.

Best in class governance

Board of Directors

- The Board of Directors is responsible for the overall management of the Company and may exercise all the powers of the Company not reserved to the Company's shareholders by its Bye-laws or under Bermuda law.
- If there is a vacancy of the Board of Directors occurring as a result of the death, disability, disqualification or resignation of any Director or as a result of an increase in the size of the Board of Directors, the Board of Directors has the power to appoint a Director to fill the vacancy.
- For 2021, the Company had a Board of Directors comprising five Directors but following the conclusion of the CTI transaction in January 2022, two additional Directors have been elected to the Board of Directors.

Audit Committee

- The audit committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.
- The members are independent of the Company whose primary purpose is to act as a preparatory and advisory committee for the Board of Directors in monitoring the Group's internal control of the risk management and financial reporting. This includes but is not limited to:

  1. All critical accounting policies and practices;
  2. Quality, integrity and control of the Group's financial statements and reports;
  3. Compliance and regulatory requirements;
  4. Qualifications and independence of the external auditors; and
  5. Performance of the internal and external audit.

Remuneration Committee

- The primary purpose of the remuneration committee is to assist the Board of Directors in discharging its duty relating to determining the management's compensation. The remuneration committee shall report and make recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.
- Any remuneration to be paid to the members of the remuneration committee is to be decided at the annual general meeting.

Nomination Committee

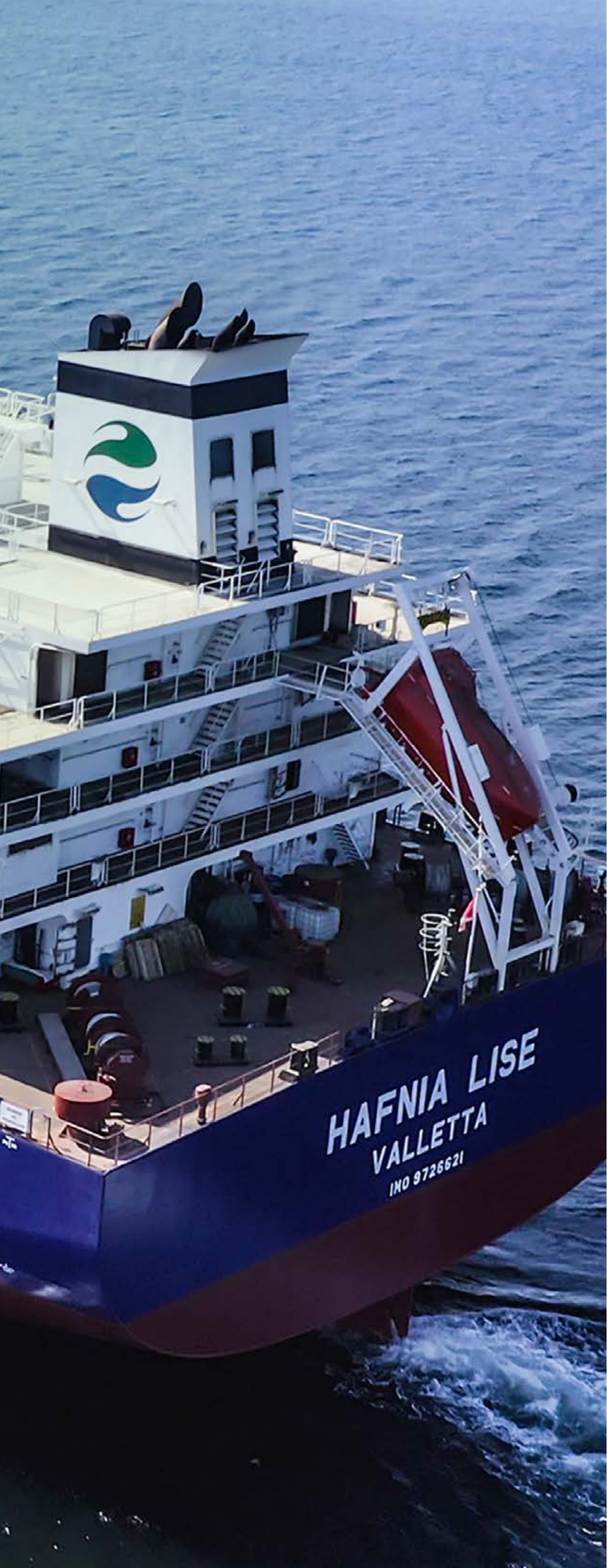
- Recently established nomination committee currently comprising three members to assist the Board of Directors in evaluation of operational effectiveness and suitability.
- The nomination committee will also be responsible for Board of Directors succession plans by nominating candidates for the election as Directors and as chairman of the Board of Directors and for nominating members of the nomination committee, as well as making recommendations for remuneration of these persons.

Board and management presentation

Hafnia's management team consists of seasoned executives who have extensive experience and vast networks of strong relationships with major oil and gas companies, shipyards, global financial institutions and other key shipping industry participants. They have demonstrated their ability to manage the commercial, technical and financial aspects of Hafnia's business, backed by years of senior-level experience operating large and diverse fleets of energy transportation vessels, as well as other assets within the maritime sector.

The Board of Directors complements Hafnia's management with extensive collective international experience in shipping, energy and capital markets – as well as a broad range of complementary functional competencies. This allows a good balance of knowledge, expertise and diversity appropriate to promote different perspectives and mitigate against groupthink.

The Board of Directors is responsible for the overall management of the Company and may exercise all of the powers of the Company not reserved to the Company's shareholders by its bye-laws or under Bermuda law.



The Board

Andreas Sohmen-Pao,
Chairman

Andreas Sohmen-Pao is Chairman of BW Group and listed affiliates BW LPG, Hafnia, BW Epic Kosan, BW Offshore, BW Energy and Cadeler. He is Chairman of the Global Centre for Maritime Decarbonisation, a director of Navigator Holdings and a trustee of the Lloyd's Register Foundation. He has previously served as Chairman of the Singapore Maritime Foundation and as a non-executive director of The Hongkong and Shanghai Banking Corporation, the Maritime and Port Authority of Singapore, The London P&I Club, Sport Singapore, Singapore's National Parks Board and The Esplanade amongst others. Prior to joining BW, Mr. Sohmen-Pao worked at Goldman Sachs International in London. He is a graduate of Oxford University and Harvard Business School. He resides in Singapore.

Erik Bartnes,
Director

Erik Bartnes was co-founder of Pareto AS and senior partner from 1988 to 2010, and Chairman of Pareto AS until April 2013. Mr. Bartnes is one of the co-founders of the original Hafnia Tankers in 2010 and served as Executive Chairman until 2018. Currently, Mr. Bartnes serves as Chairman in Astrup Fearnley Holding AS, Astrup Fearnley AS, Fearnleys AS, Fearnley Securities ASA, Fearnley Offshore AS, Fearnley Offshore Supply AS, Eclipse Drilling AS, Revier Invest AS , and Svele AS . Mr. Bartnes is a board member of Pareto Asset Management AS, Pareto Invest AS, Premium Maritime Fund AS, Thor Dahl Shipping AS and Ulstein Group AS . Previously, Mr. Bartnes served as a board member and Chairman of Christiania Shipping A/S, Pareto Invest AS and as a board member of Eitzen Chemical ASA, Viking Cruises Ltd, Viking Investments (Cayman) Ltd., Jupiter Properties (USA) Ltd, Nordic Tankers AS, Nordic Shipholding AS, Siva Shipping AS and Ugland Shipping AS. Mr Bartnes holds a LizRerPol degree from University of Fribourg in Switzerland. Mr. Bartnes resides in Oslo.

Donald John Ridgway,
Director

Donald John Ridgway was CEO of BP Shipping from 2008 to 2015. Mr. Ridgway is a qualified Master Mariner, and has a master degree from the Judge Institute, Cambridge University. He is a Chartered Marine Technologist and a Fellow of the Institute of Marine Engineering, Science and Technology, and is currently a director of Tindall Riley Ltd. and Tindall Riley (Britannia) Ltd., a leading marine liability insurer. He was formerly Chairman of the Oil Companies International Marine Forum and the Marine Preservation Association LLC, President of the API Marine Committee, Director of a number of businesses and organisations including Britannia P&I Insurance Ltd., Alaska Tanker Company, ITOPF, and UK Chamber of Shipping and a member of the Executive Advisory Board to the UN IMO World Maritime University. Mr. Ridgway resides in London.

Thomas Andrew Jaggers,
Director

Mr. Thomas Andrew Jaggers is currently a managing director at Oaktree. Prior to joining Oaktree in 2010, Mr. Jaggers spent nine years at the law firm Linklaters LLP in London, most recently as a managing associate, where he specialised in private equity, corporate and company law, in particular mergers and acquisitions (both public and private). Mr. Jaggers currently serves on the Board of Directors of Cruise Yacht Upper Holdco Limited, the parent company of The Ritz-Carlton Yacht Collection. Mr. Jaggers holds a B.A. (Hons) Law from Jesus College, Cambridge. Mr. Jaggers resides in London.

Guillaume Philippe Gerry Bayol,
Director

Mr. Guillaume Philippe Gerry Bayol is currently a managing director at Oaktree. Additionally, Mr. Bayol serves as Co-Portfolio Manager of Fleetscape Capital, a leading alternative capital provider to the global maritime and transportation industries. Prior to joining Oaktree in 2008, Mr. Bayol spent two years as an analyst in the Investment Banking division at Merrill Lynch, gaining experience in corporate finance and restructuring. Mr. Bayol currently serves on the Board of Directors of OMH Optimum Maritime Holdings Limited and OSM Maritime Group Holdings Limited. Mr. Bayol holds a B.B.A. degree with a major in finance from ESSEC Business School in France. Mr. Bayol resides in London.

Ouma Sananikone,
Director

Ouma Sananikone is currently a non-executive director of Innergex (Canada), Ivanhoe Cambridge (Canada), Macquarie Infrastructure Corporation (U.S.) and Xebec (Canada, listed on the Toronto Stock Exchange). Ms. Sananikone was also chairman of, among others, Smarte Carte (U.S.) and of EvolutionMedia (Australia) and a non-executive director of the Caisse de Depot et Placement de Quebec (Canada). She also acted as an honorary Australian Financial Services fellow for the U.S. on behalf of the Australian government. Additionally, Ms. Sananikone has held various other senior positions, including CEO of Aberdeen Asset Management (Australia), CEO of the EquitiLink Group (Australia, New Zealand, USA, Canada and UK) as well as founding managing director of BNP Investment Management (Australia). Ms. Sananikone has always been committed to the community, serving as a board director of a number of arts, education and charitable organisations, among them the United Nations High Commission for Refugees. Ms. Sananikone holds a BA (Economics and Political Sciences) from the Australian National University and a Master of Commerce (Economics) from the University of New South Wales. She is a recipient of the Centenary Medal from the Australian Government for services to the Australian finance industry. Ms. Sananikone resides in New York.

Peter Graham Read,
Director

Peter Read is currently the Non-Executive Chairman of Welbeck Publishing Group Limited. He is also a Non-executive Director and Chairman of the Audit Committees of Napster Group PLC and the Professional Cricketers Association. Mr. Read is also a Member of the Board and Chairman of the Audit Committee of the Royal Automobile Club. In a career spanning 37 years at KPMG, Mr. Read was a partner and sector chairman. Mr. Read graduated from Southampton University with a degree in Commerce and Accountancy. He is also a Fellow of the Institute of Chartered Accountants in England and Wales. Mr. Read resides in London and Sussex, England.

	Andreas Sohmen-Pao	**Erik Bartnes**	**Donald John Ridgway**	**Ouma Sananikone**	**Peter Graham Read**	**Thomas Andrew Jaggers**	**Guillaume Philippe Gerry Bayol**
Served since	16 May 2014	16 January 2019	16 January 2019	8 November 2019	16 January 2019	27 January 2022	27 January 2022
Attendance 2021	4/4	4/4	4/4	4/4	4/4	Not applicable	Not applicable
Gender	Male	Male	Male	Female	Male	Male	Male
Residency	Resides in Singapore	Resides in Oslo	Resides in London	Resides in New York	Resides in London	Resides in London	Resides in London
Independent	No	Yes	Yes	No	Yes	No	No

The Management

Mikael Skov,
CEO

Mikael Øpstun Skov is Chief Executive Officer of Hafnia, a role he assumed in 2019 after the merger between Hafnia Tankers and BW Tankers. Mr. Skov was the co-founder and CEO of Hafnia Tankers and has more than 35 years in the shipping industry. Prior to establishing Hafnia Tankers, Mr. Skov held various positions over his 25-year career at Torm A/S, of which the last two years he served as CEO. Mr. Skov is a Board Member of BLS Invest and Clipper Group Ltd. Mr. Skov resides in Monaco.

Perry Wouter Van Echtelt,
CFO

Perry Wouter Van Echtelt is Chief Financial Officer of Hafnia, a role he assumed in November 2017. Mr. Van Echtelt has more than 20 years of experience in investment banking and ship finance. Prior to Hafnia, Mr. Van Echtelt was CFO of BW Tankers from 2017, a role he took after leaving ABN AMRO Bank as head of transportation and logistics Asia Pacific & Middle East. For 17 years, Mr. Van Echtelt held various positions in the corporate finance and capital markets group of ABN AMRO and its predecessors (MeesPierson and Fortis Bank), and at Gilde Investments from 1998 until 2000. Mr. Van Echtelt resides in the Netherlands.

Audit committee

In line with the recommendations set out in the Corporate Governance Code, Hafnia has established an Audit Committee comprising two Members; Peter Graham Read (Chairman) and Erik Bartnes (Committee Member). Neither of them were previous partners or directors of the Company's external auditor, KPMG, within the last 12 months or hold any financial interest in KPMG.

The members of the Audit Committee are independent of the Company. The Board of Directors considers Peter Graham Read, who has extensive accounting and auditing experience, well qualified to chair the Audit Committee. Together, the Audit Committee collectively have strong accounting and related financial management expertise. They will keep informed of relevant changes to accounting standards and matters aments. The Members of the Audit Committee will serve while they remain members of the Board of Directors, or until the Board of Directors decide otherwise or wish to retire from their appointment as Members of the Audit Committee.

The Audit Committee's primary purpose is to act as a preparatory and advisory committee for the Board of Directors in discharging responsibilities relating to the integrity of financial statements, monitoring the Group's system of internal control of risk management and independence of the external auditor.

This includes but is not limited to:

- All critical accounting policies and practices
- Quality, integrity and control of the Group's financial statements and reports
- Compliance with legal and regulatory requirements
- Qualifications and independence of the external auditors
- Performance of the internal audit function and external auditors

The Audit Committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

Internal audit

The internal audit department prepares and implements a robust audit plan, to assess the adequacy and effectiveness of Hafnia's governance, risk management and internal controls. This includes the operational, financial, compliance and information technology controls. Without assuming management responsibility, internal audit also provides independent, objective assurance and consulting services designed to add value and improve Hafnia's operations and ensure that the control environment works effectively.

This helps Hafnia accomplish its stated objectives and goals by bringing a systematic, disciplined approach to add value and improve governance, risk management and internal controls. The Audit Committee is responsible for approving the terms of reference of internal audit and reviews the internal audit function's adequacy and effectiveness. The Audit Committee also ensures that processes are in place for recommendations raised in internal audit reports and dealt with within a timely manner.

The internal audit department is staffed with individuals with the relevant qualifications and experience. However, where appropriate, independent internal or external technical specialists will be engaged to supplement the core team, and quality assurance and improvement practices. Internal auditors are expected to apply the care and skill expected of a prudent and competent auditor and consider using technology-based audit and other data analysis techniques in their work.

Authorisation manual

Hafnia has established a clear and concise authorisation manual that sets out, describes and defines roles and responsibilities in all aspects of the Company's business financials, including:

- Governance & Senior Appointments
- Budgeting & Expenditure
- Financing & Financial Risk Management
- Public Relations, Media & Communication
- Legal & Liability Management
- HR
- Chartering
- Sales & Purchase Of Vessels
- Bunkers & Agents
- Fleet
- Insurance
- IT
- The Pools

Remuneration committee

Hafnia's Remuneration Committee comprises of two Members; Andreas Sohmen-Pao (Chairman) and Erik Bartnes (Committee Member). The Board of Directors considers that Andreas Sohmen-Pao, who has many years of experience in senior management positions and on various boards, is well qualified to chair the Remuneration Committee. Together, the Remuneration Committee collectively have strong management experience and expertise on remuneration issues.

The members of the Remuneration Committee shall serve while they remain part of the Board of Directors, or until the Board of Directors decide otherwise or wish to retire from their appointment as Members of the Remuneration Committee. Any remuneration to be paid to the Remuneration Committee members is to be decided at the annual general meeting.

The Remuneration Committee's primary purpose is to assist the Board of Directors in discharging its duty relating to determining the management's compensation.

This includes but is not limited to:

- Oversee the governance of Hafnia's remuneration policy
- Oversee the remuneration of the Board of Directors and management
- Reviews Management annual increments, variable bonuses and incentive awards
- Approves framework of remuneration for the entire organisation, including increment and incentives

The Remuneration Committee shall report and make recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

Nomination committee

As provided for in its by-laws, Hafnia established a Nomination Committee at the 2020 Annual General Meeting of the Company. The Nomination Committee comprises of three Members; Andreas Sohmen-Pao (Chairman), Bjarte Bøe (Committee Member) and Elaine Yew Wen Suen (Committee Member).

The members of the Nomination Committee shall serve until the Annual General Meeting determines or they wish to retire from their appointment as Members of the Nomination Committee.

The Nomination Committee's primary purpose is to identify and nominate candidates for the appointment, re-appointment or termination of Members and Chairman of the Board of Directors, and make recommendations for these persons' remuneration. The Nomination Committee plays an essential role in emphasising transparency and meritocracy at Hafnia. It plans for board succession while ensuring only candidates with the suitable attributes and expertise capable of contributing to the Company's success are appointed.

Risk management

Risk is inherent in the business activities of Hafnia, and managing them is critical for ensuring long-term success. Hafnia's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Hafnia's financial performance, to create sustainable value for our customers, employees, shareholders and the community. Hafnia's results are dependent on the market for worldwide transportation of refined oil products. With that, the Company is exposed to a variety of financial risks: market risk (including price risk and currency risk), interest rate risk, credit risk, liquidity risk and capital risk.

The most significant risks are set out in the 2022 prospectus issued in March 2022. That document and other information on risks are available on the Company's website at www.hafniabw.com.

Hafnia and its activities are primarily governed by the Bermuda Companies Act, its Memorandum of Association and its by-laws.

Certain aspects of Hafnia's activities are governed by Norwegian law pursuant. In particular, the Norwegian Securities Trading Act and the Norwegian Stock Exchange Regulations will generally apply.

Corporate governance report

The following report provides an overview of Hafnia's key corporate governance practices regarding the Code.

For the year 2021, unless stated otherwise, Hafnia has complied with all material aspects laid out in the Code sections. Below is a summary disclosure on our compliance with the Code.

Principal risks faced by Hafnia and their definition:

Section 1 - Implementation and reporting on corporate governance

Hafnia Limited ("Hafnia" or the "Company") is a Bermuda limited liability company listed in Oslo.

The Board of Directors (the "Board") oversees the overall conduct of Hafnia, ensuring that the Company is accountable to its stakeholders by ensuring implementation of business policies and practices which comply with applicable legislation, regulations, ethical and corporate governance guidelines. These policies are also designed to be fair and in accordance with leading market practices on stakeholder relations. The Company assumes all dealings with customers, potential customers, and other third parties are in full public view and accommodates all stakeholders' reasonable expectations.

Hafnia is primarily governed by the Bermuda Companies Act, its Memorandum of Association and its byelaws. Certain aspects of Hafnia's activities are governed by Norwegian law pursuant. The Norwegian Securities Trading Act, related regulations and the continued obligations for listed companies will generally apply. Hafnia's business activities are also subject to the laws of the countries in which it at any time operates, as well as international law and conventions.

Each individual section of the Code is discussed in the following, and any deviations from the Code are set out and explained.

The Company does not deviate from Section 1 of the Code.

Section of the Code		Deviations
1	Implementation and reporting on corporate governance	None
2	Business	The Company's objectives are broader and more extensive than recommended in the Code
3	Equity and dividends	The Board has wider powers to issue any authorised but unissued shares and preference shares than what is recommended in the Code
4	Equal treatment of shareholders	None
5	Shares and negotiability	The Board may decline to register the transfer of any share in the Company if the transfer results in the Company being deemed a "Controlled Foreign Company" in Norway
6	General meetings	The chairman of the Board, or the president of the Company if there is one appointed, will chair the Company's general meetings unless otherwise resolved by majority vote
7	Nomination committee	Andreas Sohmen-Pao is both the Chairman of the Nomination Committee and of the Board and any member of the Board who is also a member of the Nomination Committee may offer himself for re-election to the Board
8	Board of Directors: Composition and independence	None
9	The work of the Board of Directors	None
10	Risk management and internal control	None
11	Remuneration of the Board of Directors	None
12	Remuneration of executive personnel	Performance-related remuneration is not subject to an absolute limit
13	Information and communications	None
14	Take-overs	None
15	Auditor	None

Section 2 - Business

The Company's Business and objectives are described in the Company's Memorandum of Association. In accordance with common practice for Bermuda incorporated companies (including those listed on the Oslo Stock Exchange), the Company's objectives set out are wider and more extensive than recommended in the Code.

This represents a deviation from Section 2 of the Code.

The Board sets the tone and direction for Hafnia, defining clear objectives, strategies and risk profile, ensuring consistency with the Company's long-term strategic goals in a sustainable manner taking into account financial, social and environmental considerations. For further information, reference is made to page 31. The Board conducts an annual review of Hafnia's objectives, strategies and risk profile, evaluating present and future opportunities, threats and risks in the external environment. The Company's executive management implements the Board's decisions through managing and developing the business of Hafnia, ensuring that the policies and processes that are in place are compliant with the Board's instructions. The strategy, objectives and corporate governance regime developed act as a foundation in the Company's policy to integrate considerations into its business execution to deliver long-term value to the shareholders in a sustainable manner.

Stakeholders may read more about Hafnia's strategy, objectives and risk profile elsewhere in the annual report.

Section 3 - Equity and dividends

Given the Company's business's dynamic and cyclical nature, the Board regularly reviews and monitors the Company's capital structure to ensure it is in line with the Company's objective, strategy, and risk profile. This ensures that the business' activities and growth are funded sensibly and prudently by achieving a more efficient capital structure that seeks to reduce the Company's overall cost of capital.

The Board has established a clear and predictable dividend policy based on a targeted quarterly dividend with a pay-out ratio of 50% of annual net profit, adjusted for extraordinary items. The final amount of dividend is to be decided by the Board. In addition to cash dividends, the Company may also from time to time consider buying back shares as part of its total distribution to shareholders.

In deciding whether to declare a dividend and determining the dividend amount, the Board will take into account the Group's capital requirements, including capital expenditure commitments, financial condition, general business conditions, legal restrictions, and any restrictions under borrowing arrangements or other contractual arrangements in place at the time.

Pursuant to Bermuda law and in accordance with common practice for Bermuda incorporated companies, the Board has the authority to issue any authorised unissued shares in the Company on such terms and conditions as it may decide and may exercise all powers of the Company to purchase the Company's own shares. The powers of the Board to issue and purchase shares are neither limited to specific purposes nor to a specified period as recommended in the Code.

This represents a deviation from Section 3 of the Code.

Section 4 - Equal treatment of shareholders

The Company has one class of shares, meaning all shares in the Company carry equal rights, including the right to participate and vote in general meetings. As such, all shareholders will be treated equally unless there is just cause for treating them differently.
As the Company is a Bermuda limited company, shareholders do not have the same preferential rights in a future offering of shares in Hafnia as shareholders in Norwegian limited liability companies normally have. This is common practice for Bermuda limited companies, including those listed on the Oslo Stock Exchange.

The Company does not deviate from Section 4 of the Code.

Section 5 - Shares and negotiability

The shares are generally freely negotiable. However, the Board may decline to register the transfer of any share, where such transfer would, in the opinion of the Board, likely result in 50% or more of the aggregate issued and outstanding share capital of the Company being held or owned directly (or indirectly) by individuals or legal persons resident for tax purposes in Norway, or alternatively, such shares being effectively connected to a Norwegian business activity, or the Company otherwise being deemed a "Controlled Foreign Company" as such term is defined pursuant to Norwegian tax legislation. The purpose of this provision is to avoid the Company being deemed a Controlled Foreign Company pursuant to Norwegian tax rules.

The Company's bye-laws also provide the Board the authority to decline the registration of the transfer of "Default Securities" (as defined in the Company's bye-laws), i.e. shares belonging to unidentified shareholders or any other person who, upon due notice from the Company, have failed to disclose his, her or its interest in company securities.

Both of the above restrictions are common practice for Bermuda limited companies listed on the Oslo Stock Exchange, but represent deviations from Section 5 of the Code.

Section 6 - General meetings

The Company encourages all shareholders to participate in and to vote at general meetings. In order to facilitate shareholder participation, the Board will ensure that:

- The resolutions and supporting documentation, if any, will be sufficiently detailed, comprehensive and specific to allow shareholders to understand and form a view on matters that are to be considered at the general meeting;
- The registration deadline, if any, for shareholders to participate at the general meeting will be set as closely to the date of the general meeting as practically possible and permissible under the provision in the Company's bye-laws;
- The shareholders will have the opportunity to vote on each individual matter, including on each candidate nominated for election to the Company's Board and committees (if applicable); and
- The board members, the chairman of the Nomination Committee and the auditor (where attendance is regarded as essential) will be present at the general meeting.

Shareholders who are not able to attend the general meeting will be given the opportunity to vote by proxy or to participate by using electronic means. The Company will in this respect:

- Provide information on the procedure for attending by proxy in the notice;
- Nominate a person who will be available to vote on behalf of shareholders as their proxy; and
- Prepare a proxy form which will, insofar as this is possible, be formulated in such a manner that the shareholder may vote on each item that is to be addressed and vote for each of the candidates that are nominated for election.

The Company secretaries will also prepare minutes from the general meetings. These minutes aim to capture the essence of the meeting, its comments and results from the resolutions.

Pursuant to common practice for Bermuda incorporated companies, the chairman of the Board, or the president of the Company if there is one appointed, will chair the Company's general meetings unless otherwise resolved by majority vote.

This represents a deviation from Section 6 of the Code. However, there will be routines to ensure that an independent person is available to chair the general meeting or a particular agenda with regards to any matters related to the chairman.

Section 7 - Nomination committee

As provided for in its bye-laws, Hafnia established a Nomination Committee at the 2020 Annual General Meeting of the Company.

The Nomination Committee's duties include proposing candidates for election to the Board and the Nomination Committee itself. As part of its work in proposing candidates for election to the Board, the Nomination Committee will provide reasoned recommendations for any candidate and seek to consult shareholders concerning proposals for candidates' appointment.

Andreas Sohmen-Pao is both the Chairman of the Nomination Committee and of the Board. This represents a deviation from Section 7 of the Code. The intention is to replace Andreas Sohmen-Pao with a member that is not an executive personnel nor a member of the Board at the Annual General Meeting to be held in 2022.

Pursuant to the Nomination Committee guidelines, a member of the Board who is also a member of the Nomination Committee may offer him or herself for re-election to the Board.

This deviation from Section 7 of the Code. The intention is to adopt a set of amended guidelines at the Annual General Meeting to be held in 2022 to reflect that Nomination Committee cannot include any executive personnel nor any member of the Board.

Refer to page 65 of the Annual Report for further information regarding the Nomination Committee and its responsibilities.

Section 8 - Board of Directors: Composition and independence

The Company believes that the composition of the Board ensures that the Board has a good balance of knowledge, expertise and diversity appropriate to promote different perspectives and mitigate the risk of groupthink. This helps the Board to attend to duties towards the Company and its stakeholders effectively. An introduction to the members of the Board and their expertise is included in page 61 of the Annual Report.

The Board currently consists of seven board members but the number of directors of the Company may be increased to eight. The board members work together to exercise proper supervision of the Company's business, compliance, performance and work done by the Company's management. The chairperson of the Board is elected by the shareholders.

Three out of seven of the board members are independent of the Company, its main shareholders and material business contacts, and the Company's executive management is not represented on the Board. The members of the Board serve for periods of two years at the time, after which they are re-evaluated for potential re-election. The benefit of continuity in the Board's composition will be balanced against the potential benefits of renewal and independence. The members of the Board are encouraged to own shares in the Company.

The Company does not deviate from Section 8 of the Code.

Section 9 - The work of the Board of Directors

The Board oversees the overall conduct of the Company's affairs and the day-to-day management of the Company.

The Board's duties and responsibilities are set out in detail in the Company's byelaws. The Board emphasises clear allocation of responsibilities amongst members and between the Board and executive management for increased accountability. Various guidelines have been adopted for both the Board and executive management.

To ensure independence, directors, officers and executive personnel of the Company are required to notify the Board if they directly or indirectly have a material interest in any transaction carried out by the Company. Members of the Board and executive personnel are to recuse themselves from decisions that they have a special interest in so that such items can be considered unbiased. Another director will chair discussions on significant matters if the chairman of the Board has been actively involved outside of his role as chairman of the Board.

The Board has established an Audit Committee consisting of two of the board members and has adopted guidelines for the Audit Committee's work. See page 64 of the Annual Report for further information regarding members of the Audit Committee and their responsibilities.

The Board has also established a Remuneration Committee to ensure due and independent preparation of matters relating to executive personnel compensation. See page 65 of the Annual Report for further information regarding the members of the Remuneration Committee and their responsibilities.

The Board established a Nomination Committee at the 2020 Annual General Meeting to ensure Board succession through identifying and nominating candidates for the appointment of members of the Board. See page 65 for further information regarding the members of the Nomination Committee and their responsibilities. The Board's internal assessment and performance evaluation was carried out in 2021, to the overall satisfaction of the directors.

The Board aims to annually assess the effectiveness and performance as a whole and of its committees. This ensures that it fulfils its duties and responsibilities satisfactorily and uncovers key areas for improvement and requisite follow-up actions.

In cases of transactions between the Company and a shareholder, a shareholder's parent company, director, officer or executive personnel of the Company or persons closely related to any such parties, which are not immaterial for either the Company or the close associate involved, the Board will obtain a valuation from an independent third party. Agreements with related parties are given account for in the annual report.

The Company does not deviate from Section 9 of the Code.

Section 10 - Risk management and internal control

The Board is responsible for overseeing risk management in the Company, ensuring appropriate control procedures and systems are in place to manage its exposure to risks that are inherent to the Company's business. The Company recognises the importance of balancing risks and rewards to pursue business opportunities within its risk appetite. Such procedures also support the quality of the Company's financial reporting and compliance with applicable laws and regulations.

In page 66 of the Annual Report, the Company provides an overview of Hafnia's central risks and its business.

Management and internal reporting and control mechanisms are based on Company-wide policies and internal guidelines in areas such as Finance and Accounting, Health, Safety, Security, Environment & Quality (HSSEQ), Ship Operations and Project Management, in addition to implementation and the follow-up of a risk assessment process. The Company's policies and guidelines is imperative to the Company's internal control and risk limitations and are designed to ensure that the Company's vision, policies, goals and procedures are known and adhered to. This also helps to instil discipline and reinforces the Company's risk culture regarding the nature and extent of risks that the Company is willing to accept.

The Company has implemented frequent management reporting sessions where both operational and financial matters are analysed and reported to relevant decision-makers, allowing them to respond quickly to changing conditions. This helps to provide reasonable assurance against foreseeable events that may adversely affect the Company's business objectives. The Company has established clear and safe communication channels between the employees and management to ensure effective reporting of any illegal or unethical activities in the Company, as such activities may be detrimental to the Company's reputation, financial well-being as well as to the Company's various stakeholders.

The Board carries out annual reviews of the Company's most important areas of exposure to risk and its internal control arrangements.

The Company does not deviate from Section 10 of the Code.

Section 11 - Remuneration of the Board of Directors

The Company seeks shareholders' approval at the annual general meeting regarding the remuneration of the Board. No director decides his or her own fees. Rather, in determining the remuneration of the Board, the Board's responsibility, expertise, time commitment and the complexity of the Company's activities will be considered.

To maintain the Board's independence, the Board's remuneration will not be linked to the Company's performance, nor does the Company intend to grant share options, similar instruments or retirement benefits to board members as consideration for their work.

As a rule, the directors do not undertake special tasks for the Company in addition to their directorship. Fees for any such services rendered should be approved by the Board.

The Company does not deviate from Section 11 of the Code.

Section 12 - Remuneration of executive personnel

The Board has adopted guidelines and principles for determining the remuneration of executive personnel, which have been presented to the shareholders and will be communicated to the annual general meeting. The guidelines are clear and understandable, and contribute to the Company's business strategy, long term interests and financial sustainability. Such guidelines are not a requirement under Bermuda law and will therefore not be subject to the annual general meeting's approval.

The Remuneration Committee administers all the performance-related elements of remuneration of executive management. The remuneration annually prepares recommendations to the Board, considering inter alia responsibility, expertise, time commitment and the complexity of the Company's activities. The remuneration paid to executive management will aim to ensure a convergence of the financial interests of the shareholders and executive management. The Company has inter alia adopted a long-term share incentive program for executive management, and is made easily understandable designed to align the interests of executive management with those of shareholders and link rewards to corporate and individual performance.

Performance-related remuneration is not subject to an absolute limit.

This represents a deviation from Section 12 of the Code.

Section 13 - Information and communication

The Board has adopted guidelines for the Company's communication with shareholders and how the Company will make information available to shareholders outside of general meetings. Hafnia values openness and transparency towards its shareholders and is committed to disclosing to shareholders as much relevant information as is possible in a timely and accurate manner. All communications and announcements of information will take into account the requirement for equal treatment of the Company's shareholders.

The Company publishes an updated financial calendar with dates for important events such as the annual general meeting, publishing of interim reports, public presentations and payment of dividends (if applicable) on the Company's website and on Newsweb.

The Company does not deviate from Section 13 of the Code.

Section 14 - Take-overs

The Company has established key principles for how to act in the event of a take-over offer. In the event of a take-over process, the Board has a duty to ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board will also ensure that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the Board will abide by the principles of the Code and also ensure that the following take place:

- The Board will ensure that the offer is made to all shareholders, and on the same terms;
- The Board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the Company;
- The Board should not enter into an agreement with any offeror that limits the Company's ability to entertain other offers for the Company's shares, unless it is obvious that such an agreement is in the common interest of the Company and its shareholders;
- The Board shall strive to be completely open about the take-over situation. Agreements between the Company and the offeror which are of significance for the market's assessment of the offer shall be made know to the market no later than the time when the market is notified of the offer;
- The Board shall not institute measures which have the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
- The Board acknowledges the particular duty the Board carries for ensuring that the interests of the shareholders are safeguarded.

The Board shall not attempt to prevent or impede the take-over bid unless this has been decided by the shareholders in a general meeting in accordance with applicable laws. The main underlying principles shall be that the Company's common shares shall be kept freely transferable and that the Company shall not establish any mechanisms which can prevent or deter take-over offers unless this has been decided by the shareholders in a general meeting in accordance with applicable law.

If an offer is made for a Company's common shares, the Board shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the Board finds itself unable to give a recommendation to the shareholders on whether or not to accept the offer, it should explain the reasons for this. The Board's statement on a bid shall make it clear whether the views expressed are unanimous, and if this is not the case, it shall explain the reasons why specific members of the Board have excluded themselves from the statement.

The Board may also consider to arrange a valuation from an independent expert. An independent valuation will be arranged if any member of the Board, close associates of such member or anyone who has recently held a position but has ceased to hold such a position as a member of the Board, is either the bidder or has a particular personal interest in the bid. This will also apply if the bidder is a major shareholder of the Company. Any such valuation should either be enclosed with the Board's statement, or reproduced or referred to in the statement.

The Company does not deviate from Section 14 of the Code.

Section 15 - Auditor

The Company's auditor is appointed by the Company's annual general meeting and is responsible for the audit of the Company's consolidated financial statements.

The auditor participates in the Audit Committee's review and discussion of the annual accounts and quarterly interim accounts. Annually, the auditor will submit an audit workplan to the Board or the Audit Committee.

The auditor normally participates in Board meetings that deal with annual accounts and accounting principles. The auditor will also assess any important accounting estimates and matters of importance on which there has been disagreement between the auditor and the Company's executive management and/or the Audit Committee. At least once a year, the auditor shall present to the Board or the Audit Committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement. Further, the Board will normally hold a meeting with the auditor at least once a year at which no representative of the executive management is present.

The Board is responsible for determining whether executive management may engage the auditor for other purposes than auditing. The auditor is required to annually confirm his or her independence in writing to the Audit Committee.

The Board will give the shareholders an account at the annual general meeting of the remuneration paid to the auditor, including details of the fee paid for audit work and any fees paid for other specific assignments.

The Company does not deviate from Section 15 of the Code.

Business ethics

Anti-corruption and anti-bribery

Hafnia stands against corruption and bribery in the maritime industry and has a policy of zero tolerance to corruption and bribery. For the prevention hereof, Hafnia has implemented and enforces procedures and policies and all employees must undergo training for this purpose.

Hafnia is a member of the Maritime Anti-Corruption Network ("MACN"), which was established by a group of companies within the maritime sector to work towards an industry free of corruption and to enable fair trade to benefit society at large. To reinforce our commitment and accelerate the industry's change, Hafnia joined the MACN in 2014 and continues to contribute to the network as an active member.

Hafnia and MACN work towards the elimination of all forms of maritime corruption by: raising awareness of the challenges faced; implementing the anti-corruption principles and co-developing and sharing best practices; collaborating with governments, non-governmental organizations, and civil society to identify and mitigate the root causes of corruption; and creating a culture of integrity within the maritime community.

Whistleblowing

One of the many ways Hafnia seeks to uphold human rights and stop corruption and bribery is through our whistleblowing policy.

Whistleblowing protects us all. It is a vital tool in identifying and reducing illegal and other unethical practices and ensuring Hafnia and our staff maintain the highest standards. We are proud of our robust whistleblowing policy – just one of the procedures we have put in place to protect our reputation as a reliable, ethical company.

Reporting may be done through internal channels or through the independent party engaged by Hafnia for external whistleblowing services and will result in approved, structured investigation procedures. Anyone identifying legitimate concerns can keep their anonymity and will be protected from reprisals or victimisation. Personal data and any other information provided will be kept confidential, and used solely for investigation of the matter.

Code of conduct

Hafnia's employees must at all times adhere to high standards of behaviour. The responsibilities and conduct standard are set out in Hafnia's polices, which include, but not limited to non-harassment, anti-corruption and anti-bribery and whistleblowing. Hafnia's policies for conduct has been an area of particular focus in 2021 and Hafnia is updating its employee policies on a continuous basis.

Anti-competitive behaviour

Hafnia conducts regular assessments of its business to ensure compliance with applicable competition laws taking into account the market position and size of the fleet and the various jurisdictions in which the vessels operate, in particular in relation to the vessels operating in the pools and joint ventures. Further, Hafnia has a focus on preventing anti-competitive behaviour within all areas of the business and the focus for 2022 is to implement a competition compliance programme applicable to all employees.

09 INVESTOR RELATIONS

Investor relations

Share Information

Exchange	Oslo Stock Exchange
ISIN	BMG4233B1090
Ticker	HAFNI
Class of shares	1
Number of shares	462,357,016
Year high	19.20 NOK (10 May)
Year low	14.42 NOK (1 Feb)

Communication

Hafnia is committed to building trust and confidence within the investor community, through the comprehensive and timely disclosure of information that is material or that may influence the price of Hafnia shares. To achieve this, Hafnia adopts the practice of regularly communicating major developments in its businesses and operations through the appropriate media channels such as news releases, stock exchange announcements, direct announcements, investor presentations and annual reports.

Hafnia also adopts transparent and effective communication practices to enhance standards for the investor community through efficient use of technology. Hafnia's corporate website has a dedicated 'Investor Relations' segment, which features the latest and historical financial results, investor presentations, investor tools, financial calendar and analyst coverage of Hafnia. These features aim to provide both new and existing shareholders comprehensive information about Hafnia so shareholders can make informed decisions regarding Hafnia shares.

Hafnia understands the importance of maintaining good stakeholder relationships and employs an inclusive active approach to engaging with the investor community. The contact details of the Investor Relations team are available on the corporate website, allowing shareholders to reach out to Hafnia easily. The Investor Relations team strives to address any shareholder's query as soon as possible. Hafnia hopes this helps to foster better communication with the investor community to convey their investment proposition, as well as obtaining feedback on its expectations.

Dividend policy

The Company targets a quarterly dividend based on a pay-out ratio of 50% of annual net profit, adjusted for extraordinary items. The final amount of dividend is to be decided by the Board of Directors. In addition to cash dividends, the Company may buy back shares as part of its total distribution to shareholders.

In deciding whether to declare a dividend and determining the dividend amount, the Board of Directors will take into account the Group's capital requirements, including capital expenditure commitments, financial condition, general business conditions, legal restrictions, and any restrictions under borrowing arrangements or other contractual arrangements in place at the time.

There can be no assurance that a dividend will be declared in any given year. If a dividend is declared, there can be no assurance that the dividend amount or yield will be as contemplated above.

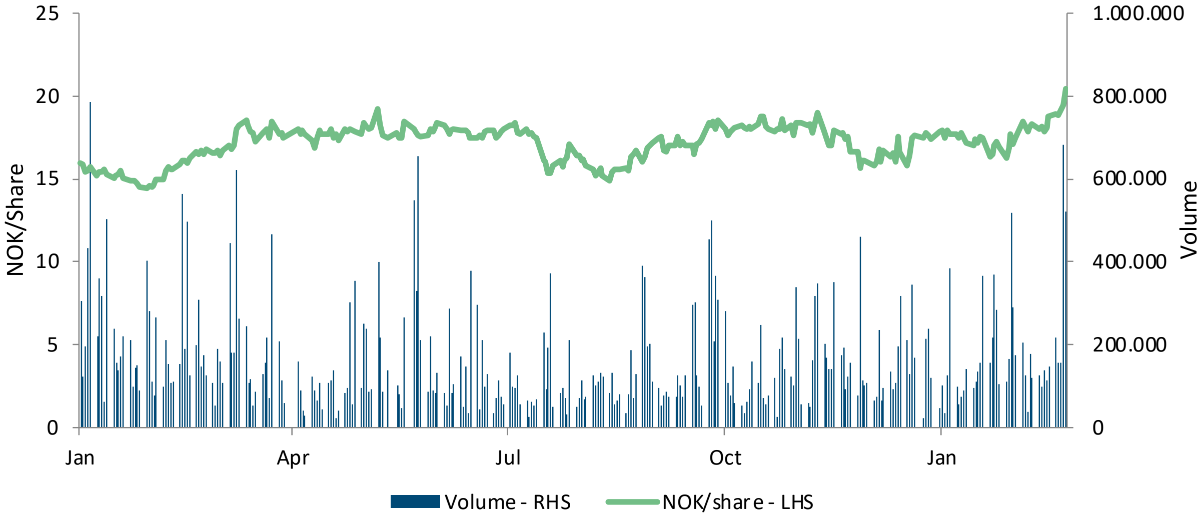
Dividends distributed to shareholders of the Company for the fiscal year 2018 was USD nil. The Company declared a dividend of USD 21.2 million for the fiscal year 2019. Together with the interim dividends paid for Q1 2020 and Q2 2020 of USD 0.1062 per share in both quarters, the total dividend paid in fiscal year 2020 amounted to USD 0.2708 per share or USD 98.3 million. The Company did not pay a dividend for the fiscal year 2021.

Composition of shareholders

As of 28 February 2022, Hafnia has 1,115 registered shareholders. Below is a list of the 20 largest shareholders as per 28 February 2022:

Stock data, ticker code

#	Shareholder Name	No. of Shares	Percentage (%)
1	BW GROUP LIMITED	246,106,112	53.23%
2	OCM (Gibraltar) Chemical Tankers	94,338,624	20.40%
3	PAG Tankers Limited	20,411,403	4.41%
4	J.P. Morgan Securities LLC	9,504,987	2.06%
5	Danske Bank A/S	8,170,963	1.77%
6	The Bank of New York Mellon	7,176,038	1.55%
7	Northwharf Nominees Limited	6,973,800	1.51%
8	DBSI CE HSE CLR	4,860,770	1.05%
9	Interactive Brokers LLC	3,829,264	0.83%
10	Pershing LLC	3,474,718	0.75%
11	SKANDINAVISKA ENSKILDA BANKEN AB	3,336,115	0.72%
12	State Street Bank and Trust Comp	3,251,665	0.70%
13	PERESTROIKA AS	3,000,000	0.65%
14	Skandinaviska Enskilda Banken AB	2,828,747	0.61%
15	CASTEL AS	2,371,258	0.51%
16	VERDIPAPIRFONDET STOREBRAND NORGE	1,694,132	0.37%
17	Viking Investments (Cayman) Ltd	1,658,605	0.36%
18	AGAT AS	1,346,498	0.29%
19	SPESIALFONDET KLP ALFA GLOBAL ENER	1,301,898	0.28%
20	BNP Paribas Securities Services	1,292,150	0.28%
	Other shareholders	35,429,269	7.66%
	Total	**462,357,016**	**100%**



Investor relations contacts

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- Perry Van Echtelt, CFO, pve@hafniabw.com
- Thomas Andersen, EVP, IR, Research and Performance Management, tha@hafniabw.com

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- Clarksons, Frode Mørkedal, Frode.Morkedal@clarksons.com
- Danske Bank, Håvard Sjursen Lie, hvli@danskebank.com
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- Pareto Securities AS, Wilhelm Flinder, willhelm.flinder@paretosec.com
- Skandinaviska Enskilda Banken, David Bhatti, david.bhatti@seb.no

Financial calendar

Financial Year 2022	
15 March 2022	Quarterly report – Q4
30 March 2022	Annual report 2021
20 May 2022	Annual general meeting
23 May 2022	Quarterly report – Q1
26 August 2022	Half-yearly report
21 November 2022	Quarterly report – Q3

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ANNEXES

Annexes

Hafnia's reporting framework reports is aligned with GRI - referenced, SASB, TCFD and industry specific regulation.

Pillars	Topics	Disclosure Requirements / Accountic Metric	Page in the Report/ Disclosure Comment	Standards / Disclosures
Universal	Organizational profile	Name of the organisation	Front page	GRI 102-1
		Activities, brands, products & services	14, 15, 16	GRI 102-2
		Location of headquarters	48	GRI 102-3
		Location of operations	48	GRI 102-4
		Ownership and legal form	67, 79	GRI 102-5
		Markets served	22	GRI 102-6
		Scale of the organization	14, 15, 16	GRI 102-7
		Information on employees and other workers	16, 17, 18, 32, 38	GRI 102-8
		External initiatives	36	GRI 102-12
		Membership of associations	39, 74	GRI 102-13
	Strategy	Statement from senior decision maker	6	GRI 102-14
		Key impacts, risks, and opportunities	22-28, 30, 32	GRI 102-15
	Ethics and Integrity	Values, principles, standards and norms of behavior	17	GRI 102-16
	Governance	Governance structure	58, 59	GRI 102-18
		Delegating authority	58	GRI 102-19
		Executive - level responsibility for economic, environmental and social topics	90	GRI 102-20
		Consulting stakeholders on economic, environmental, and social topics	33 - 36	GRI 102-21
		Composition of the highest governance body and its committees	60 - 65	GRI 102-22
		Chair of the highest governance body	61	GRI 102-23
		Nominating and selecting the highest governance body	59	GRI 102-24
		Conflicts of interest	58, 74	GRI 102-25

Pillars	Topics	Disclosure Requirements / Accountic Metric	Page in the Report/ Disclosure Comment	Standards / Disclosures
Universal	Governance	Role of highest governance body in setting purpose, values, and strategy	59	GRI 102-26
		Collective knowledge of highest governance body	60	GRI 102-27
		Evaluating the highest governance body's performance	59	GRI 102-28
		Identifying and managing economic, environmental and social impacts	32	GRI 102-29
		Effectiveness of risk management processes	71 -72; 137 - 142	GRI 102-30
		Review of economic, environmental and social topics	90	GRI 102-31
		Highest governance body's role in sustainability reporting	90	GRI 102-32
		Remuneration policies	59, 65, 72	GRI 102-35
		Process for determining remuneration	59, 65, 72	GRI 102-36
		Stakeholders' involvement in remuneration	59, 65, 72	GRI 102-37
	Stakeholder Engagement	List of stakeholder groups	32,33, 36	GRI 102-40
		Identifying and selecting stakeholders	32	GRI 102-42
		Approach to stakeholder engagement	33, 34	GRI 102-43
		Key topics and concerns raised	33, 34	GRI 102-44
	Reporting Practice	Entities included in the consolidated financial statements	150	GRI 102-45
		Defining report content and topic boundaries	32 - 34	GRI 102-46
		List of material topics	33 - 34	GRI 102-47
		Restatements of information	No restatements of information	GRI 102-48
		Changes in reporting	This annual report includes the first formal materiality assessment conducted, and alignment with international reporting standards	GRI 102-49
		Reporting period	2021	GRI 102-50
		Date of most recent report	2020	GRI 102-51
		Reporting cycle	Annual	GRI 102-52
		Contact point for questions regarding the report	80	GRI 102-53
		Claims of reporting in accordance with the GRI Standards	GRI - referenced	GRI 102-54
		GRI content index	Content Index	GRI 102-55
		External assurance	None	GRI 102-56

Pillars	Topics	Disclosure Requirements / Accountic Metric	Page in the Report/ Disclosure Comment	Standards / Disclosures
Environ-mental	Greenhouse Gas Emissions	Direct GHG emissions (Scope 1)	39- 42	GRI 305-1 SASB TR-MT-110.a.1 TCFD IMO Initial Strategy on reduction of GHG emissions from Ships Poseidon Principles
		Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	39-42	GRI 305-5 TR-MT-110.a.2 TCFD
		(1) Total energy consumed, (2) percentage heavy fuel oil, (3) percentage renewable	39- 42	GRI 302-1 TR-MT-110.a.3 TCFD
		GHG emission intensity (EEOI, AER)	39-42	GRI 305-4 TR-MT-110.a.4 TCFD
		Non-compliance with environmental laws and regulations	Zero Non-Compliance	307-1
	Air Quality	Air emissions of the following pollutants:	page 39	GRI 305-7 TR-MT-120.a.1
		(1) NOsx(excluding N2O), (2) SOx, and (3) particulate matter (PM10)	76,528 MT NOx 4,818.6 MT SOx	IMO MARPOL Annex VI Reg. 14 MARPOL Annex VI Reg. 14
		Sulfur emissions: Policy for compliance with sulfphur regulations including global sulphur lmits and relevant Emission Control Area (ECA) limits.	Hafnia only uses Sulphur compliant fuels on non scrubber vessels Nil Violations.	IMO Global Sulphur Cap 2020 MARPOL Annex VI Reg. 14
	Ecological Impacts	Shipping duration in marine protected areas of areas of protected conservation status	pages 44 - 45 5491 days in ECA 26648 days in non ECA	GRI 304-2 TR-MT-160.a.1 UNEP World Conservation Monitoring Centre (UNEP WCMC)
		Spills and releases to the environment (1) Number and (2) aggregate volume of spills and releases to the environment	Zero Pollution	GRI 306-3 TR-MT-160.a.3 MARPOL Annex I (oil), II (noxious liquid substances), and IV (sewage) regulations

Pillars	Topics	Disclosure Requirements / Accountic Metric	Page in the Report/ Disclosure Comment	Standards / Disclosures
Environ-mental	Reduce plastic waste and garbage	Reducing plastic waste and garbage	page 46 7.5% below 2020	MARPOL Annex V (garbage) regulation
	Ship recycling	Responsible ship recycling	page 46 No ship recycling	Hong Kong Convention EU ship Recycling Regula-tion EU 1257/2013
Social	Employment	New employee hires and turnover	On Shore: 6% Off Shore: 4%	GRI 401-1
		Parental leave	Total number of employees that took parental leave is 2 females and 12 males 100% retention rate	GRI 401-3
	Employee Health & Safety	Lost time incident rate (LTIR) Occupational health and safety	0,29 pages 52-53	SASB TR-MT-320a.1 IMO ISM Code GRI 403 -1 to 403-10 Neptune Declaration of Seaferer Wellbeing
	Accident & Safety Management	Number of marine casualties, percentage classified as very serious (FN3)	page 54 Zero	SASB TR-MT-540a.1
		Number of port state control (1) deficiencies and (2) detentions	114 deficiencies out of 160 Inspections - 0.71 Obs/Inspn	SASB TR-MT-540a.3
	Training and Education	Programs for upgrading employee skills and transition assistance programs	page 56	GRI 404-2
	Diversity	Diversity of governance bodies and employees	page 51 34% of female employees 20% female on the board	GRI 405-1

Pillars	Topics	Disclosure Requirements / Accountic Metric	Page in the Report/ Disclosure Comment	Standards / Disclosures
Social	Business Ethics	Anti-corruption policies and procedures	74	GRI 205-1; GRI 205-3 SASB TR-MT-510a.1; SASB TR-MT-510a.2
	Employee Training and Human Rights	Human rights policies or procedures	55	GRI 412 -2
Economic	Economic Performance	Direct economic value generated and distributed	100-105	GRI 201-1
	Anti-Competitive Behaviour	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	76	GRI 206-1
	Tax	Approach to Tax	118	GRI 207-1

Activity Metrics

Activity Metric	Page in the Report	CODE
Number of shipping boards employees	48	TR-MT-000.A
Total distance traveled by vessels	41	TR-MT-000.B
Operation days	8	TR-MT-000.C
Deadweight tonnage	15	TR-MT-000.D
Number of vessels in total shipping fleet	14	TR-MT-000.E
Number of vessel port calls	14	TR-MT-000.F
Twenty - foot equaivalent unit (TEU) capacity	Not applicable	TR-MT-000.G

Board of Directors' report

As a modern shipowner, Hafnia Limited (the "Company" or "Hafnia", together with its subsidiaries, the "Group") aims to maintain flexible management of its business through integrated business units, which provides an understanding of the market dynamics through experience-based knowledge and enhanced insights into relevant developments and trends in all aspects of the product tanker industry. For further details about Hafnia, please refer to Section 2 in the 2021 Annual Report available on the company's website www.hafniabw.com.

Financial performance

Time Charter Equivalent (TCE) earnings for Hafnia in 2021 decreased to USD 402.9 million from USD 623.2 million in 2020 due to weaker freight rates and higher voyage expenses, primarily attributed to rising bunker prices. Despite a challenging year, Hafnia reported TCE earnings of USD 10,353/day for its Handy fleet, USD 11,845/day for its MR fleet, USD 10,952/day for its LR1 fleet and USD 23,382/day for its LR2 fleet. Hafnia's net TCE in 2021 was USD 12,141/day based on a vessel utilisation of 98%, as compared to 2020, where net TCE was 18,090/day based on a vessel utilisation of 97%. Tanker markets experienced extremely challenging conditions throughout 2021, with an extended period of bottom-of-the-cycle level earnings since the second half of 2020.

Hafnia reported a net loss after tax of USD 55.5 million in 2021 as compared to a net profit after tax of USD 148.8 million in 2020, with a decline in ROIC and ROE to (0.4%) and (4.9%) respectively in 2021, from 8.9% and 13.1% respectively in 2020. The decrease in net profit after tax and returns in 2021 was mainly due to the lower TCE earnings.

Hafnia's balance sheet remained strong throughout 2021, with total assets of USD 2,511.0 million, total liabilities of USD 1,398.9 million and total equity of USD 1,112.0 million amounting to an equity ratio of 44.3%, as compared to total assets of USD 2,543.9 million, total liabilities of USD 1,395.9 million and total equity of USD 1,148.0 million amounting to an equity ratio of 45.1% in 2020.

In 2021, Hafnia has invested in various digitalisation initiatives, namely Smartship, a cloud-based solution that collects live data from vessels and provides real time analytics, and has also partnered with Diginex, a leading sustainability-focused Impact Tech company, to bolster the digital collection, management, and reporting of Hafnia's ESG data. Hafnia also invested in a joint venture with Andromeda Shipholdings Ltd, in which the joint venture currently owns two MR vessels.

Hafnia has signed a USD 100 million unsecured facility, with proceeds from the facility being used to optimise the pools' working capital requirements and improving cash flows for pool participants. Hafnia has refinanced its existing USD 676 million and USD 128 million facilities to the USD 374 million facility; and refinanced its USD

266 million facility to the USD 84 million and USD 106 million facilities. In January 2022, Hafnia signed a term sheet to amend its USD 216 million facility. Through these transactions, Hafnia has secured up to USD 135 million of extra liquidity, through a combination of term loans and asset-based revolving credit facilities, allowing for extra flexibility in the balance sheet.

Hafnia's cash flows for the year mainly comprise of cash from Hafnia's operations, investing cash flows for the year comprise mainly of investments in the joint venture with Andromeda and the purchase of property, plant and equipment while financing cash flows comprise mainly of the proceeds from the new facilities and the repayments of loans and interest.

At the end of 2021, Hafnia had 84 owned vessels and 18 chartered-in vessels. The total fleet of the Group comprises of 102 vessels, hereunder six LR2s, 12 Handy vessels, 33 LR1s[1] (including four bareboat chartered-in and five time chartered-in) and 51 MRs[2] (including nine time chartered-in).

In January 2022, Hafnia completed the acquisition of Chemical Tankers Inc ("CTI") and its subsidiaries, which included CTI's fleet of 32 fuel-efficient IMO II tankers. CTI's shareholders received a total of 99,199,394 shares in Hafnia as consideration, representing 21.5% of the outstanding shares in the combined entity.

In January 2022, Hafnia entered into an agreement to purchase 12 LR1 vessels from Scorpio Tankers Inc ("STI") for a total consideration of USD 413.8 million. The vessels are fully financed through a sale and leaseback arrangement with ICBC Financial Leasing Co., Ltd.. Hafnia has taken delivery of six vessels in March 2022, with the remaining six vessels expected to be delivered by May 2022.

In March 2022, Hafnia entered into an agreement for an en bloc sale of eight stainless steel vessels out of the CTI fleet acquired to an external party (the "Transaction") for a total consideration of USD 252.4 million. Four of the vessels are currently financed by sale and leaseback facilities and the remaining four vessels are financed by operating leases with call options. The Transaction remains subject to lenders consent. The vessels are planned to be delivered from the Group to the external party as soon as practically possible, by 30 September 2022, except for "Hafnia Spark" and "Hafnia Stellar", which are expected to be delivered in September 2023.

[1] Including six LR1s owned through 50% ownership in the Vista Joint Venture

[2] Including one MR owned through 50% ownership in the Andromeda Joint Venture

Parent Company Accounts

Hafnia Limited is a holding company. The Company reported a net profit of USD 41.8 million for 2021, compared to a net profit of USD 89.8 million in 2020. The reduction in profit in 2021 is due to lower dividend income from its subsidiaries. Expenses of the company mainly comprise administrative expenses and costs related to the operations of the investment holding company as a listed entity.

Total assets were USD 1,288.6 million as of 31 December 2021 compared to USD 1,661.1 million in 2020. The decrease was mainly due to the liquidation of one of the Company's subsidiaries. Total liabilities were USD 79.9 million as of 31 December 2021 compared to USD 497.4 million in 2020. The decrease was mainly due to a decrease in the Company's related party payables resulting from the liquidation of one of the Company's subsidiaries.

Total shareholders equity in Hafnia Limited is USD 1,208.7 million as of 31 December 2021 as compared to USD 1,163.7 million as of 31 December 2020.

Safety

Safety is a fundamental priority at Hafnia, and the Board is conscious that safety performance is a continuous process. Hafnia has programmes to cultivate and emphasize a "Zero Harm" safety culture on shore and at sea. For an overview of employee health and safety metrics, please refer to the Annexes on page 82 of the 2021 Annual Report.

Risk management

Hafnia's results are dependent on the market for worldwide transportation of refined oil products. Hafnia's activities expose the company to a variety of financial risks: market risk (including price risk and currency risk), interest rate risk, credit risk, liquidity risk and capital risk. Hafnia's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Hafnia's financial performance. In addition, Hafnia is exposed to various market, operational, and financial risks. The most significant risks are set out in the latest prospectus issued by Hafnia on 1 March 2022 in connection with the CTI transaction. These documents and other information on risks are available on the company's website at www.hafniabw.com.

The Group's results are largely dependent on the worldwide market for transportation of refined oil products. Market conditions for shipping activities are typically volatile and, as a consequence, the results may vary considerably from year to year. The market in broad terms is dependent upon two factors: the supply of vessels and the demand for oil products. The supply of vessels depends on the number of newbuilds entering the market, the demolition of older tonnage and legislation that limits the use of older vessels or sets new standards for vessels used in specific trades. The demand side depends mainly on developments in global economic activity. The Group is also exposed to risk in respect of fuel oil costs. Fuel oil prices are affected by the global political and economic environment. For voyage contracts, the current fuel costs are priced into the contracts. Other risks that Management takes into account are interest rate risk, credit risk, liquidity risk and capital risk.

The Ukraine and Russia conflict, Covid-19 pandemic and the current downward pressure on global economic growth, and volatility in oil prices could have a significant adverse impact on the Group's performance or operation.

Hafnia has also purchased and maintains a Directors and Officers Liability Insurance issued by a reputable, specialised insurer with appropriate rating.

Environmental, Social and Governance (ESG)

Environmental

In line with the increasing expectations of stakeholders and society – and because we know it is the right thing to do – Hafnia is committed to its role as a responsible industry leader. Throughout 2021, we have consolidated our material issues and the strategic direction of our ESG efforts. The path towards decarbonisation requires wide-reaching partnerships with internal and external stakeholders, including shipyards, charters, bunker suppliers and regulatory bodies. Regular communication with these parties is essential in informing our approach to sustainability and the development of solutions for net zero carbon shipping.

Hafnia's ESG reporting includes progress and performance in the context of activities relating to environmental, social and governance considerations for the financial year ended 31 December 2021. For an overview of Hafnia's ESG strategy, please refer to page 31 of the 2021 Annual Report.

Social

A sustainable business is also dependent on social aspects. For Hafnia, our social strategy relates to our people employed both at sea and ashore. First and foremost, Hafnia strives to offer a physically and psychologically safe working environment. This means a work environment where our employees can be themselves and speak up. On top of this, we also aim to foster an environment where our employees can develop, learn and strive to become better versions of themself.

Gender inequality and being a female in shipping remains a significant challenge for both Hafnia and the wider shipping industry. At Hafnia, this issue is high on our agenda. It is already among our strategic priorities that we continually monitor salary ratios between men and women to eliminate differences in pay, but it is crucial that we foster an environment where all of our employees feel safe and valued both at sea and ashore. For an overview of the social impacts, please refer to page 47 of the 2021 Annual Report.

Governance

Hafnia stands against corruption and bribery in the maritime industry with a policy of zero tolerance for maritime corruption and bribery. Our focus is on the implementation of good governance and effective risk management processes. One of many ways Hafnia seeks uphold human rights and stop bribery and corruption is through our whistleblowing policy. This report provides an overview of how the Company has implemented sound corporate governance throughout its organisation. The Company's corporate governance policies are based on the Norwegian Code of Practice for Corporate Governance (the "Code") dated 14 October 2021 issued by the Norwegian Corporate Governance Board. The Code is available at www.nues.no. For an overview of the Company's compliance with the Code, please refer to page 67 of the 2021 Annual Report.

Going concern

In light of Hafnia's liquidity position, balance sheet strength, assets, employment, and continuing cash flow from operations, the Board confirms that the going concern assumption, upon which Hafnia's accounts are prepared, continues to apply.

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the year 1 January to 31 December 2021 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Company taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair view of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties facing the Group and the Company.

Andreas Sohmen-Pao
Chairman

John Ridgway
Director

Peter Read
Director

Ouma Sananikone
Director

Erik Bartnes
Director

Thomas Jaggers
Director

Guillaume Bayol
Director

HAFNIA LIMITED
(Incorporated in Bermuda)
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND COMPANY FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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Independent auditors' report

To Members of Hafnia Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hafnia Limited (the "Company") and its subsidiaries (the "Group"). The financial statements comprise:

- The balance sheet of the Company as at 31 December 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information; and

- The consolidated balance sheet of the Group as at 31 December 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2021, and their financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements section of our report*. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants, *The International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), the Singapore Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements, the IESBA Code and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in our audit
Impairment assessment of vessels and right-of-use assets (ROU assets) Refer to **Notes 1.2**, **2.3(b)** and **8** of the consolidated financial statements. As at 31 December 2021, the carrying value of the Group's vessels – owned and chartered-in (ROU assets), including dry docking, amounted to USD 2,084.5 million. The Group has identified the relevant cash-generating units ("CGU") for its fleet of vessels according to size, and mode of deployment in the generation of revenues; and performed its vessel impairment test according to its stated policy in **Note 2.10**. Vessels deployed in the three commercial pools – LR, MR and Handy constitute the Group's most significant CGUs. Other CGUs refer to individual vessels on time-charter contracts. As described in **Note 8(a)**, management has concluded presence of impairment indicators in the tankers market. The recoverable amounts of vessels by CGUs were assessed by management based on higher of fair value less costs of disposal and value in use. Key assumptions supporting the value in use calculation involve forecast freight rates, forecast operating costs and discount rate(s). We identified impairment of the vessels' CGUs as a key audit matter because of its significance to the consolidated financial statements and the inherent uncertainties involved in forecast cash flows.	We have performed the following audit procedures: • We assessed the design and implementation of the Group's key internal controls over the assessment of recoverable amounts of vessels' CGUs; • We assessed the Group's process for identifying the relevant CGUs for its vessels for impairment testing; • We challenged management's assessment of indicators of impairment by reference to economic and financial performance of the Group and our outlook of the tanker market; • We evaluated the independence, competence and objectivity of the independent brokers engaged by the Group to appraise the market valuation of the vessels. We also benchmarked the valuations obtained with recent sale transactions of similar types of vessels; • We assessed the Group's assumptions applied in arriving at the value in use for each vessel CGU; • We benchmarked the key assumptions - forecast freight rates and discount rate(s) with historical and market data and external analysts' reports; • We involved our corporate finance specialists to evaluate the discount rate(s) applied; • We assessed the sensitivity of the outcome of recoverable amounts of vessels CGUs to changes in key assumptions, principally the forecast freight rates and discount rate(s) and considered whether there were indicators of management bias. We found the recoverable amounts of the vessels CGUs using the value-in-use calculations, determined by management to be aligned with general market expectations.

Other Information
Management is responsible for the other information. Other information is defined as all information in the annual report, other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a

high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Assurance Conclusion

We were engaged by the Board of Directors of Hafnia Limited to report on the "5493001KCFT0SCGJ2647-2021-12-31-en" (the "ESEF file") in the form of an independent reasonable assurance conclusion about whether the ESEF file has been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. Based on the procedures performed described in this report and evidence obtained, in our opinion, the ESEF file have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing, tagging and publishing the Group's consolidated financial statements in the single electronic reporting format required in ESEF, that is free from material misstatement.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the ESEF file that is free from material misstatement whether due to fraud or error and those internal controls relevant to the processes over the preparation, tagging and publication of the ESEF file. It also includes ensuring that the Group complies with the requirements of ESEF, selecting and applying appropriate policies and procedures in relation to the financial information; making judgements and estimates that are reasonable in the circumstances; and maintaining adequate records in relation to the ESEF file.

Our Responsibilities
Our responsibility is examine the ESEF file prepared by Management and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 – "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the Group's consolidated financial statements have been prepared in accordance with the ESEF, in all material respects.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the IESBA Code and the ACRA Code, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The procedures selected depend on our judgment. As part of our work, we performed procedures to obtain an understanding of the Group's processes for preparing its consolidated financial statements in the ESEF. We evaluated the completeness and accuracy of the iXBRL tagging and assessed Management's use of judgement. Our work comprised reconciliation of the consolidated financial statements tagged under the ESEF with the audited consolidated financial statements in human-readable format.

The engagement partner on the audit resulting in this independent auditors' report is Kenny Tan Choon Wah.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
30 March 2022


ORIENTAL

Consolidated statement of comprehensive income

For the financial year ended 31 December 2021	Note	2021 USD '000	2020 USD '000
Revenue	3	**811,217**	874,099
Voyage expenses	4	**(408,282)**	(250,885)
TCE income #		**402,935**	623,214
Other operating income		**23,177**	22,974
Vessel operating expenses	4	**(192,459)**	(200,666)
Technical management expenses		**(16,014)**	(16,686)
Charter hire expenses		**(22,903)**	(26,980)
Other expenses	4	**(42,979)**	(39,007)
Operating profit before depreciation and amortisation charges		**151,757**	362,849
Loss on disposal of vessel		**(4,935)**	(1,447)
Depreciation charge of property, plant and equipment	8	**(150,460)**	(155,430)
Amortisation charge of intangible assets	9	**(1,219)**	(1,014)
Write-down on reclassification to assets held for sale		**-**	(11,389)
Operating (loss)/profit		**(4,857)**	193,569
Interest income		**2,355**	2,014
Interest expense		**(39,004)**	(46,945)
Capitalised financing fees written off		**(4,496)**	-
Other finance expense		**(3,333)**	(2,238)
Finance expense – net		**(44,478)**	(47,169)
Share of (loss)/profit of equity-accounted investees, net of tax	14	**(1,768)**	5,030
(Loss)/profit before income tax		**(51,103)**	151,430
Income tax expense	6	**(4,390)**	(2,654)
(Loss)/profit for the financial year		**(55,493)**	148,776

For the financial year ended 31 December 2021	Note	2021 USD '000	2020 USD '000
Other comprehensive income:			
Item that may be subsequently reclassified to income statement			
Foreign operations - foreign currency translation differences		**(1)**	-
Fair value gains/(losses) on cash flow hedges		**9,693**	(22,103)
Reclassification to profit or loss		**6,628**	12,644
Other comprehensive income/ (loss)		**16,320**	(9,459)
Total comprehensive (loss)/income for the year, net of tax		**(39,173)**	139,317
Earnings per share attributable to the equity holders of the Company			
(expressed in USD per share)			
Basic (loss)/earnings per share	7	**(0.15)**	0.41
Diluted (loss)/earnings per share	7	**(0.15)**	0.41

#"TCE income" denotes "time charter equivalent income" which represents revenue from time charters and voyage charters less voyage expenses comprising primarily brokers' commission, fuel oil and port charges. TCE is a standard measure used in the shipping industry for reporting of income, providing improved comparability across different types of charters.

Consolidated balance sheet

As at 31 December 2021	Note	**2021 USD '000**	2020 USD '000
Vessels	8	**1,909,534**	2,029,138
Dry docking and scrubbers	8	**63,414**	69,901
Right-of-use assets	8	**111,529**	107,376
Other property, plant and equipment	8	**266**	25
Total property, plant and equipment		**2,084,743**	2,206,440
Intangible assets	9	**3,572**	4,424
Total intangible assets		**3,572**	4,424
Other investments		**3,501**	-
Derivative financial instruments	20	**675**	26
Deferred tax assets		**36**	36
Loans receivable from joint venture	13	**60,229**	45,430
Associated companies and joint ventures	14	**15,218**	6,773
Total other non-current assets		**79,659**	52,265
Total non-current assets		**2,167,974**	2,263,129
Loans receivable from pool participants	13	**34,865**	-
Assets held for sale	10	**-**	11,000
Inventories	11	**6,661**	5,228
Trade and other receivables	12	**201,123**	163,639
Derivative financial instruments	20	**252**	245
Cash and cash equivalents	15	**100,075**	100,671
Total current assets		**342,976**	280,783
Total assets		**2,510,950**	2,543,912

As at 31 December 2021	Note	**2021 USD '000**	2020 USD '000
Share capital	16	**3,703**	3,703
Share premium	16	**704,834**	704,834
Contributed surplus	16	**537,112**	537,112
Other reserves	17	**5,150**	(14,148)
Treasury shares		**(12,832)**	(13,001)
Accumulated losses		**(125,955)**	(70,462)
Total shareholders' equity		**1,112,012**	1,148,038
Borrowings	19	**1,082,829**	1,128,210
Derivative financial instruments	20	**306**	15,973
Total non-current liabilities		**1,083,135**	1,144,183
Borrowings	19	**248,374**	179,084
Derivative financial instruments	20	**21**	18
Current income tax liabilities		**2,018**	2,071
Trade and other payables	21	**65,390**	70,518
Total current liabilities		**315,803**	251,691
Total liabilities		**1,398,938**	1,395,874
Total equity and liabilities		**2,510,950**	2,543,912

Consolidated statement of changes in equity

For the financial year ended 31 December 2021	Note	Share capital USD '000	Share premium USD '000	Con-tributed surplus USD '000	Trans-lation reserve USD '000	Hedging reserve USD '000	Treasury shares USD '000	Share-based payment reserve USD '000	Accumulated losses USD '000	Total USD '000
Balance at 1 January 2021		3,703	704,834	537,112	(34)	(15,973)	(13,001)	1,859	(70,462)	1,148,038
Transactions with owners										
Equity-settled share-based payment		-	-	-	-	-	169	2,978	-	3,147
Total comprehensive income/(loss)										
Loss for the financial year		-	-	-	-	-	-	-	(55,493)	(55,493)
Other comprehensive (loss)/income		-	-	-	(1)	16,321	-	-	-	16,320
Balance at 31 December 2021		**3,703**	**704,834**	**537,112**	**(35)**	**348**	**(12,832)**	**4,837**	**(125,955)**	**1,112,012**

	Note	Share capital USD '000	Share premium USD '000	Con-tributed surplus USD '000	Trans-lation reserve USD '000	Hedging reserve USD '000	Treasury shares USD '000	Share-based payment reserve USD '000	Accumulated losses USD '000	Total USD '000
Balance at 1 January 2020		3,703	704,834	537,112	(34)	(6,514)	(500)	823	(120,920)	1,118,504
Transactions with owners										
Treasury shares acquired		-	-	-	-	-	(12,641)	-	-	(12,641)
Equity-settled share-based payment		-	-	-	-	-	140	1,036	-	1,176
Dividends paid	29	-	-	-	-	-	-	-	(98,318)	(98,318)
Total comprehensive income/(loss)										
Profit for the financial year		-	-	-	-	-	-	-	148,776	148,776
Other comprehensive loss		-	-	-	-	(9,459)	-	-	-	(9,459)
Balance at 31 December 2020		**3,703**	**704,834**	**537,112**	**(34)**	**(15,973)**	**(13,001)**	**1,859**	**(70,462)**	**1,148,038**

Consolidated statement of cash flows

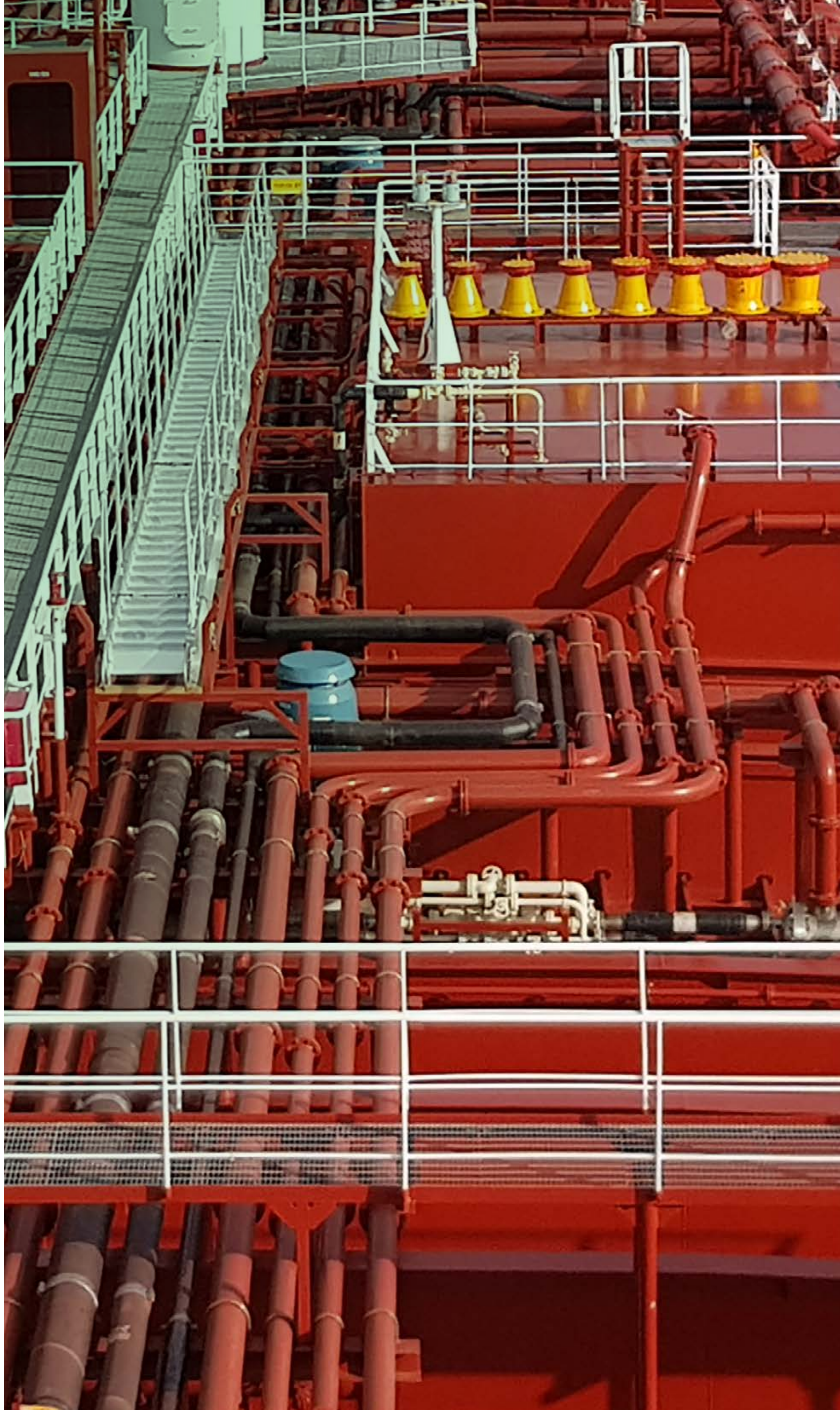
For the financial year ended 31 December 2021	Note	2021 USD '000	2020 USD '000
Cash flows from operating activities			
(Loss)/profit for the financial year		**(55,493)**	148,776
Adjustments for:			
- income tax expense		**4,390**	2,654
- depreciation and amortisation charges		**151,679**	156,444
- write-down on reclassification to assets held for sale		**-**	11,389
- loss on disposal of vessel		**4,935**	1,447
- interest income		**(2,355)**	(2,014)
- interest expense		**39,004**	46,945
- capitalised financing fees written off		**4,496**	-
- other finance expense		**3,333**	2,238
- share of loss/(profit) of equity-accounted investees, net of tax		**1,768**	(5,030)
- equity-settled share-based payment transactions		**3,147**	1,176
Operating cash flow before working capital changes		**154,904**	364,025
Changes in working capital:			
- inventories		**(1,433)**	1,758
- trade and other receivables		**(37,462)**	70,733
- trade and other payables		**(5,128)**	(36,043)
Cash generated from operations		**110,881**	400,473
Income tax paid		**(4,443)**	(1,999)
Net cash provided by operating activities		**106,438**	398,474

For the financial year ended 31 December 2021	Note	2021 USD '000	2020 USD '000
Cash flows from investing activities			
Interest income received		**877**	822
Loan to joint venture	13	**(13,500)**	(14,680)
Loan to pool participants	13	**(34,704)**	-
Acquisition of other investments		**(3,501)**	-
Equity investment in joint venture	14	**(10,213)**	-
Purchase of intangible assets	9	**(367)**	(1,019)
Proceeds from disposal of assets held for sale		**11,000**	-
Proceeds from disposal of property, plant and equipment		**29,191**	11,899
Purchase of property, plant and equipment	8	**(26,663)**	(47,578)
Net cash used in investing activities		**(47,880)**	(50,556)

(continued on next page)

Consolidated statement of cash flows (continued)

For the financial year ended 31 December 2021	Note	**2021 USD '000**	2020 USD '000
Cash flows from financing activities			
Proceeds from borrowings from external financial institutions		**622,685**	118,939
Proceeds from borrowings from a related corporation		**18,750**	-
Repayment of borrowings to external financial institutions		**(622,085)**	(221,700)
Repayment of borrowings to a related corporation		**-**	(8,729)
Repayment of borrowings to non-related parties		**(390)**	(437)
Repayment of lease liabilities		**(39,771)**	(78,746)
Payment of financing fees		**(5,106)**	(196)
Interest paid to external financial institutions		**(29,869)**	(35,087)
Interest paid to a third party		**(33)**	-
Repurchase of treasury shares		**-**	(12,641)
Dividends paid	29	**-**	(98,318)
Other finance expense paid		**(3,335)**	(1,944)
Net cash used in financing activities		**(59,154)**	(338,859)
Net (decrease)/increase in cash and cash equivalents		**(596)**	9,059
Cash and cash equivalents at beginning of the financial year		**100,671**	91,612
Cash and cash equivalents at end of the financial year	15	**100,075**	100,671



Reconciliation of liabilities arising from financing activities

			Non-cash changes - USD '000					
	1 January 2021 USD '000	Financial cash flows (i) USD '000	Additional leases capitalised during the year	Interest expense	Capitalised financing fees written off	Fair value changes on cash flow hedges	Other finance expense	31 December 2021 USD '000
Bank borrowings	1,110,527	(24,389)	-	22,278	4,496	-	-	1,112,912
Loan from a related corporation	-	18,489	-	261	-	-	-	18,750
Loan from non-related parties	4,781	(423)	-	33	-	-	-	4,391
Finance and other lease liabilities	191,986	(42,863)	36,226	9,801	-	-	-	195,150
Derivative financial instruments	15,991	(6,633)	-	6,631	-	(16,321)	5	(327)

			Non-cash changes - USD '000				
	1 January 2020 USD '000	Financial cash flows (i) USD '000	Additional leases capitalised during the year	Interest expense	Fair value changes on cash flow hedges	Other finance expense/ (income)	31 December 2020 USD '000
Bank borrowings	1,211,048	(134,608)	-	33,941	-	146	1,110,527
Loan from a related corporation	8,500	(8,729)	-	229	-	-	-
Loan from non-related parties	5,172	(437)	-	46	-	-	4,781
Finance and other lease liabilities	223,406	(78,746)	38,076	9,250	-	-	191,986
Derivative financial instruments	6,514	(3,436)	-	3,479	9,459	(25)	15,991

(i) The cash flows make up the net amount of proceeds from borrowings, repayments of borrowings, interest expense and financing fees paid as reported in the statement of cash flows.

Notes to the consolidated financial statements

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

1. General information

1.1 General information

Hafnia Limited (the "Company") is listed on the Oslo Stock Exchange and incorporated and domiciled in Bermuda. The address of its registered office is Washington Mall Phase 2, 4th Floor, Suite 400, 22 Church Street, HM 1189, Hamilton HM EX, Bermuda.

The principal activity of the Group relates to the provision of global maritime services in the product tankers market.

1.2 Business impacts from Covid-19 pandemic

The World Health Organization declared a global pandemic in March 2020 as a result of Covid-19. The effects of this health crisis are continuing to unfold while global oil demand remans weak. Despite the lifting of restrictions across countries following a high percentage of vaccination, the recovery in global oil demand was not evident for most of the financial year This explains the lower demand for seaborne transportation and weaker freight rates for the tankers market during the year, before demand picked up modestly during the fourth quarter of 2021. The Group recorded a loss for the current financial year, and has considered the impact of Covid-19 in preparing its financial report for the year.

Critical accounting estimates and key judgement areas of the Group were assessed. The impact of Covid-19 increases the level of judgement for impairment assessment of property, plant and equipment, and right-of-use assets. These assumptions and considerations are further outlined in **Note 8**.

Other Covid-19 assessments conducted by the Group were extended to liquidity risk management (refer to **Note 25(c)**), debt covenants test (refer to **Note 25(d)**), credit default on financial assets (refer to **Note 25(b)**) entered with counterparties. There were no negative or adverse impacts on the Group's financial risk management. Neither did the Group find it necessary to record any impairment losses on the Group's fleet of vessels, notwithstanding the risk of estimation uncertainties embedded in the determination of recoverable amounts of the Group's vessels, as disclosed in **Note 2.3(b)**.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

2.2 Changes in accounting policies

Amendments to published standards effective in 2021

The Group has adopted the following relevant amendments to standards as of 1 January 2021:

- *Covid-19 related rent concessions (Amendment to IFRS 16)*
- *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16)*

The adoption of these new standards and amendments to the published standards does not have a material impact on the consolidated financial statements.

New standard and amendments to published standards, effective in 2022 and subsequent years

The following new standard and amendments, which are relevant to the Group's operations but have not been early adopted, have been published and are mandatory for accounting periods beginning on or after 1 January 2022 (or otherwise stated) or later periods:

(a) Amendments:

- Property, plant and equipment – Proceeds before Intended Use (Amendments to IAS 16) (effective 1 January 2022 or later)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) (effective 1 January 2022 or later)
- Reference to the Conceptual Framework (Amendments to IFRS 3) (effective 1 January 2022 or later)
- Annual Improvements to IFRS Standards 2018-2020
- Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabili ties arising from a Single Transaction (Amendments to IAS 12)

(b) New standard:

- IFRS 17 *Insurance Contracts* (effective 1 January 2023 or later)

The adoption of these new standard and amendments in future periods is not expected to give rise to a material impact on the consolidated financial statements.

2.3 Critical accounting estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions discussed below.

Certain amounts included in or affecting the consolidated financial statements and related disclosures are estimated, requiring the Group to make assumptions with respect to values or conditions which cannot be known with certainty at the time the consolidated financial statements are prepared. A critical accounting estimate or assumption is one which is both important to the portrayal of the Group's financial condition and results and requires management's most difficult, subjective or complex judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management evaluates such estimates on an ongoing basis, using historical results and experience, consideration of relevant trends, consultation with experts and other methods considered reasonable in the particular circumstances.

The following is a summary of estimates and assumptions which have a material effect on the accounts.

(a) Useful life and residual value of assets

The Group reviews the useful lives and residual values of its vessels at least at each financial year-end and any adjustments are made on a prospective basis. Residual value is estimated as the lightweight tonnage of each vessel multiplied by the expected scrap value per ton. If estimates of the residual values are revised, the amounts of depreciation charges in the future periods will be changed.

There was no significant change to the estimated residual values of any vessel for the financial years ended 31 December 2021 and 31 December 2020.

The useful lives of the vessels are assessed periodically based on the condition of the vessels, market conditions and other regulatory requirements. If the estimates of useful lives for the vessels are revised or there is a change in useful lives, the amounts of depreciation charges recorded in future periods will be changed.

(b) Impairment/Reversal of impairment of non-financial assets

Property, plant and equipment and right-of-use assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired or a reversal of previously recognised impairment charge may be required. The recoverable amount of an asset, and where applicable, a cash-generating unit ("CGU"), is determined based on the higher of fair value less costs to sell and value-in-use calculations prepared on the basis of management's assumptions and estimates.

All impairment calculations demand a high degree of estimation, which include assessments of the expected cash flows arising from such assets under various modes of deployment, and the selection of discount rates. Changes to these estimates may significantly impact the impairment charges recognised, and future changes may lead to reversals of any previously recognised impairment charges. The Group views that the forecast of future freight rates, representing the main driver of recoverable amounts of the Group's vessels to be inherently difficult to estimate. This is further complicated by the volatility in oil prices caused by geopolitics and macroeconomic forces, together with the cyclical nature of freight rates prevailing in the tankers market.

See **Note 8** for further disclosures on estimation of the recoverable amounts of vessels, together with related sensitivity analysis on assumptions used.

(c) Revenue recognition

All freight voyage charter revenues and voyage expenses are recognised on a percentage of completion basis. Load-to-discharge basis is used in determining the percentage of completion for all spot voyages and voyages servicing contracts of affreightment. Under the load-to-discharge method, freight voyage charter revenue is recognised evenly over the period from the point of loading of the current voyage to the point of discharge of the current voyage.

Management uses its judgement in estimating the total number of days of a voyage based on historical trends, the operating capability of the vessel (speed and fuel consumption), and the distance of the trade route. Actual results, however, may differ from estimates.

Demurrage revenue is recognised as revenue from voyage charters in profit or loss, based on past experience of demurrages recovered over total estimated claims issued to customers historically.

(d) Extension and purchase options in measurement of lease liabilities

The contracts of certain leased-in vessels contain purchase and/or extension options exercisable by the Group. The Group assesses at lease commencement date, or re-assesses when there are significant changes in circumstances within its control, whether it is reasonably certain to exercise the option(s). Such assessment requires management judgement and affects the measurement of right-of-use assets and related lease liabilities.

2.4 Revenue and income recognition

Revenue comprises the fair value of consideration received or receivable for the rendering of services in the ordinary course of the Group's activities, net of rebates, discounts and off-hire charges, and after eliminating sales within the Group.

(a) Rendering of services

Revenue from rendering of services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

Revenue from time charters, accounted for as operating leases, is recognised rateably over the rental periods of such charters, as services are performed.

Revenue from freight voyage charters is recognised rateably over the estimated length of the voyage within the respective reporting period, in the event the voyage commences in one reporting period and ends in the subsequent reporting period. The Group determines the percentage of completion of freight voyage charter using the load-to-discharge method. Under the load-to-discharge method, freight voyage charter revenue is recognised rateably over the period from the point of loading of the current voyage to the point of discharge of the current voyage.

Losses arising from time or voyage charters are provided for in full as soon as they are anticipated.

The Group has vessels which participate in commercial pools in which other vessel owners with similar, high-quality, modern and well-maintained vessels also participate. These pools employ experienced commercial charterers and operators who have established relationships with customers and brokers, while technical management is arranged by each vessel owner. The managers of the pools negotiate charters with customers primarily in the spot market. The earnings allocated to vessels are aggregated and divided on the basis of a weighted scale, or pool point system, which reflects comparative voyage results on hypothetical benchmark routes. The pool point system considers various factors such as size, fuel consumption, class notation and other capabilities. Pool revenues are recognised when the vessel has participated in a pool during the period and the amount of pool revenue for the period can be estimated reliably.

(b) Management fees

Revenue from the provision of management support services is recognised over time based on the period of services provided.

(c) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

2.5 Group accounting

(a) Subsidiaries

(1) Consolidation

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been aligned where necessary to ensure consistency with the policies adopted by the Group.

(2) Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, and any gains or losses arising from such re-measurement are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired, is recorded as goodwill.

The excess of (i) fair value of the net identifiable assets acquired over the (ii) consideration transferred; the amount of any non-controlling interest in the acquiree; and the acquisition-date fair value of any previous equity interest in the acquiree; is recorded in profit or loss during the period when it occurs.

The Group has an option to apply a "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

(3) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is re-measured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

(b) Associated companies and joint ventures

Associated companies are entities over which the Group has significant influence, but not control or joint control. Significant influence is presumed to exist when the Group holds 20% or more of the voting rights of another entity.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements and rights to the net assets of the entities.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting (net of accumulated impairment losses).

The acquisition method of accounting is used to account for new and incremental acquisitions in associated companies and joint ventures.

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated companies and joint ventures over the Group's share of the fair value of the identifiable net assets of the associated companies or joint ventures and is included in the carrying amount of the investments.

Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is recognised in profit or loss during the period when it occurs.

In applying the equity method of accounting, the Group's share of its associated companies' and joint ventures' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from associated companies and joint ventures are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals or exceeds its interest in the associated company or joint venture including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has incurred obligations or has made payments on behalf of the associated company or joint venture.

Unrealised gains on transactions between the Group and its associated companies and joint ventures are eliminated to the extent of the Group's interest in the associated companies and joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associated companies and joint ventures to ensure consistency of accounting policies with those of the Group.

Investments in associated companies and joint ventures are derecognised when the Group loses significant influence or joint control. Any retained interest in the equity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence or joint control is lost and its fair value is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investments in associated companies and joint ventures in which significant influence or joint control is retained are recognised in profit or loss.

2.6 Property, plant and equipment

(a) Measurement

(1) Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(2) The cost of an item of property, plant and equipment initially recognised includes expenditure that is directly attributable to the acquisition of the item. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring the asset.

(3) The acquisition cost capitalised to a vessel under construction is the sum of the instalments paid plus other directly attributable costs incurred during the construction period including borrowing costs. Vessels under construction are not depreciated and reclassified as vessels upon delivery from the yard.

(4) If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment

(b) Depreciation

(1) Depreciation is calculated using a straight-line method to allocate the depreciable amounts of property, plant and equipment, after taking into account the residual values over their estimated useful lives. The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at least annually. The effects of any revision are recognised in profit or loss when the changes arise. The estimated useful lives are as follows:

Vessels
- Tankers 25 years
- Scrubbers 5 years
- Dry docking 2.5 to 5 years

A proportion of the price paid for new vessels is capitalised as dry docking. These costs are depreciated over the period to the next scheduled dry docking, which is generally 30 to 60 months. At the commencement of new dry docking, the remaining carrying amount of the previous dry docking will be written off to profit or loss.

(2) Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. The remaining carrying amount of the old component as a result of a replacement will be written off to profit or loss.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment, including scrubbers and dry docking that has already been recognised, is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

2.7 Intangible assets

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

IT infrastructure and customer contracts

IT infrastructure and customer contracts acquired through business combinations are initially recognised at fair value. These intangibles are subsequently carried at amortised cost less accumulated impairment losses using the straight-line method over their individual estimated useful lives of 5 years.

2.8 Financial assets

(a) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. Other financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss (FVTPL), which are recognised at fair value. Transaction costs for financial assets at FVTPL are recognised immediately as expenses.

(b) Classification

The Group classifies its financial assets at amortised cost and at FVTPL. The classification depends on the business model in which a financial asset is managed and its contractual cash flows characteristics. Management determines the classification of its financial assets at initial recognition. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. The Group holds the following classes of financial assets:

(1) Financial assets at amortised cost

A financial asset is classified as measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. They are presented as "trade and other receivables" **(Note 12)**, "loans receivable from joint venture", "loans receivable from pool participants" **(Note 13)** and "cash and cash equivalents" **(Note 15)** in the consolidated balance sheet.

(2) FVTPL financial assets
All financial assets not classified as measured at amortised cost as described above are measured at FVTPL.

(c) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

(d) Subsequent measurement

Financial assets at FVTPL are subsequently carried at fair value. Financial assets at amortised cost are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at FVTPL including the effects of currency translation are recognised in profit or loss.

(e) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cashflows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(f) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the consolidated balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(g) Impairment

For financial assets measured at amortised cost and contract assets, the Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for expected credit loss (ECL) at an amount equal to the lifetime expected credit loss if there has been a significant increase in credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group recognises an allowance for ECL at an amount equal to 12-month ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that results from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. For trade receivables and contract assets, the Group applied the simplified approach permitted by IFRS 9, which requires the loss allowance to be measured at an amount equal to lifetime ECLs.

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

Measurement of ECLs
ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the balance sheet
Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, informed credit assessment and other forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if the debtor is under significant financial difficulties, or when there is default or significant delay in payments. The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of ECL decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.9 Financial liabilities

Financial liabilities are classified and measured at amortised cost. Directly attributable transaction costs are recognised in profit or loss as incurred.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

2.10 Impairment of non-financial assets

Property, plant and equipment are tested for impairment whenever there is objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less costs to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment is then allocated to each single vessel on a pro-rata basis, based on the carrying amount of each vessel in the CGU with the limit of the higher of fair value less cost of disposal and value in use. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset (or CGU) other than goodwill is reversed if, and only if, there has been a change in the estimate of the asset's (or CGU's) recoverable amount since the last impairment loss was recognised. The carrying amount of the asset (or CGU) is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation and depreciation) had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of impairment loss for an asset (or CGU) other than goodwill is recognised in profit or loss.

2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

The Group derecognises a borrowing when its contractual obligations are discharged, cancelled, or expired. The Group also derecognises a borrowing when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a borrowing, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

2.12 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction of vessels. This includes those costs on borrowings acquired specifically for the construction of vessels, as well as those in relation to general borrowings used to finance the construction of vessels.

Borrowing costs are capitalised in the cost of the vessel under construction. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to the construction expenditure that are financed by general borrowings.

2.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, and are derecognised when the Group's obligation has been discharged or cancelled or expired.

2.14 Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The fair value of derivative financial instruments represents the amount estimated by banks or brokers that the Group will receive or pay to terminate the derivatives at the balance sheet date.

For derivative financial instruments that are not designated or do not qualify for hedge accounting, any fair value gains or losses are recognised in profit or loss as a finance item. In particular, gains and losses on currency derivatives are presented in profit or loss as 'foreign currency exchange gain/(loss) – net', whilst gains and losses on other derivatives are presented in profit or loss as 'derivative gain/(loss) – net', unless the gains and losses are material.

The Group designates certain financial instruments in qualifying hedging relationships and documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on a periodic basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items prospectively. For the purpose of evaluating whether the hedging relationship is expected to be highly effective (i.e. prospective effectiveness assessment), the Group assumes that the benchmark interest rate is not affected as a result of IBOR reform.

The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item and no hedge ineffectiveness is deemed to exist. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

Cash flow hedges – Interest rate derivatives
The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The Group has also entered into several interest rate caps that entitle the Group to receive interest payments when the floating interest rate goes above the strike rate. Since 2020, these interest rate caps were discontinued as hedging instruments and any fair value changes are recorded in profit or loss.

The fair value changes on the effective portion of interest rate derivatives designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedging reserve and reclassified to profit or loss when the hedged interest expense on the borrowings is recognised in profit or loss. The fair value changes on the ineffective portion of these interest rate derivatives are recognised immediately in profit or loss.

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of interbank offered rates (IBOR) reform for the purpose of asserting that the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. The Group will no longer apply the amendments to its highly probable assessment of the hedged item when the uncertainty arising from interest rate benchmark reform with respect to the timing and amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued. To determine whether the designated forecast transaction is no longer expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

2.15 Freight forward agreements

The Group has entered into freight forward agreements to manage its exposure to freight rates. Further details of derivative financial instruments are disclosed in **Note 20**.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instruments is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group does not apply hedge accounting and therefore all changes in fair values of forward freight agreements used for economic hedges are recognised in profit or loss.

2.16 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices and the quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques such as discounted cash flow analyses. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used.

The fair value of interest rate derivatives is calculated as the present value of the estimated future cash flows, discounted at actively quoted interest rates. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying amounts of current financial assets and liabilities, measured at amortised cost, approximate their fair values, due to the short term nature of the balances. The fair values of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at current market interest rates, determined as those that are available to the Group at balance sheet date for similar financial instruments.

2.17 Leases

(a) When a group company is the lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

For leases of vessels, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of its relative stand-alone prices. However, for leases of property and other equipment, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the applicable incremental borrowing rate. Generally, the Group uses the incremental borrowing rates as the discount rates. The Group determines the incremental borrowing rates by obtaining interest rates from various external financing sources.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise price under a purchase option that the Group is reasonably certain to exercise;
- lease payments in an optional renewal pe riod if the Group is reasonably certain to exercise an extension option; and
- payment of penalties for early termination of a lease unless the Group is reasonably certain that it will not terminate early.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from a change in an index or rate;
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the Group's assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets as a part of total property, plant and equipment and lease liabilities in 'borrowings' in the consolidated balance sheet.

Short-term and low value leases

The Group has elected not to recognise right-of-use assets and lease liabilities for leases with lease terms that are less than 12 months and other low-value assets. Lease payments associated with these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term.

(b) When a group company is the lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease.

Finance leases

Leases of assets in which the Group transfers (leases out) substantially all risks and rewards incidental to ownership of the leased asset to the lessees are classified as finance leases. The leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the consolidated balance sheet as finance lease receivables. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income, included as part of revenue, is recognised over the lease term using the net investment method, which reflects a constant periodic rate of return.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Operating leases

Leases of assets in which the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Assets leased out under operating leases are included in property, plant and equipment. Rental income (net of any incentives given to lessee) is recognised on a straight-line basis over the lease term.

Intermediate leases

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group applies the exemption described above, the sub-lease is then classified as an operating lease.

(c) Sale and leaseback

A sale and leaseback transaction is where the Group transfers an asset to another entity (the buyer-lessor) and leases that asset back from the buyer-lessor.

Where the buyer-lessor obtains control of the transferred asset, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the Group.

Where the buyer-lessor does not obtain control of the transferred asset, the Group continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds.

2.18 Inventories

Inventories comprise mainly fuel and lubricating oils which are used for operation of vessels.

The cost of inventories includes purchase costs, as well as any other costs incurred in bringing inventory on board the vessel. Inventories are accounted for on a first-in, first-out basis, and stated at lower of cost and net realisable value. Consumption of inventories is recognised as an expense in profit or loss when the usage occurs.

2.19 Income taxes

The tax expense for the period comprises current and deferred taxes. Tax is recognised as income or expense in profit or loss, except to the extent that it relates to items recognised in other comprehensive income in which case the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Positions taken in tax returns are evaluated periodically, with respect to situations in which applicable tax regulations are subject to interpretation, and provisions are established where appropriate, on the basis of amounts expected to be paid to the tax authorities. In relation to accounting for tax uncertainties, where it is more likely than not that the final tax outcome would be favourable to the Group, no tax provision is recognised until payment to the tax authorities is required, and upon which a tax asset, measured at the expected recoverable amount, is recognised.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is recognised on temporary differences arising on income earned from investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be classified as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(c) Share-based payment

During the financial years ended 31 December 2020 and 2021, the Group introduced Long Term Incentive Plan (LTIP) 2020 and LTIP 2021 respectively. Under this scheme, the grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

2.21 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States Dollars, which is the Company's functional currency. All financial information presented in US dollars has been rounded to the nearest thousand, unless otherwise stated.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date, are recognised in profit or loss.

2.22 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with financial institutions, which are subject to an insignificant risk of change in value.

2.23 Share capital

Common shares are classified as equity.

Incremental costs directly attributable to the issuance of new equity instruments are taken to equity as a deduction, net of tax, from the proceeds.

2.24 Dividends

Interim dividends are recognised in the financial year in which they are declared payable and final dividends are recognised when the dividends are approved for payment by the directors and shareholders respectively.

2.25 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation whereby as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the settlement amount can be made. When the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

For leased-in assets, the Group recognises a provision for the estimated costs of reinstatement arising from the use of these assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

2.26 Financial guarantee contracts

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Group will be required to make a payment under the guarantee. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

2.27 Assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. The assets are not depreciated or amortised while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense in profit or loss. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

2.28 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to management who are responsible for allocating resources and assessing performance of the operating segments.

2.29 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, and the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3. Revenue

	2021 USD '000	2020 USD '000
Revenue from time charter	**64,891**	79,819
Revenue from voyage charter	**746,326**	794,280
Total revenue	**811,217**	874,099

The Group's revenue is generated from four main business segments: LR2 Product Tankers, LR1 Product Tankers, MR Product Tankers and Handy Product Tankers. The table below presents disaggregation of revenue by business segments.

	LR2 USD '000	LR1 USD '000	MR USD '000	Handy USD '000	Total USD '000
2021					
Revenue	**54,540**	**236,461**	**413,116**	**107,100**	**811,217**
2020					
Revenue	58,644	276,827	427,557	111,071	874,099

Time charter hire income is recognised on a straight-line basis over the term of the time charter period. Voyage charter revenue is recognised on a load-to-discharge basis, evenly over the period from the point of loading of the current voyage to the point of discharge of the current voyage.

As a practical expedient, contract costs to obtain the contract, including voyage costs to arrive to the point of loading ('ballast leg' costs) are expensed in profit or loss as incurred since the amortisation period of the asset is less than one year.

Payments for trade receivables generally are due immediately or within 7 days from the invoice date. Information about trade receivables from contracts with customers and contract assets is presented in **Note 12**.

4. Expenses by nature

	2021 USD '000	2020 USD '000
Fuel oil consumed **(Note 11)**	**253,479**	156,864
Port costs	**124,082**	78,817
Brokers' commission expenses	**23,440**	8,413
Other voyage expenses	**7,281**	6,791
Voyage expenses	**408,282**	250,885
Employee benefits **(Note 5)**	**125,175**	126,716
Maintenance and repair expenses	**48,117**	53,114
Insurance expenses	**8,416**	9,332
Other vessel operating expenses	**10,751**	11,504
Vessel operating expenses	**192,459**	200,666
Support service fee	**3,866**	1,561
Employee benefits **(Note 5)**	**28,790**	24,609
Other operating expenses	**10,323**	12,837
Other expenses	**42,979**	39,007

5. Employee benefits

	2021 USD '000	2020 USD '000
Wages and salaries **(Note 4)**	**153,965**	151,325

6. Income taxes

Based on the tax laws in the jurisdictions in which the Group and its subsidiaries operate, shipping profits are exempted from income tax. Non-shipping profits are taxed at the prevailing tax rate of each tax jurisdiction where the profit is earned.

Certain of the Group's vessels are subject to the tonnage tax regime in Denmark, whose effect is not significant.

Income tax expense	2021 USD '000	2020 USD '000
Tax expense attributable to profit is made up of:		
Current income tax	**2,229**	2,000
Changes in estimates related to prior years	**2,161**	654
	4,390	2,654

There is no income, withholding, capital gain or capital transfer taxes payable in Bermuda. The income tax expense reconciliation of the Group is as follows:

Reconciliation of effective tax rate	2021 USD '000	2020 USD '000
(Loss)/profit before income tax	**(51,103)**	151,430
Tax calculated at a tax rate of 0% (2020: 0%)	**-**	-
Effect of:		
- Tax on non-shipping income	**2,229**	2,000
- Changes in estimates related to prior years	**2,161**	654
Income tax expense	**4,390**	2,654

The Group's shipping profits are essentially exempted from income tax, as granted by various ship registrars across the world. Tax losses incurred in the generation of exempted shipping profits are therefore not deductible against future taxable income.

7. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of common shares outstanding during the financial year.

	2021 USD '000	2020 USD '000
Net (loss)/profit attributable to equity holders of the Company	**(55,493)**	148,776

(a) Basic (loss)/earnings per share		
Issued common shares at 1 January	**370,244,325**	370,244,325
Effect of treasury shares held	**(7,117,103)**	(5,881,171)
Weighted-average number of ordinary shares at 31 December	**363,127,222**	364,363,154
Basic (loss)/earnings per share (USD per share)	**(0.15)**	0.41

(b) Diluted (loss)/earnings per share		
Weighted-average number of ordinary shares (basic)	**363,127,222**	364,363,154
Effect of share options on issue	**-**	-
Weighted-average number of ordinary shares at 31 December	**363,127,222**	364,363,154
Diluted (loss)/earnings per share (USD per share)	**(0.15)**	0.41

Diluted earnings per share is determined by adjusting profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, and the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

As at the balance sheet dates, the diluted weighted-average earnings per share is equivalent to the basic earnings per share, as 10,294,731 share options (2020: 6,863,154) have been excluded from the calculations as their effect would have been anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

8. Property, plant and equipment

	Vessels USD '000	Dry docking and scrubbers USD '000	Right-of-use assets USD '000	Others USD '000	Total USD '000
Cost					
At 1 January 2021	2,950,354	110,007	152,757	103	3,213,221
Additions	8,981	17,405	36,226	277	62,889
Disposal of vessel	(85,176)	(3,467)	-	-	(88,643)
Write off on completion of dry docking cycle	-	(7,272)	-	-	(7,272)
At 31 December 2021	2,874,159	116,673	188,983	380	3,180,195
Accumulated depreciation and impairment charges					
At 1 January 2021	921,216	40,106	45,381	78	1,006,781
Depreciation charge	94,758	23,593	32,073	36	150,460
Disposal of vessel	(51,349)	(3,168)	-	-	(54,517)
Write off on completion of dry docking cycle	-	(7,272)	-	-	(7,272)
At 31 December 2021	964,625	53,259	77,454	114	1,095,452
Net book value 31 December 2021	**1,909,534**	**63,414**	**111,529**	**266**	**2,084,743**

	Vessels USD '000	Dry docking and scrubbers USD '000	Right-of-use assets USD '000	Others USD '000	Total USD '000
Cost					
At 1 January 2020	2,950,070	88,979	152,889	155	3,192,093
Additions	14,722	32,848	38,076	8	85,654
Exercise of purchase options	22,389	-	(38,208)	-	(15,819)
Reclassification to assets held for sale	(22,389)	-	-	-	(22,389)
Disposal of vessel	(14,438)	(561)	-	-	(14,999)
Disposal of other property, plant and equipment	-	-	-	(60)	(60)
Write off on completion of dry docking cycle	-	(11,259)	-	-	(11,259)
At 31 December 2020	2,950,354	110,007	152,757	103	3,213,221
				-	
Accumulated depreciation and impairment charges					
At 1 January 2020	826,891	29,673	23,523	55	880,142
Depreciation charge	95,679	22,015	37,677	59	155,430
Disposal of vessel	(1,354)	(323)	-	-	(1,677)
Disposal of other property, plant and equipment	-	-	-	(36)	(36)
Exercise of purchase options	-	-	(15,819)	-	(15,819)
Write off on completion of dry docking cycle	-	(11,259)	-	-	(11,259)
At 31 December 2020	921,216	40,106	45,381	78	1,006,781
Net book value 31 December 2020	**2,029,138**	**69,901**	**107,376**	**25**	**2,206,440**

(a) The Group organises the commercial management of the fleet of vessels into three individual commercial pools: LR, MR and Handy. Each individual commercial pool constitutes a separate cash-generating unit ("CGU"). For vessels outside commercial pools and deployed on a time-charter basis, each of these vessels constitutes a separate CGU. Any time-chartered in vessels which are recognised as ROU assets by the Group and subsequently deployed in the commercial pools have been included as part of the pool CGUs.

As at 31 December 2021, the Group assessed whether these CGUs had indicators of impairment by reference to internal and external factors according to its stated policy set out in Note **2.3(b)**.

Impairment of vessels was assessed by management based on the higher of fair value less costs of disposal and value in use. In determining the value in use, expected cash flows were discounted to their present value. This requires significant management judgement over assumptions relating to forecast spot freight rates, forecast operating costs and discount rate applied.

Pool CGUs

The value in use calculation for vessels deployed in commercial pools was based on the following key assumptions:

i. Owned vessels' cash flows were projected based on the average remaining useful lives of vessels ranging from 7 – 23 years given the current age profile of the tanker fleet;
ii. Chartered-in vessels' (ROU assets) cash flows were projected based on the remaining charter period of each vessel;
iii. Spot freight rates from 2022 to 2026 were estimated by in-house commercial team and benchmarked against rates provided by research houses and industry analysts. Beyond 2026, spot freight rate was projected based on 10-year historical average rates, adjusted for expected inflation of 2.5%;
iv. A pre-tax discount rate of 6.9% was applied;
v. Average earning days were estimated at 360 days per vessel;
vi. Vessel operating expenses were determined from past observable costs, adjusted for an annual increase of 2.5% per annum;

Under the stated assumptions above, the recoverable amount of each Pool CGU continues to be in excess of the carrying amounts of vessels and ROU assets deployed in each Pool CGU.

Individual vessel CGUs

The value in use calculation for vessels deployed on a time-charter basis was based on the following key assumptions:

i. Cash flows were projected based on the remaining useful life of each vessel;
ii. Contractual freight rates throughout the charter period of each vessel;
iii. Post-contract expiry, spot freight rates as estimated by in-house commercial team were benchmarked against rates provided by research houses and industry analysts. Beyond 2026, the freight rate was projected based on 10-year historical average rates. adjusted for expected inflation for 2.5%;
iv. A pre-tax discount rate of 6.9% was applied;
v. Average earning days were estimated at 360 days per vessel;
vi. Vessel operating expenses were determined from poast obervable costs, adjusted for an increase of 2.5% per annum;

Under the stated assumptions above, except for a few CGUs with insignificant shortfall between the individual recoverable amounts and carrying amounts, the recoverable amounts of remaining vessels continues to be in excess of the individual carrying amounts.

The calculation of the value in use is sensitive to changes in the key assumptions which are related to future fluctuations in freight rates and the WACC applied as discounting factor in the calculations. All other things being equal, the sensitivities to the value in use have been assessed for both pool and individual vessel CGUs:

Pool CGUs

i. A decrease in the near-term forecasted freight rates for Y1 (2022) and Y2 (2023) in a range from 5% to 10% across all pool CGUs, assuming other variables remain constant, will result in a decrease in value-in-use of the CGUs in the range of USD 2.6 million to USD 5.2 million respectively, without any need for impairment;
ii. A decrease in the long-range forecasted freight rates from 2025 onwards in a range from 5% to 10% across all pool CGUs, assuming other variables remain constant, will result in a decrease in value-in-use of the CGUs in the range from USD 12.6 million to USD 25.1 million respectively. With a 5% decrease, there are no impairment losses for the CGUs. Only the effect of a 10% decrease in long-range forecasted freight rates shall result in an impairment loss of USD 12.6 million;

Individual vessel CGUs

i. A decrease in the forecasted freight rates upon expiry of existing charter contracts in a range from 5% to 10% across all individual vessel CGUs, assuming other variables remain constant, will result in a decrease in value-in-use of the CGUs in the range of USD 20.9 million to USD 41.8 million, respectively.
ii. An increase in WACC of 1.0% would result in a decrease in the value in use of USD 27.3 million.

In 2020 the Group exercised the purchase options on two bareboat chartered-in LR1 vessels; Compass and Compassion, and immediately put them on sale and classified both vessels as assets held for sale as at 31 December 2020 **(Note 10)**.

(b) The Group has mortgaged vessels with a total carrying amount of USD 1,972.9 million (2020: USD 2,099.1 million) as security over the Group's bank borrowings.

9. Intangible assets

Intangible assets are the fair values of IT infrastructure and customer contracts acquired in the course of acquisition of businesses from Hafnia Management A/S and subsidiaries.

	Customer contracts USD '000	IT infra-structure USD '000	Total USD '000
Cost			
At 1 January 2020	2,468	1,051	3,519
Additions	-	1,019	1,019
Adjustment to provisional fair value at initial recognition	1,260	-	1,260
At 31 December 2020	3,728	2,070	5,798
Additions	-	367	367
At 31 December 2021	3,728	2,437	6,165
Accumulated amortisation charge			
At 1 January 2020	(288)	(72)	(360)
Amortisation charge	(871)	(143)	(1,014)
At 31 December 2020	(1,159)	(215)	(1,374)
Amortisation charge	(752)	(467)	(1,219)
At 31 December 2021	(1,911)	(682)	(2,593)
Net book value			
31 December 2020	2,569	1,855	4,424
31 December 2021	**1,817**	**1,755**	**3,572**

10. Assets held for sale

On 3 December 2020, the Board of Directors of the Group approved and committed to a plan to exercise the purchase options on two leased-in vessels and the subsequent sale of these vessels. The purchase of the vessels and identification of buyers were finalised in December 2020.

As at 31 December 2020, the vessels were reclassified from property, plant and equipment to assets held for sale pending delivery to the buyers and re-measured at lower of fair value less costs to sell which is represented by the indicative sale price of USD 11.0 million.

In January 2021, both vessels were delivered to the buyers. There were no assets held for sale as at 31 December 2021.

Write-down relating to the vessels
A write-down of USD 11.4 million of the carrying amount of vessels to the lower of their carrying amount and their fair value less costs to sell has been included in "write-down on reclassification to assets held for sale" in the previous year's statement of profit or loss.

11. Inventories

	2021 USD '000	2020 USD '000
Fuel oil	**1,166**	-
Lubricating oils	**5,495**	5,228
	6,661	5,228

The cost of inventories recognised as expenses and included in "voyage expenses" amounted to USD 253.5 million (2020: USD 156.9 million).

12. Trade and other receivables

	Note	2021 USD '000	2020 USD '000
Trade receivables			
- non-related parties		**118,467**	67,759
Less: Allowance made for trade receivables			
- non-related parties	**25(b)**	**-**	(1,594)
Trade receivables – net		**118,467**	66,165
Prepayments		**9,287**	4,721
Pool working capital		**42,300**	60,660
Other receivables			
- non-related parties		**31,069**	32,093
		201,123	163,639

The carrying amounts of trade and other receivables, principally denominated in United States Dollars, approximate their fair values due to the short period to maturity.

Included within trade and other receivables as at 31 December 2021 are contract assets of USD 27.5 million (2020: USD 19.6 million). These contract assets relate to the Group's rights to consideration for proportional performance from voyage charters in progress at the balance sheet date. These contract assets are transferred to trade receivables when the rights to such consideration become unconditional, typically when the Group has satisfied its performance obligations upon completion of the voyage. As voyage charters in progress have an expected duration of less than one year, the Group applies the practical expedient available under IFRS 15 and does not disclose information about remaining performance obligations as at balance sheet date. No impairment loss is recognised on contract assets (2020: USD Nil).

13. Loans receivable from joint venture and pool participants

The Group and CSSC (Hong Kong) Shipping Company Limited ("CSSC Shipping") are joint venture partners in Vista Shipping Pte. Ltd. (formerly known as Vista Shipping Limited), which builds and operates LR1 and LR2 product tanker vessels.

As part of financing for the newbuilds under the joint venture, each joint venture partner provides to the joint venture a shareholder's loan to finance 50% of the initial payment instalments for the product tanker vessels.

In 2021, two orders for LR2 vessels were made through the joint venture (2020: two LR2 vessels). As part of financing for the LR2 newbuilds under the joint venture, each joint venture partner contributed a shareholder's loan to finance the pre-delivery instalments for the four LR2 newbuilds.

The loans receivable from the joint venture are unsecured, bear interest at three-month US$ LIBOR plus 3% margin per annum and have no fixed terms of repayment. As the Group does not expect the joint venture to settle the loans within the next 12 months, the loans receivable are classified as "non-current" receivables. The carrying amounts of the loans receivable approximate their fair values since the interest rates are re-priceable at three-month intervals.

In July 2021, the Group provided a loan to the commercial pools, in order for the commercial pools to meet their working capital requirements. The loans receivable attributable to the Group's own vessels operating in the pools have been eliminated against the Group's vessels' share of the loan. The resulting loans receivable presented on the balance sheet are due from the Group's pool participants.

The loans receivable from the pool participants are unsecured, bear interest at three-month US$ LIBOR plus 4.8% margin per annum and are repayable within the next 12 months. The loans receivable are classified as "current" receivables. The carrying amounts of the loans receivable approximate their fair values since the interest rates are re-priceable at three-month intervals.

	2021 USD '000	2020 USD '000
Loans receivable from pool participants	**34,865**	-
Loans receivable from joint venture	**60,229**	45,430

14. Associated companies and joint ventures

	2021 USD '000	2020 USD '000
Interest in associates	**1,863**	1,798
Interest in joint ventures	**13,355**	4,975
	15,218	6,773

(a) Interest in associates

The Group, through its wholly owned subsidiary Hafnia Tankers ApS, has a 40% interest in Hafnia Management A/S and its subsidiaries ("Hafnia Management"). Hafnia Management A/S is incorporated in Denmark.

The following table summarises the profit for the year and other financial information according to Hafnia Management's own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Hafnia Management.

Hafnia Management	2021 USD '000	2020 USD '000
Percentage ownership interest	**40%**	40%
Current assets	**4,361**	4,509
Current liabilities	**(172)**	(15)
Net assets (100%)	**4,189**	4,494
Net assets (40%)	**1,676**	1,798
Other adjustments	**187**	-
Group's share of net assets (40%)	**1,863**	1,798
Other income	**162**	-
Expenses	**-**	(286)
Profit/(loss) and total comprehensive income (100%)	**162**	(286)
Profit/(loss) and total comprehensive income (40%)	**65**	(114)
Other adjustments	**-**	426
Group's share of total comprehensive income (40%)	**65**	312

(b) Interest in joint ventures

(1) Vista Shipping Pte. Ltd. and its subsidiaries (formerly known as Vista Shipping Limited and its subsidiaries) ("Vista Shipping") is a joint venture in which the Group has joint control and 50% ownership interest. Vista Shipping is domiciled in Singapore and structured as a separate vehicle in shipowning, and the Group has residual interest in its net assets. Accordingly, the Group has classified its interest in Vista Shipping as a joint venture. In accordance with the agreement under which Vista Shipping is established, the Group and the other investor in the joint venture have agreed to provide shareholders' loans in proportion to their interests to finance the newbuild programme as described in **Note 13**.

On 7 August 2020, Vista Shipping Limited and its subsidiaries (incorporated in the Marshall Islands) were redomiciled to Singapore.

The following table summarises the financial information of Vista Shipping as included in its own consolidated financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Vista Shipping.

	2021 USD '000	2020 USD '000
Percentage ownership interest	**50%**	50%
Non-current assets	**255,580**	193,257
Current assets	**15,665**	23,150
Non-current liabilities	**(73,251)**	(115,718)
Current liabilities	**(192,430)**	(90,739)
Net assets (100%)	**5,564**	9,950
Group's share of net assets (50%)	**2,782**	4,975
Revenue	**25,601**	31,986
Other income	**190**	74
Expenses	**(30,152)**	(23,135)
(Loss)/profit and total comprehensive (loss)/income (100%)	**(4,361)**	8,925
(Loss)/profit and total comprehensive (loss)/income (50%)	**(2,181)**	4,463
Prior year share of (losses)/profits not recognised	**(12)**	255
Group's share of total comprehensive (loss)/income (50%)	**(2,193)**	4,718

(2) In July 2021, the Group and Andromeda Shipholdings Ltd ("Andromeda Shipholdings") entered into a joint venture, H&A Shipping Ltd ("H&A Shipping") in which the Group has joint control and 50% ownership interest. H&A Shipping is domiciled in the Republic of the Marshall Islands and structured as a separate vehicle in shipowning, and the Group has residual interest in its net assets. Accordingly, the Group has classified its interest in H&A Shipping Ltd as a joint venture. In accordance with the agreement under which H&A Shipping is established, the Group and the other investor in the joint venture have agreed to provide equity in pro portion to their interests to finance the newbuild programme.

The following table summarises the financial information of H&A Shipping as included in its own consolidated financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in H&A Shipping.

	2021 USD '000
Percentage ownership interest	**50%**
Non-current assets	**41,885**
Current assets	**1,261**
Non-current liabilities	**(32,234)**
Current liabilities	**(2,417)**
Net assets (100%)	**8,495**
Group's share of net assets (50%)	**4,247**
Shareholder's loans	**5,853**
Alignment of accounting policies	**473**
Carrying amount of interest in joint venture	**10,573**
Revenue	**2,414**
Other income	**5**
Expenses	**(1,969)**
Profit and total comprehensive income (100%)	**450**
Profit and total comprehensive income (50%)	**225**
Alignment of accounting policies	**135**
Group's share of total comprehensive income (50%)	**360**

15. Cash and cash equivalents including restricted cash

	2021 USD '000	2020 USD '000
Cash at bank and on hand	**100,075**	100,567
Restricted cash	**-**	104
	100,075	100,671
Less: Restricted cash	**-**	104
Cash and cash equivalents in the statements of cash flows	**100,075**	100,567

The restricted cash represents amounts placed in margin accounts for the trading of forward freight agreements. This restricted cash is not available to finance the Group's day to day operations.

16. Share capital and contributed surplus

	Number of shares	**Share capital USD '000**	**Share premium USD '000**	**Total USD '000**
At 1 January 2020, 31 December 2020 and 31 December 2021	**370,244,325**	**3,703**	**704,834**	**708,537**

(a) Authorised share capital

The total authorised number of shares is 600,000,000 (2020: 600,000,000) common shares at par value of USD 0.01 per share.

(b) Issued and fully paid share capital

On 8 November 2019, the Company completed a pre-listing private placement (the "Pre-listing Private Placement") and subsequent listing (the "Listing") on Oslo Axess, which is a fully regulated marketplace operated by the Oslo Stock Exchange. 27,086,346 new shares were issued, raising net proceeds of USD 72.0 million.

On 25 February 2020, the Company announced its share buy-back program under which the Company may repurchase up to 7,193,407 common shares representing up to 1.9% of the total number of issued and outstanding shares in the Company for a total consideration of up to USD 20.0 million. The Company subsequently repurchased a total of 7,037,407 of its own common shares at an average price of NOK 17.08 per share, amounting to a total consideration of approximately USD 12.6 million.

Following an up-listing application to the Oslo Stock Exchange on 23 April 2020, the Company was subsequently listed on the Oslo Børs and commenced trading of its shares on 30 April 2020.

All issued common shares are fully paid. The newly issued shares rank pari passu with the existing shares.

(c) Share premium

The difference between the consideration for common shares issued and their par value is recognised as share premium.

USD 3.0 million of listing fees and expenses were capitalised against share premium upon the Listing in 2019.

(d) Contributed surplus

Contributed surplus relates to the amount transferred from share capital account when the par value of each common share was reduced from USD 5 to USD 0.01 per share in 2015. Contributed surplus is distributable, subject to the fulfilment of the conditions as stipulated under the Bermudian Law.

(e) Treasury shares

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Group. As at 31 December 2021, the Group held 7,086,703 of the Company's shares (2020: 7,179,946).

17. Other reserves

(a) Composition:

	2021 USD '000	2020 USD '000
Share-based payment reserve	**4,837**	1,859
Hedging reserve	**348**	(15,973)
Translation reserve	**(35)**	(34)
	5,150	(14,148)

(b) Movements of the reserves

Hedging reserve	2021 USD '000	2020 USD '000
At beginning of the financial year	**(15,973)**	(6,514)
Fair value gains/(losses) on cash flow hedges	**9,693**	(22,103)
Reclassification to profit or loss	**6,628**	12,644
At end of the financial year	**348**	(15,973)

More information about hedging derivatives is disclosed in **Note 20**.

18. Share-based payment arrangements

(a) Description of share option programme (equity-settled)

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (share options) in the group. On 16 January 2019, 1 March 2019, 1 June 2019, 1 August 2019, 25 February 2020 and 8 March 2021, the Group granted share options to key management and senior employees. All options are to be settled by physical delivery of shares. The terms and conditions of the share options granted are as follows.

Grant date	Number of instruments in thousands	Vesting conditions	Expiry of options
Option grant to key management personnel on 16 January 2019 ("Tranche 1")	1,834	3 years' service condition from grant date of Tranche 1	16 January 2025
Option Grant to key management personnel on 1 March 2019 ("Tranche 2")	207	3 years' service condition from grant date of Tranche 1	16 January 2025
Option Grant to key management personnel on 1 June 2019 ("Tranche 3")	1,183	3 years' service condition from grant date of Tranche 1	16 January 2025
Option grant to key management personnel on 1 August 2019 ("Tranche 4")	207	3 years' service condition from grant date of Tranche 1	16 January 2025
Option Grant to key management personnel on 25 February 2020 ("LTIP 2020")	3,432	3 years' service condition from grant date	25 February 2026
Option Grant to key management personnel on 8 March 2021 ("LTIP 2021")	3,432	3 years' service condition from grant date	8 March 2027

The share options become void if the employee rescinds their position before the vesting date.

The fair value of services received in return for share options granted is based on the fair value of the share options granted, measured using the Black-Scholes model.

(b) Measurement of grant date fair values

The following inputs were used in the measurement of the fair values at respective grant dates of the share options.

	Share option programme					
	Tranche 1	Tranche 2	Tranche 3	Tranche 4	LTIP 2020	LTIP 2021
Grant date	16 January 2019	1 March 2019	1 June 2019	1 August 2019	25 February 2020	8 March 2021
Share price (NOK)	24.03	24.17	24.47	24.67	20.57	16.55
Exercise price (NOK)	27.81	27.81	27.81	27.81	23.81	19.16
Time to maturity (years)	4.5	4.4	4.1	4.0	4.5	4.5
Risk free rate	2.54%	2.54%	1.93%	1.78%	1.24%	1.02%
Volatility	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Dividends	-	-	-	-	-	-
Annual tenure risk	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Share options granted	1,833,958	207,278	1,183,063	207,278	3,431,577	3,431,577
Fair value at grant date (USD)	1,610,382	182,009	976,425	169,317	2,249,146	2,036,068

Volatility has been estimated as a benchmark volatility by considering the historical average share price volatility of a comparable peer group of companies.

19. Borrowings

	2021 USD '000	2020 USD '000
Current		
Loan from a related corporation	**18,750**	-
Loan from non-related parties	**390**	390
Bank borrowings	**178,211**	142,548
Finance lease liabilities	**6,715**	7,376
Other lease liabilities	**44,308**	28,770
	248,374	179,084
Non-current		
Loan from non-related parties	**4,001**	4,391
Bank borrowings	**934,701**	967,979
Finance lease liabilities	**70,977**	74,767
Other lease liabilities	**73,150**	81,073
	1,082,829	1,128,210
Total borrowings	**1,331,203**	1,307,294

As at 31 December 2021, bank borrowings consist of seven credit facilities from external financial institutions and a related corporation, amounting to USD 473 million, USD 374 million, USD 216 million, USD 106 million, USD 100 million, USD 84 million and USD 39 million respectively (2020: USD 676 million, USD 473 million, USD 266 million, USD 216 million, USD 128 million and USD 39 million respectively). These facilities are secured by the Group's fleet of vessels except the USD 100 million facility, which is unsecured. The table below summarises key information of the bank borrowings:

Facility amount	Maturity date
USD 473 million facility	
- USD 413 million term loan	2026
- USD 60 million revolving credit facility	2026
USD 374 million facility	
- USD 274 million term loan	2028
- USD 100 million revolving credit facility	2028
USD 216 million facility	2027
USD 106 million facility	2025
USD 100 million facility*	
- USD 50 million term loan	2022
- USD 50 million revolving credit facility	2022
USD 84 million facility	
- USD 68 million term loan	2026
- USD 16 million revolving credit facility	2026
USD 39 million facility	
- USD 30 million term loan	2025
- USD 9 million revolving credit facility	2025

** BW Finance Limited, a related corporation of the Group, is one of the lenders of this facility.*

On 22 March 2021, the Group refinanced the USD 676 million and USD 128 million facilities. These two facilities were extinguished and replaced with the new USD 374 million facility.

On 1 July 2021, the Group entered into a USD 100 million unsecured facility.

On 17 December 2021, the Group refinanced the USD 266 million facility. This facility was extinguished and replaced with the USD 84 million and USD 106 million facilities.

On 15 January 2020, the Group extended the USD 30 million facility by 15 months, with the revised maturity date set in April 2021. Two vessels have been mortgaged as security to this facility. On 17 November 2020, this facility was re-financed to a USD 39 million facility, with the revised maturity date extended to November 2025.

Interest rates

The weighted average effective interest rate per annum of total borrowings at the balance sheet date is as follows:

	2021	2020
Bank borrowings	**1.8%**	1.8%

The exposure of borrowings to interest rate risk is disclosed in **Note 25**.

Maturity of borrowings

The non-current borrowings have the following maturity:

	2021 USD '000	2020 USD '000
Later than one year and not later than five years	**988,298**	770,480
Later than five years	**94,531**	357,730
	1,082,829	1,128,210

Carrying amounts and fair values

The carrying values of bank borrowings approximate their fair values as the bank borrowings are re-priceable at three month intervals.

The loan from a related corporation bears floating interest at a nominal rate of USD three-month LIBOR plus margin of 2.80%. The carrying values of borrowings from related corporation approximate their fair values as the bank borrowings bear floating interest rates and are re-priceable at three-month intervals.

20. Derivative financial instruments

	2021 USD '000		2020 USD '000	
	Assets	**Liabilities**	Assets	Liabilities
Cash flow hedges				
- Interest rate swaps	**654**	**327**	-	15,991
Non-hedging instruments				
- Interest rate caps	**21**	**-**	26	-
- Forward freight agreements	**60**	**-**	205	-
- Forward foreign exchange contracts	**192**	**-**	40	-
	927	**327**	271	15,991
Analysed as:				
Non-current	**675**	**306**	26	15,973
Current	**252**	**21**	245	18
	927	**327**	271	15,991

Cash flow hedges

Interest rate derivatives

The Group has entered into interest rate swap contracts that qualify for hedge accounting. The Group will pay interest at fixed rates varying from 0.46% to 2.15% (2020: 0.46% to 2.26%) per annum and receive interest at a floating rate based on three-month USD LIBOR.

The notional principal amount of these outstanding interest rate swaps as at 31 December 2021 amounted to USD 669.7 million (2020: USD 716.0 million) and the amounts mature in more than one year from the balance sheet date.

Non-hedging instruments

Interest rate derivatives

As at 31 December 2021, the Group has existing interest rate caps with a strike of 3.00% against the three-month USD LIBOR. The interest rate caps have a notional amount of USD 300.0 million with the last cap expiring in 2023.

Starting from 2020, hedge accounting for interest rate caps previously used as hedging instruments were discontinued, with the cumulative fair value change previously recognised in "Hedging reserve" in other comprehensive income released to the previous year's profit or loss.

Since then, all changes in fair values of interest rate derivatives are recognised in profit or loss.

Forward foreign exchange contracts
The Group has entered into forward foreign exchange contracts to swap United States Dollars for Singapore Dollars with an external financial institution. The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2021 and 31 December 2020 comprise the following:

	2021 USD '000		2020 USD '000	
Currency	**Notional amounts in local currency**	**USD equivalent**	Notional amounts in local currency	USD equivalent
Singapore Dollars	**25,605**	**18,792**	13,258	9,988

As at 31 December 2021, these forward foreign exchange contracts will mature within 12 (2020: four) months from the balance sheet date. No hedge accounting is adopted and the fair value changes of these forward exchange contracts are recorded in profit or loss.

Freight forward agreements
The Group has entered into a number of forward freight agreements in order to hedge its spot voyage exposure for its vessels trading in the pools. As at 31 December 2021, the Group has outstanding positions with a notional amount of USD 0.1 million (2020: USD 0.9 million), which will mature in the next one year. No hedge accounting is adopted and the fair value changes of these freight forward agreements are recorded in profit or loss.

21. Trade and other payables

	2021 USD '000	2020 USD '000
Trade payables		
- non-related parties	**29,498**	23,793
Accrued operating expenses	**30,431**	38,772
Other payables		
- related corporations	**5,569**	5,186
- non-related parties	**(108)**	2,767
	65,390	70,518
Analysed as:		
Non-current	**-**	-
Current	**65,390**	70,518
	65,390	70,518

The carrying amounts of trade and other payables, principally denominated in United States Dollars, approximate their fair values due to the short period to maturity.

The other payables due to related corporations are unsecured, interest-free and are repayable on demand.

Information about the Group's exposure to currency and liquidity risks is included in **Note 25**.

22. Leases – as Lessee

Leases as lessee under IFRS 16
The Group leases vessels, office spaces, and other equipment from external parties under non-cancellable operating lease agreements. The leases have varying terms including options to extend and options to purchase.

Starting from 1 January 2019, the leased-in vessels are recognised as right-of-use assets and lease liabilities on the balance sheet under IFRS 16, except for leases of low value items relating to IT equipment and leases with lease terms of less than 12 months.

Information about leases for which the Group is a lessee is presented below.

(1) Right-of-use assets

Right-of-use assets related to leased-in vessels are presented as part of total property, plant and equipment **(Note 8)**.

	USD '000
Cost	
At 1 January 2020	152,889
Additions	38,076
Reclassification to property, plant and equipment – vessels upon exercising of purchase options[1]	(38,208)
At 31 December 2020	152,757
Additions	36,226
At 31 December 2021	188,983
Accumulated depreciation	
At 1 January 2020	23,523
Depreciation charge	37,677
Reclassification to property, plant and equipment – vessels upon exercising of purchase options[1]	(15,819)
At 31 December 2020	45,381
Depreciation charge	32,073
At 31 December 2021	77,454
Net book value	
At 31 December 2020	107,376
At 31 December 2021	**111,529**

[1] The Group exercised the purchase options on two bareboat chartered in LR1 vessels: Compass and Compassion. Upon exercise of the options, those vessels were put on sale, which had resulted in both vessels classified as assets held for sale as at 31 December 2020. The vessels were subsequently sold in 2021. Refer to ***Note 10***.

(2) Amounts recognised in profit or loss

	2021 USD '000	2020 USD '000
Interest expense on lease liabilities	**4,549**	9,250
Expenses relating to short-term leases for vessels, included in charter hire expenses	**1,890**	6,104
Expenses relating to short-term leases for offices, included in rental expenses	**1,522**	961

(3) Amounts recognised in statement of cash flows

	2021 USD '000	2020 USD '000
Total cash outflow for leases	**33,161**	78,754

(4) Extension options

Some leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension options, would result in an increase in lease liability of USD 133.8 million (2020: USD 111.0 million).

(5) Operating lease commitments under IFRS 16

The Group leases vessels and office space from non-related parties. These leases have varying terms including options to extend and options to purchase.

Future minimum lease payments under non-cancellable operating leases committed at the reporting date have been recognised as lease liabilities under IFRS 16.

23. Commitments

Operating lease commitments – where the Group is a lessor

The Group leases vessels to non-related parties under non-cancellable operating lease agreements. The Group classifies these leases as operating leases as the Group retains substantially all risks and rewards incidental to ownership of the leased assets.

In 2021, the Group recognised revenue from time charters of USD 64.9 million (2020: USD 79.8 million) as part of revenue **(Note 3)**.

The undiscounted lease payments under operating leases to be received after 31 December are analysed as follows:

	2021 USD '000	2020 USD '000
Less than one year	**39,597**	54,266
One to two years	**11,680**	27,421
Two to three years	**11,712**	-
Three to four years	**11,680**	-
Four to five years	**8,000**	-
	82,669	81,687

Capital commitments

The Group has equity interests in joint ventures and is obliged to provide its share of working capital for the joint ventures' newbuild programme through either equity contributions or shareholder's loans.

The future minimum capital contributions to be made at the reporting date but not yet recognised are as follows:

	2021 USD '000	2020 USD '000
Less than one year	**25,057**	-
One to two years	**87,200**	11,200
Two to three years	**-**	39,200
	112,257	50,400

24. Financial guarantee contracts

The Company's policy is to provide financial guarantees only to the wholly owned subsidiaries or joint ventures. At 31 December 2021, the Company has issued financial guarantees to certain banks in respect of credit facilities granted to subsidiaries (see **Note 19**). These bank borrowings amount to USD 1,112.9 million (2020: USD 1,110.5 million) at the balance sheet date.

The Company and CSSC Shipping have issued a joint financial guarantee to certain banks in respect of credit facilities granted to joint venture, Vista Shipping. Bank borrowings provided to the joint venture amounts to USD 141.6 million (2020: USD 152.5 million) at the balance sheet date. Corporate guarantees given will become due and payable on demand if an event of default occurs.

The Company and Andromeda Shipholdings have issued a joint financial guarantee to certain banks in respect of credit facilities granted to H&A Shipping. Bank borrowings provided to the joint venture amounts to USD 21.5 million (2020: USD Nil) at the balance sheet date. Corporate guarantees given will become due and payable on demand if an event of default occurs.

In addition, the Company issued a limited financial guarantee to a bank in respect of the USD 50.0 million (2020: USD 50.0 million) receivables purchase agreement facility granted to the commercial pools.

25. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, interest rate risk and cash flow fair value and interest rate risk); credit risk; liquidity risk and capital risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management is handled by the Group as part of its operations. The management team identifies, evaluates and manages financial risks in close co-operation with all operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative and non-derivative financial instruments.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Group. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

A fundamental reform of major interest rate benchmarks is being undertaken globally to replace or reform IBOR with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has significant exposure to IBORs on its financial instruments that will be replaced or reformed as part of this market-wide initiative. The Group anticipates that IBOR reform will have significant operational, risk management and accounting impacts. The Group evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at the reporting date. The Group's hedged items and hedging instruments continue to be indexed to IBOR benchmark rates. IBOR benchmark rates are quoted each day and IBOR cash flows are exchanged with its counterparties as usual. However, the Group's cash flow hedging relationships currently extend beyond the anticipated cessation dates for US Dollar LIBOR. The Group expects that US dollar LIBOR will be replaced by US SOFR. Any uncertainty may impact the hedging relationship, for example its effectiveness assessment and highly probable forecast transaction assessment.

The Group applies the amendments to IFRS 9, IAS 39 and IFRS 7 Interest rate benchmark reform issued in September 2019 to these hedging relationships directly affected by IBOR reform.

The Group is in the process of establishing policies for amending the interbank offered rates on its existing floating-rate loan portfolio indexed to IBORs that will be replaced as part of IBOR reform. The Group expects to participate in bilateral negotiations with the counterparties to begin amending the contractual terms of its existing floating-rate financial instruments. However, the exact timing will vary depending on the extent to which standardised language can be applied and the extent of bilateral negotiations between the Group and its counterparties. The Group expects that these contractual changes will be amended in a uniform way.

The Group holds derivatives for risk management purposes, some of which are designated in hedging relationships. These derivatives have floating legs that are indexed to various IBORs. The Group's derivative instruments are governed by ISDA's 2006 definitions. ISDA is currently reviewing its definitions in light of IBOR reform and the Group expects it to issue standardised amendments to all impacted derivative contracts at a future date. No derivative instruments have been modified as at the reporting date.

Price risk

The shipping market can be subject to significant fluctuations. The Group's vessels are employed under a variety of chartering arrangements including time charters and voyage charters.

In 2021, approximately 8% (2020: 9%) of the Group's shipping revenue was derived from vessels under fixed income charters (comprising time charters).

The Group is exposed to the risk of variations in fuel oil costs, which are affected by the global political and economic environment. Historically, fuel expenses have been the most significant expense. Under a time charter, the charterer is responsible for fuel costs, therefore, fixed income charters also reduce exposure to fuel price fluctuations.

In 2021, fuel oil costs comprised 42% (2020: 35%) of the Group's operating expenses (excluding depreciation). If price of fuel oil has increased/decreased by USD 1 (2020: USD 1) per metric ton with all other variables including tax rate being held constant, the net results will be lower/higher by USD 468,023 (2020: USD 404,079) as a result of higher/lower fuel oil consumption expense.

In addition to securing cash flows through time charter contracts, the Group has entered into forward freight agreements to limit the risk involved in trading in the spot market. Details of the Group's outstanding forward freight agreements are disclosed in **Note 20**.

Currency risk

The functional currency of most of the entities in the Group is United States Dollars ("USD"). The Group's operating revenue, and the majority of its interest-bearing debts and contractual obligations for vessels under construction are denominated in USD. The Group's vessels are also valued in USD when trading in the second-hand market.

The Group is exposed to foreign currency exchange risks for administrative expenses incurred by offices or agents globally, predominantly in Monaco, Denmark and Singapore. Further, the Group is required to pay port charges in currencies other than USD. However, foreign currency exposure in port charges is minimal as any increase is usually compensated by a corresponding increase in freight, particularly in the tanker sector through industry-wide increases in Worldscale flat rates.

At the balance sheet date, the Group has cash and cash equivalents denominated in DKK and EUR.

Details of the Group's outstanding forward exchange contracts are disclosed in **Note 20**.

At 31 December 2021 and 31 December 2020, the Group has assessed that it has insignificant exposure to foreign currency risks.

Interest rate risk

The Group adopts a policy of ensuring that between 50% and 75% of its interest rate risk exposure is at a fixed-rate or limited to a certain threshold. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk. The Group applies a hedge ratio of 1:1.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

(1) the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and

(2) differences in repricing dates between the swaps and the borrowings.

The Group has interest-bearing financial liabilities in the form of borrowings from external financial institutions at variable rates.

The Group manages its cashflow interest rate risks by swapping a portion of its floating rate interest payments to fixed rate payments using interest rate swaps.

Cash flow sensitivity analysis for variable rate instruments

If the interest rates have increased/decreased by 50 basis points, with all other variables including tax rate being held constant, the net results will be lower/higher by approximately USD 1.9 million (2020: USD 2.6 million) as a result of higher/lower interest expense on the portion of the borrowings that is not covered by the interest rate swap instruments. Total equity would have been higher/lower by USD 10.5 million (2020: USD 10.1 million) mainly as a result of fair value gain/loss from the interest rate swaps assuming these swaps remain effective.

Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group entered into interest rate agreements to limit exposure to interest rate fluctuations. The details of these exposures are disclosed in **Note 20**. As at 31 December 2021, the notional principal amount of these interest rate swaps represents approximately 63% (2020: 61%) of the Group's borrowings on floating interest rates.

As at the reporting date, the interest rate profile of interest-bearing financial instruments, as reported to the management, was as follows:

	Nominal amount	
	2021 USD '000	2020 USD '000
Variable rate instruments		
Financial assets	**94,933**	45,430
Financial liabilities	**1,140,007**	1,120,657
Effect of interest rate swaps	**(715,958)**	(683,407)
	518,982	482,680

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, cash and cash equivalents and loans receivables from joint venture and pool participants. The maximum exposure is represented by the carrying value of each financial asset on the balance sheet.

Financial assets that are neither past due or impaired

The Group performs periodic credit evaluations of its charterers. The Group has implemented policies to ensure cash funds are deposited and derivatives are entered into with banks and internationally recognised financial institutions with a good credit rating and the vessels are fixed to charterers with an appropriate credit rating who can provide sufficient guarantees.

There is no class of financial assets that is past due and/or impaired.

Trade receivables and contract assets

The Group applies the simplified lifetime approach and uses a provision matrix to determine the ECLs of trade receivables and contract assets. It is based on the Group's historical observed default rates and is adjusted by a current and forward-looking estimate based on current economic conditions.

Credit risk is concentrated on several charterers. The Group adopts the policy of dealing only with customers with appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

The allowance made arose mainly from the provision of charter services to a customer which had met with significant financial difficulties during the financial year ended 31 December 2018. This allowance was subsequently written off in the financial year ended 2021 when the receivables were deemed irrecoverable by management.

The Group has determined that the ECL provision estimated based on an allowance matrix of 0.3% to 1% for trade receivables aged "Past due up to three months" and "Past due for more than six months", respectively, as at 31 December 2021 and 31 December 2020 was found to be insignificant.

The age analysis of trade receivables and contract assets is as follows:

	2021 USD '000	2020 USD '000
Current (not past due)	**57,761**	940
Past due 0 to 3 months	**48,082**	44,798
Past due 3 to 6 months	**12,624**	20,427
Past due for more than 6 months	**-**	1,594
Less: Allowance for impairment	**-**	(1,594)
	118,467	66,165

The movement in the allowance for impairment in respect of trade receivables and contract assets is as follows:

	2021 USD '000	2020 USD '000
Allowance for impairment as at 1 January 2021 and 1 January 2020	**1,594**	1,594
Write-off of allowance for impairment	**(1,594)**	-
Allowance for impairment as at 31 December 2021 and 31 December 2020	**-**	1,594

Loans receivable from joint venture and pool participants/other receivables due from non-related parties

The Group has used a general 12-month approach in assessing the credit risk associated with other receivables and loans issued to the joint venture and to pool participants.

The loans extended to the joint venture forms an extension of the Group's investment in product tankers via co-ownership with another strategic investor. As the vessels owned by the joint venture generate positive cash flows, management considers the credit risk of loans issued to the joint venture as low. As a result of the qualitative assessment performed, no ECL provision has been recognised.

The loans extended to the pool partners is a part of the Group's commercial pool operation, which is operated in partnership with external pool participants. As the vessels contributed by the Group and its pool participants to be managed and traded by the commercial pools generate positive cash flows, management considers the credit risk of loans issued to the external pool participants as low. As a result of the assessment performed, no ECL provision has been recognised.

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(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet operating and capital expenditure needs. To address the inherent unpredictability of short-term liquidity requirements, the Group maintains sufficient cash for its daily operations in short-term cash deposits with banks, has access to the unutilised portions of revolving credit facilities and entered into trade receivables factoring agreement (with limited recourse to the Company) with financial institutions.

The maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows is as follows:

	Less than 1 year USD '000	Between 1 and 2 years USD '000	Between 2 and 5 years USD '000	Over 5 years USD '000
At 31 December 2021				
Trade and other payables	65,390	-	-	-
Derivative financial instruments	5,429	2,391	923	-
Interest payments	27,521	21,420	38,919	4,494
Borrowings	198,961	129,745	719,654	91,646
Finance lease liabilities and other lease liabilities	51,023	51,328	83,244	16,693
	348,324	**204,884**	**842,740**	**112,833**

	Less than 1 year USD '000	Between 1 and 2 years USD '000	Between 2 and 5 years USD '000	Over 5 years USD '000
At 31 December 2020				
Trade and other payables	70,518	-	-	-
Derivative financial instruments	6,749	4,337	4,753	143
Interest payments	35,885	30,592	49,582	7,586
Borrowings	144,834	315,910	350,077	309,836
Finance lease liabilities and other lease liabilities	36,246	36,813	80,217	19,082
	294,232	**387,652**	**484,629**	**336,647**

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders, obtain new borrowings or sell assets to reduce borrowings.

The Group is in compliance with all externally imposed capital requirements.

(e) Accounting classifications and fair values

The following tables present assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(1) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(2) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and

(3) inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Note	Carrying amount: Fair value hedging instruments/ Mandatorily at FVTPL - others USD '000	Carrying amount: Financial assets at amortised cost USD '000	Carrying amount: Total USD '000	Fair value: Level 1 USD '000	Fair value: Level 2 USD '000	Fair value: Level 3 USD '000	Fair value: Total USD '000
At 31 December 2021								
Financial assets measured at fair value								
Forward foreign exchange contracts	20	192	-	192	-	192	-	192
Forward freight agreements	20	60	-	60	-	60	-	60
Interest rate swaps used for hedging	20	654	-	654	-	654	-	654
Interest rate caps	20	21	-	21	-	21	-	21
		927	-	927				
Financial assets not measured at fair value								
Loans receivable from joint venture	13	-	60,229	60,229				
Loans receivable from pool participants	13	-	34,865	34,865				
Trade and other receivables[1]	12	-	191,836	191,836				
Cash and cash equivalents	15	-	100,075	100,075				
		-	387,005	387,005				

[1] *Excluding prepayments*

	Note	Carrying amount: Fair value-hedging instruments USD '000	Carrying amount: Other financial liabilities USD '000	Carrying amount: Total USD '000	Fair value: Level 1 USD '000	Fair value: Level 2 USD '000	Fair value: Level 3 USD '000	Fair value: Total USD '000
At 31 December 2021								
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	20	(327)	-	(327)	-	(327)	-	(327)
Financial liabilities not measured at fair value								
Bank borrowings	19	-	(1,112,912)	(1,112,912)	-	(1,112,912)	-	(1,112,912)
Loan from a related corporation	19	-	(18,750)	(18,750)	-	(18,750)	-	(18,750)
Loan from non-related parties	19	-	(4,391)	(4,391)	-	(4,391)	-	(4,391)
Trade payables	21	-	(65,390)	(65,390)				
		-	(1,201,443)	(1,201,443)				

	Note	Carrying amount: Mandatorily at FVTPL - others USD '000	Carrying amount: Financial assets at amortised cost USD '000	Carrying amount: Total USD '000	Fair value: Level 1 USD '000	Fair value: Level 2 USD '000	Fair value: Level 3 USD '000	Fair value: Total USD '000
At 31 December 2020								
Financial assets measured at fair value								
Forward freight agreements	20	40	-	40	-	40	-	40
Forward foreign exchange contracts	20	205	-	205	-	205	-	205
Interest rate caps	20	26	-	26	-	26	-	26
		271	-	271				
Financial assets not measured at fair value								
Loans receivable from joint venture	13	-	45,430	45,430				
Trade and other receivables[1]	12	-	158,918	158,918				
Cash and cash equivalents	15	-	100,671	100,671				
		-	305,019	305,019				

[1] *Excluding prepayments*

	Note	Carrying amount: Fair value – hedging instruments USD '000	Carrying amount: Other financial liabilities USD '000	Carrying amount: Total USD '000	Fair value: Level 1 USD '000	Fair value: Level 2 USD '000	Fair value: Level 3 USD '000	Fair value: Total USD '000
At 31 December 2020								
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	20	(15,991)	-	(15,991)	-	(15,991)	-	(15,991)
Financial liabilities not measured at fair value								
Bank borrowings	19	-	(1,110,527)	(1,110,527)	-	(1,110,527)	-	(1,110,527)
Loan from non-related parties	19	-	(4,781)	(4,781)	-	(4,781)	-	(4,781)
Trade payables	21	-	(70,518)	(70,518)				
		-	(1,185,826)	(1,185,826)				

The Group has no Level 1 and Level 3 financial assets or liabilities as at 31 December 2021 and 2020.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. These financial instruments are included in Level 2, as all significant inputs required to fair value an instrument are observable.

(f) Offsetting financial assets and financial liabilities

The Group's financial assets and liabilities are not subjected to enforceable master netting arrangements or similar arrangements. Financial derivatives, financial assets and financial liabilities are presented separately on the consolidated balance sheet, without netting off of balances.

26. Holding corporations

The Company's ultimate and immediate holding corporation is BW Group Limited, incorporated in Bermuda, which is wholly owned by Sohmen family interests.

27. Related party transactions

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following transactions took place between the Group and related parties during the financial year on commercial terms agreed by the parties:

	2021 USD '000	2020 USD '000
Sale and purchase of services		
Support service fees paid/payable to a related corporation	**4,877**	4,746
Interest paid/payable to a related corporation	**261**	-
Rental paid/payable to a related corporation	**853**	700

Key management remuneration for the financial year ended 31 December 2021 amounted to USD 5,916,266 (2020: USD 2,865,872).

Related corporations refer to corporations controlled by Sohmen family interests.

28. Segment information

Operating segments are determined based on the reports submitted to management to make strategic decisions.

The management considers the business to be organised into four main operating segments:

(a) Long Range II ('LR2')
(b) Long Range I ('LR1')
(c) Medium Range ('MR')
(d) Handy size ('Handy')

The operating segments are organised and managed according to the size of the product tanker vessels.

The LR2 segment consists of vessels between 85,000 DWT and 124,999 DWT in size and provides transportation of clean petroleum oil products.

The LR1 segment consists of vessels between 55,000 DWT and 84,999 DWT in size and provides transportation of clean and dirty petroleum products.

The MR segment consists of vessels between 40,000 DWT and 54,999 DWT in size and provides transportation of clean and dirty oil products, vegetable oil and easy chemicals.

The Handy segment consists of vessels between 25,000 DWT and 39,999 DWT in size and provides transportation of clean and dirty oil products, vegetable oil and easy chemicals.

Management assesses the performance of the operating segments based on operating profit before depreciation, impairment and gain on disposal of vessels ("Operating EBITDA"). This measurement basis excludes the effects of impairment charges and gain on disposal of vessels that are not expected to recur regularly in every financial period. Interest income and finance expenses, which result from the Group's capital and liquidity position that is centrally managed for the benefit of various activities, are not allocated to segments.

	LR2 USD '000	LR1 USD '000	MR USD '000	Handy USD '000	Total USD '000
2021					
Revenue	54,540	236,461	413,116	107,100	811,217
Voyage expenses	(3,331)	(133,281)	(213,309)	(58,361)	(408,282)
TCE Income	51,209	103,180	199,807	48,739	402,935
Other operating income	91	10,205	3,854	1,390	15,540
Vessel operating expenses	(13,705)	(54,305)	(95,937)	(28,512)	(192,459)
Technical management expenses	(1,141)	(4,461)	(7,838)	(2,574)	(16,014)
Charter hire expenses	-	(9,200)	(13,703)	-	(22,903)
Operating EBITDA	36,454	45,419	86,183	19,043	187,099
Depreciation charge	(13,762)	(39,579)	(82,143)	(14,940)	(150,424)
					36,675
Unallocated					(87,778)
Loss before income tax					(51,103)
Segment assets	274,433	506,599	1,247,910	227,700	2,256,642
Segment assets include:					
Additions/adjustments to:					
- vessels	(12)	(69,604)	4,719	(11,298)	(76,195)
- dry docking	(180)	(1,616)	7,874	588	6,666
- right-of-use assets	-	16,698	19,528	-	36,226
Segment liabillities	1,820	18,968	32,855	6,743	60,386

	LR2 USD '000	LR1 USD '000	MR USD '000	Handy USD '000	Total USD '000
2020					
Revenue	58,644	276,827	427,557	111,071	874,099
Voyage expenses	(437)	(72,187)	(140,780)	(37,481)	(250,885)
TCE Income	58,207	204,640	286,777	73,590	623,214
Other operating income	(114)	11,794	3,375	2,534	17,589
Vessel operating expenses	(13,305)	(64,895)	(94,396)	(28,070)	(200,666)
Technical management expenses	(1,342)	(5,311)	(7,936)	(2,097)	(16,686)
Charter hire expenses	-	(7,997)	(16,590)	(2,393)	(26,980)
Operating EBITDA	43,446	138,231	171,230	43,564	396,471
Depreciation charge	(13,848)	(48,278)	(78,200)	(15,045)	(155,371)
					241,100
Unallocated					(89,670)
Profit before income tax					151,430
Segment assets	287,838	551,899	1,286,581	249,246	2,375,564
Segments assets include:					
Additions/adjustments to:					
- vessels/vessels under construction	116	(9,479)	9,397	250	284
- dry docking	150	4,787	13,326	2,765	21,028
- right-of-use assets	-	(17,177)	17,045	-	(132)
Segment liabilities	1,715	18,441	25,806	5,921	51,883

Reportable segments' assets

The amounts provided to management with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. For the purposes of monitoring segment performance and allocating resources between segments, management monitors vessels, vessels under construction, dry docking, inventories, and trade and other receivables that can be directly attributable to each segment.

	2021 USD '000	2020 USD '000
Segment assets	**2,256,642**	2,375,564
Unallocated items:		
Cash and cash equivalents	**100,075**	100,671
Trade and other receivables	**130,750**	56,184
Derivative financial instruments	**926**	271
Property, plant and equipment	**266**	25
Intangible assets	**3,572**	4,424
Associated companies and joint venture	**18,719**	6,773
Total assets	**2,510,950**	2,543,912

Reportable segments' liabilities

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segments. Certain trade and other payables are allocated to the reportable segments. All other liabilities are reported as unallocated items.

	2021 USD '000	2020 USD '000
Segment liabilities	**60,386**	51,883
Unallocated items:		
Borrowings	**1,331,204**	1,307,294
Current income tax liabilities	**2,018**	2,071
Trade and other payables	**5,003**	18,635
Derivative financial instruments	**327**	15,991
Total liabilities	**1,398,938**	1,395,874

Geographical segments' revenue

The Group's vessels operate on an international platform with individual vessels calling at various ports across the globe. The Group does not consider the domicile of its customers as a relevant decision making guideline and hence does not consider it meaningful to allocate vessels and revenue to specific geographical locations.

Major customers

Revenues from the top five major customers of the Group across all operating segments represents approximately USD 158.9 million (2020: USD 195.5 million) of the Group's total revenues.

29. Dividends paid

	2021 USD '000	2020 USD '000
Final dividend paid in respect of Q4 2019 of USD 0.0573 per share	**-**	21,204
Interim dividend paid in respect of Q1 2020 of USD 0.1062 per share	**-**	38,557
Interim dividend paid in respect of Q2 2020 of USD 0.1062 per share	**-**	38,557
	-	98,318

The directors have not declared a dividend for the financial year ended 31 December 2021.

The directors declared a dividend of USD 21.2 million for the financial year ended 31 December 2019. Together with the interim dividends paid for Q1 2020 and Q2 2020 of USD 0.1062 per share in both quarters, the total dividend paid in FY 2020 amounted to USD 0.2708 per share or USD 98.3 million.

Under the Bermuda Companies Act, dividends cannot be paid if there are reasonable grounds for believing that (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the Company's assets would thereby be less than its liabilities.

The Company has acted in accordance with the provisions of the Bermuda Companies Act when declaring dividends.

30. Events occurring after balance sheet date

On 21 January 2022, the Andromeda joint venture took delivery of a MR vessel, PS Stars. The vessel has been fixed on a long term time charter to an external party.

On 27 January 2022, the Group completed the acquisition of 100% of Chemical Tankers Inc ('CTI') and its subsidiaries, including CTI's fleet of 32 vessels through an issuance of new shares of the Company and the Company's existing treasury shares. The acquisition was accounted as an asset acquisition that does not constitute a business and which is satisfied by way of shares issuance of the Company's equity instruments. In exchange for all outstanding shares in CTI, CTI's shareholders received a total of 99,199,394 shares in the Company. Since the consideration for the acquisition is satisfied by way of shares issuance of the Company's equity instruments, the accounting of the fair value of the consideration paid follows the guidance of IFRS 2 *Share-based Payment*. At the acquisition date, ordinary shares and the existing treasury shares of the Company were issued to CTI's shareholders, and the fair value is deemed to be the fair value of the net assets of CTI that are acquired. This will result in an increase in the Company's share capital and share premium, while reducing its treasury shares. The preliminary fair value of the net assets of CTI that are acquired is USD 222.8 million. This will result in an increase in share capital of USD 0.9 million, share premium of USD 209.1 million, while reducing treasury shares by USD 12.8 million. The effect of this asset acquisition would be an increase the Group's assets, liabilities and equity by USD 943.2 million, USD 720.4 million and USD 222.8 million respectively.

On 27 January 2022, the Group entered into an agreement to purchase 12 LR1 vessels from Scorpio Tankers Inc ("STI") for a total consideration of USD 413.8 million. The vessels will be progressively delivered to the Group from the second half of February 2022 to mid-May 2022. The STI vessels will be fully financed through a sale and leaseback arrangement with ICBC Financial Leasing Co., Ltd.; with monthly purchase options and an obligation for the Group to purchase the vessels at the end of the 10-year charter period.

On 27 January 2022, Straits Tankers Pte. Ltd. was struck off.

On 18 February 2022, Hafnia Karava was sold to an external party.

In February 2022, conflict escalated between Russia and Ukraine, increasing geopolitical risk significantly. In response to the conflict, the Western nations have imposed a set of sanctions on Russia, increasing uncertainty in the general energy market. The conflict has led to significantly higher oil prices amid concerns about Russian oil supply being pushed out of the market.

The Group has observed that refined oil products are already starting to be transported over longer distances to meet an expected shortfall of supply of oil to the Atlantic hemisphere, which is positive for freight rates. Energy security concerns have also contributed to an improvement in the near-term market outlook while re-routing of both European imports and Russian exports, present further long-haul potential which could sustain improved freight rates beyond the initial spike in freight rates. However, due to the continuous development and complexity of the situation, the long-term outlook remains uncertain. Amongst other factors, a prolonged increase in oil prices could lead to a decrease in demand for oil, which could reduce freight rates.

The vessel impairment exercise done by the Group on its CGUs for the financial year ended 2021 was based on assumptions that did not include the effects of the conflict on freight rates. The financial impact going forward is uncertain, but the Group currently expects that the possible effects are covered within the sensitivity calculations as set out in Note 8.

In March 2022, the Group took delivery of six LR1 vessels from the STI transaction.

On 29 March 2022, the Group entered into an agreement for an en bloc sale of eight stainless steel vessels out of the CTI fleet acquired to an external party (the "Transaction") for a total consideration of USD 252.4 million. Four of the vessels are currently financed by sale and leaseback facilities and the remaining four vessels are financed by operating leases with call options. The Transaction remains subject to lenders consent. The vessels are planned to be delivered from the Group to the external party as soon as practically possible, by 30 September 2022, except for "Hafnia Spark" and "Hafnia Stellar", which are expected to be delivered in September 2023.

31. Authorisation of financial statements

These financial statements were authorised for issue by the Board of Directors of Hafnia Limited on 30 March 2022.

32. Listing of companies in the Group

Name of companies		Principal activities	Place of incorporation	Equity holding 2021(%)	Equity holding 2020(%)
BW Aldrich Pte. Ltd.		Shipowning	Singapore	**100**	100
BW Clearwater Pte. Ltd.		Shipowning	Singapore	**100**	100
BW Causeway Pte. Ltd		Dormant	Singapore	**100**	100
BW Fleet Management Pte. Ltd.		Ship-management	Singapore	**100**	100
BW Stanley Pte. Ltd.		Shipowning	Singapore	**100**	100
Hafnia Pools Pte. Ltd.		Chartering	Singapore	**100**	100
Komplementaranpartsselskabet Straits Tankers		Investment	Denmark	**100**	100
K/S Straits Tankers		Investment	Denmark	**100**	100
Straits Tankers Pte. Ltd.	e	Dormant	Singapore	**100**	100
BW Silvermine Pte. Ltd.		Dormant	Singapore	**100**	100
BW Pacific Management Pte. Ltd.		Agency office	Singapore	**100**	100
Hafnia Pte. Ltd.		Chartering	Singapore	**100**	100
Hafnia Tankers LLC	d	Investment	Marshall Islands	**-**	100
Hafnia Tankers Marshall Islands LLC		Investment	Marshall Islands	**100**	100
Hafnia Tankers Singapore Holding Pte Ltd		Investment	Singapore	**100**	100
Hafnia Tankers Singapore Sub-Holding Pte Ltd		Shipowning	Singapore	**100**	100
Hafnia Tankers ApS		Shipowning	Denmark	**100**	100
Hafnia Tankers Shipholding Beta Pte. Ltd.		Dormant	Singapore	**100**	100
Hafnia Tankers Shipholding Alpha Pte Ltd		Shipowning	Singapore	**100**	100
Hafnia One Pte. Ltd.		Shipowning	Singapore	**100**	100
Hafnia Tankers Singapore Pte Ltd		Investment	Singapore	**100**	100
Hafnia Tankers Shipholding Singapore Pte. Ltd.		Shipowning	Singapore	**100**	100
Hafnia Tankers Shipholding 2 Singapore Pte. Ltd.		Shipowning	Singapore	**100**	100

Name of companies		Principal activities	Place of incorporation	**Equity holding 2021(%)**	Equity holding 2020(%)
Hafnia Tankers Chartering Singapore Pte. Ltd.		Chartering	Singapore	**100**	100
Hafnia Tankers International Chartering Inc.		Chartering	Marshall Islands	**100**	100
Hafnia Tankers Services Singapore Pte Ltd		Ship-management	Singapore	**100**	100
Hafnia Management A/S		Ship-management	Denmark	**40**	40
Hafnia Bunkers ApS		Ship-management	Denmark	**40**	40
Hafnia Handy Pool Management ApS		Ship-management	Denmark	**40**	40
Hafnia MR Pool Management ApS		Ship-management	Denmark	**40**	40
Hafnia SARL	a	Corporate support	Monaco	**100**	100
Hafnia Holding Limited	b	Investment	Bermuda	**100**	-
Hafnia Holding II Limited	b	Investment	Bermuda	**100**	-
Vista Shipping Pte. Ltd.		Investment	Singapore	**50**	50
Vista Shipholding I Pte. Ltd.		Shipowning	Singapore	**50**	50
Vista Shipholding II Pte. Ltd.		Shipowning	Singapore	**50**	50
Vista Shipholding III Pte. Ltd.		Shipowning	Singapore	**50**	50
Vista Shipholding IV Pte. Ltd.		Shipowning	Singapore	**50**	50
Vista Shipholding V Pte. Ltd.		Shipowning	Singapore	**50**	50
Vista Shipholding VI Pte. Ltd.		Shipowning	Singapore	**50**	50
Vista Shipholding VII Pte. Ltd.	a	Shipowning	Singapore	**50**	50
Vista Shipholding VIII Pte. Ltd.	a	Shipowning	Singapore	**50**	50
Vista Shipholding IX Pte. Ltd.	b	Shipowning	Singapore	**50**	-
Vista Shipholding X Pte. Ltd.	b	Shipowning	Singapore	**50**	-
Vista Shipping HK Limited	a	Investment	Hong Kong	**50**	50
Vista Shipping US, LLC	a	Investment	United States	**50**	50
H&A Shipping Ltd	c	Investment	Marshall Islands	**50**	-
Yellow Star Shipping Ltd	c	Shipowning	Liberia	**50**	-
Green Stars Shipping Ltd	c	Shipowning	Liberia	**50**	-

(a) This company was registered in 2020.
(b) This company was registered in 2021.
(c) This company was incorporated as the result of the Group entering into a joint venture with Andromeda Shipping in 2021.
(d) This company's registration was cancelled in 2021.
(e) This company has been struck off on 27 January 2022.

HAFNIA LIMITED

(Incorporated in Bermuda)

COMPANY FINANCIAL STATEMENTS

For the financial year ended 31 December

2021

Statement of comprehensive income

For the financial year ended 31 December 2021	Note	**2021 USD '000**	2020 USD '000
Dividend from a subsidiary		**41,622**	91,319
Gain from liquidation of subsidiary	7	**900**	-
Other operating expenses	3	**(837)**	(1,826)
Operating profit		**41,685**	89,493
Interest income		**202**	333
Interest expense		**(30)**	(30)
Other finance expense		**(38)**	(38)
Finance income – net		**134**	265
Profit before income tax		**41,819**	89,758
Income tax expense	4	**-**	-
Profit after tax, representing total comprehensive income for the financial year		**41,819**	89,758

Balance sheet

As at 31 December 2021	Note	**2021 USD '000**	2020 USD '000
Subsidiaries	7	**1,153,459**	1,582,912
Joint venture	8	**10,213**	-
Loans receivable from subsidiary	6	**4,900**	4,900
Total non-current assets		**1,168,572**	1,587,812
Other receivables	5	**111,746**	70,124
Loans receivable from subsidiary	6	**8,266**	3,163
Cash and cash equivalents	9	***-**	1
Total current assets		**120,012**	73,288
Total assets		**1,288,584**	1,661,100
Share capital	10	**3,703**	3,703
Share premium	10	**704,834**	704,834
Contributed surplus		**537,112**	537,112
Merger reserve		**(76,657)**	(76,657)
Share-based payment reserve		**4,837**	1,859
Treasury shares		**(12,832)**	(13,001)
Retained earnings		**47,672**	5,853
Total shareholders' equity		**1,208,669**	1,163,703
Other payables	12	**79,915**	497,397
Total liabilities		**79,915**	497,397
Total equity and liabilities		**1,288,584**	1,661,100

Amount less than USD 1,000.

Statement of changes in equity

For the financial year ended 31 December 2021	Note	Share capital USD '000	Share premium USD '000	Con-tributed surplus USD '000	Merger reserve USD '000	Treasury shares USD '000	Share-based payment reserve USD '000	Retained earnings USD '000	Total USD '000
Balance at 1 January 2021		3,703	704,834	537,112	(76,657)	(13,001)	1,859	5,853	1,163,703
Transactions with owners									
Equity-settled share-based payment		-	-	-	-	169	2,978	-	3,147
Total comprehensive income									
Profit after tax, representing total comprehensive income for the financial year		-	-	-	-	-	-	41,819	41,819
Balance at 31 December 2021		**3,703**	**704,834**	**537,112**	**(76,657)**	**(12,832)**	**4,837**	**47,672**	**1,208,669**

	Note	Share capital USD '000	Share premium USD '000	Con-tributed surplus USD '000	Merger reserve USD '000	Treasury shares USD '000	Share-based payment reserve USD '000	Retained earnings USD '000	Total USD '000
Balance at 1 January 2020		3,703	704,834	537,112	(76,657)	(500)	823	14,413	1,183,728
Transactions with owners									
Treasury shares acquired		-	-	-	-	(12,641)	-	-	(12,641)
Equity-settled share-based payment		-	-	-	-	140	1,036	-	1,176
Dividends paid	17	-	-	-	-	-	-	(98,318)	(98,318)
Total comprehensive income									
Profit after tax, representing total comprehensive income for the financial year		-	-	-	-	-	-	89,758	89,758
Balance at 31 December 2020		**3,703**	**704,834**	**537,112**	**(76,657)**	**(13,001)**	**1,859**	**5,853**	**1,163,703**

Statement of cash flows

For the financial year ended 31 December 2021	**2021 USD '000**	2020 USD '000
Cash flows from operating activities		
Profit for the financial year	**41,819**	89,758
Adjustments for:		
- interest income	**(202)**	(333)
- gain from liquidation of subsidiary	**(900)**	-
- dividend income	**(41,622)**	(91,319)
Operating cash flows before working capital changes	**(905)**	(1,894)
Changes in working capital:		
- other receivables	**194**	(406,265)
- other payables	**710**	408,158
Net cash used in operating activities	**(1)**	(1)
Cash flows from investing activities		
Proceeds from liquidation of subsidiary	**900**	-
Loan to subsidiary	**(4,900)**	-
Equity investment in joint venture	**(10,213)**	-
Net cash used in investing activities	**(14,213)**	-
Cash flows from financing activities		
Amount due to subsidiary	**14,213**	-
Net cash from financing activities	**14,213**	-
Net decrease in cash and cash equivalents	**(1)**	(1)
Cash and cash equivalents at beginning of the financial year	**1**	2
Cash and cash equivalents at end of the financial year	***-**	1

**Amount less than USD 1,000.*

Significant non-cash transactions

During 2020, USD 98.3 million of dividends payment to shareholder were settled by subsidiaries for and on behalf of the Company.

USD 12.6 million of treasury shares acquired during 2020 were paid by a subsidiary for and on behalf of the Company.

Notes to the financial statements

These notes form an integral part of and should be read in conjunction with the accompanying financial statements

1. General information

Hafnia Limited (the "Company"), is incorporated and domiciled in Bermuda. The address of its registered office is Washington Mall Phase 2, 4th Floor, Suite 400, 22 Church Street, HM 1189, Hamilton HM EX, Bermuda.

On 16 January 2019, a wholly-owned subsidiary of Hafnia Limited (formerly known as BW Tankers Limited), BW Tankers Corporation, merged with Hafnia Tankers Limited ("Hafnia Tankers"), a fellow subsidiary of BW Group Limited ("BW Group"). The merger was effected through a share swap arrangement, where newly issued shares of BW Tankers Limited were exchanged for all outstanding shares of Hafnia Tankers Limited. On 21 January 2019, BW Tankers Corporation was merged with BW Tankers Limited without consideration in a simplified parent and subsidiary merger. BW Tankers Limited, the surviving entity, then changed its name to Hafnia Limited.

The principal activity of the Company is that of investment holding.

These financial statements were authorised for issue by the Board of Directors of Hafnia Limited on 30 March 2022.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

2.2 Changes in accounting policies

Amendments to published standards effective in 2021

The Company has adopted the new standards and amendments to published standards as of 1 January 2021. Changes in the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective standards and amendments.

The adoption of these new or amended standards did not result in substantial changes in the Company's accounting policies and had no material effect on the amounts reported in the financial statements for the current or prior financial years.

2.3 Critical accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. Estimates, assumptions and judgements are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no estimates and assumptions which have a material effect on the financial statements.

2.4 Revenue and income recognition

Dividend income

Dividend income is recognised when the right to receive payment is established.

2.5 Investments in subsidiaries

Subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.6 Financial assets

(a) Recognition and initial measurement

Other receivables are initially recognised when they are originated. Other financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss (FVTPL), which are recognised at fair value. Transaction costs for financial assets at FVTPL are recognised immediately as expenses.

(b) Classification

The Company classifies its financial assets at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are presented as "Other receivables" and "Cash and cash equivalents" in the balance sheet.

Financial assets at amortised cost are subsequently carried at amortised cost using the effective interest method.

(c) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cashflows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(d) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(e) Impairment

For financial assets measured at amortised cost and contract assets, the Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for expected credit loss (ECL) at an amount equal to the lifetime expected credit loss if there has been a significant increase in credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, the Company recognises an allowance for ECL at an amount equal to 12-month ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that results from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

For trade receivables and contract assets, the Company applied the simplified approach permitted by IFRS 9, which requires the loss allowance to be measured at an amount equal to lifetime ECLs.

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

Measurement of ECLs
ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the balance sheet
Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, informed credit assessment and other forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if the debtor is under significant financial difficulties, or when there is default or significant delay in payments. The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

2.7 Trade and other payables
Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, and are derecognised when the Company's obligation has been discharged or cancelled or expired.

2.8 Impairment of non-financial assets
For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less costs to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset (or CGU) other than goodwill is reversed if, and only if, there has been a change in the estimate of the asset's (or CGU's) recoverable amount since the last impairment loss was recognised. The carrying amount of the asset (or CGU) is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation and depreciation) had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of impairment loss for an asset (or CGU) other than goodwill is recognised in profit or loss.

2.9 Fair value estimation of financial assets and liabilities

The carrying amounts of current financial assets and liabilities measured at amortised costs approximate their fair values due to the short term nature of the balances.

2.10 Foreign currency translation

(a) Functional and presentation currency

The financial statements are presented in United States Dollars, which is the Company's functional currency. All financial information presented in US dollars has been rounded to the nearest thousand, unless otherwise stated.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date, are recognised in profit or loss.

2.11 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand short-term bank deposits, which are subject to an insignificant risk of change in value.

2.12 Share capital

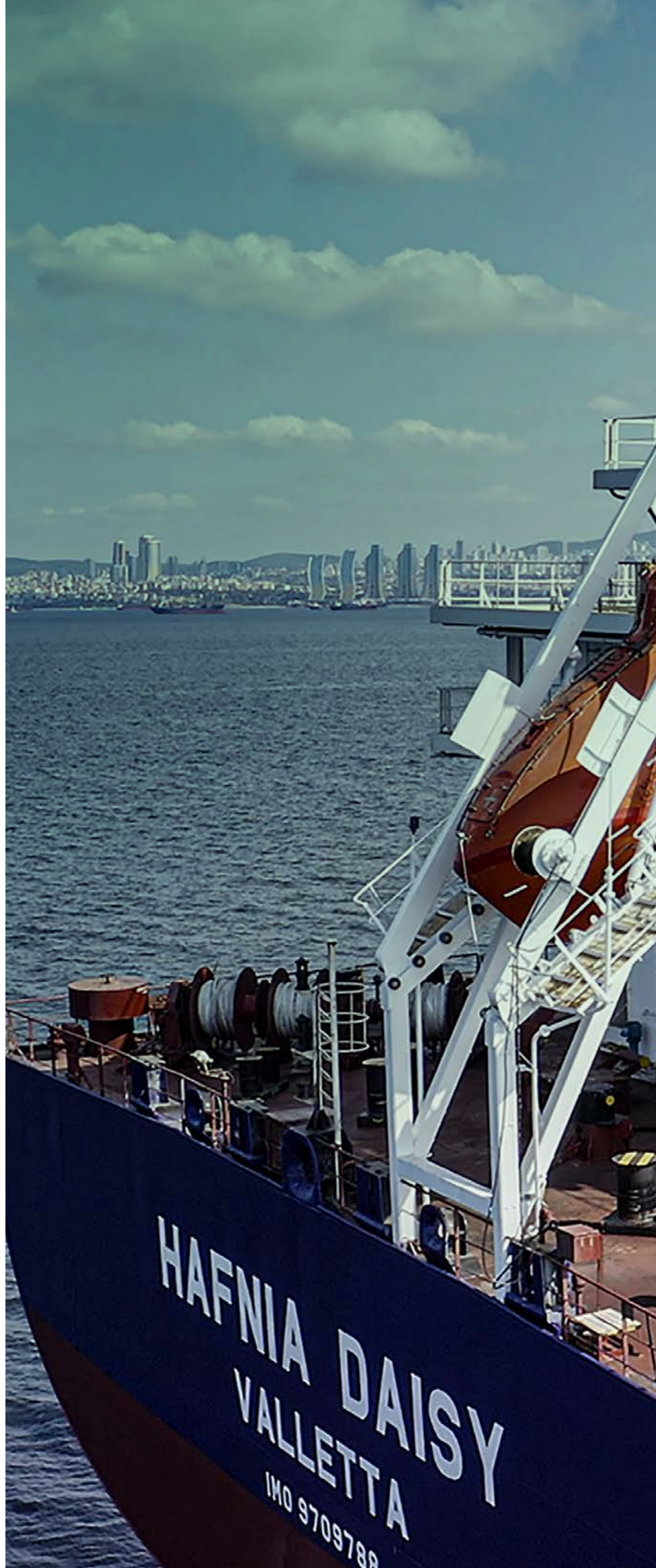
Common shares are classified as equity. Incremental costs directly attributable to the issuance of new equity instruments are taken to equity as a deduction, net of tax, from the proceeds.

2.13 Dividend to Company's shareholders

Interim dividends are recognised in the financial year in which they are declared payable and final dividends are recognised when the dividends are approved for payment by the directors and shareholders respectively.

2.14 Financial guarantee contracts

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Company will be required to make a payment under the guarantee. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.



3. Expenses by nature

	2021 USD '000	2020 USD '000
Administrative expenses	**21**	91
Other expenses	**816**	1,735
Total other operating expenses	**837**	1,826

4. Income taxes

No provision for tax has been made for the year ended 31 December 2021 and 2020 as the Company does not have any income that is subject to income tax based on the tax legislation applicable to the Company.

There is no income, withholding, capital gains or capital transfer taxes payable in Bermuda.

5. Other receivables

	2021 USD '000	2020 USD '000
Other receivables		
- subsidiary	**111,738**	70,116
- non-related parties	**8**	8
	111,746	70,124

Other receivables due from subsidiary represent dividends receivable.

The carrying amounts of other receivables approximate their fair values.

Information about the Company's exposure to credit risk is disclosed in **Note 14**.

6. Loans receivable from subsidiary

	2021 USD '000	2020 USD '000
Loans receivable from subsidiary	**13,166**	8,063
Analysed as:		
- Non-current	**4,900**	4,900
- Current	**8,266**	3,163
	13,166	8,063

The loans receivable from subsidiary refer to amounts provided to Hafnia Tankers Marshall Islands LLC ("HTMI LLC") for on-lending to a joint venture company, Vista Shipping Pte. Ltd., for making payments for newbuild instalments and other vessel related expenses.

The non-current loan relates to a loan agreement offered to HTMI LLC and matures on 31 December 2025. It is unsecured, bears interest at 6% per annum and repayable on the earlier of (i) the maturity date or (ii) repayment from Vista Shipping Pte. Ltd. to HTMI LLC. The carrying value of the loan approximates its fair value as at the balance sheet dates.

The current loan relates to a loan agreement offered to HTMI LLC. It is unsecured, bears interest at 6% per annum and is repayable on demand.

7. Subsidiaries

	2021 USD '000	2020 USD '000
Equity investments at cost	**657,966**	1,076,138
Receivables from subsidiaries	**495,493**	506,774
	1,153,459	1,582,912

The receivables from subsidiaries originated from re-organisation of entities in prior years. Accordingly, these receivables are classified within "Subsidiaries" and are stated at amortised cost. These receivables are unsecured, interest-free, and settlement is at the absolute discretion of the subsidiaries. As the Company does not expect these receivables to be settled within the next 12 months, they have been classified as "non-current".

Details of the subsidiaries held directly by the Company are as follows:

Name of companies	Principal activities	Place of incorporation	Equity holding 2021	Equity holding 2020
Hafnia Pte. Ltd.	Chartering	Singapore	**100%**	100%
Hafnia Tankers LLC	Investment	Marshall Islands	**-**	100%
Hafnia Tankers Marshall Islands LLC	Investment	Marshall Islands	**100%**	100%
Hafnia Holding Limited	Investment	Bermuda	**100%**	-
Hafnia Holding II Limited	Investment	Bermuda	**100%**	-

On 25 January 2021, the Certificate of Cancellation of Hafnia Tankers LLC was filed with the Registrar of Corporations in the Republic of the Marshall Islands.

Impairment assessment

The Company assesses whether there are any indicators of impairment of investments in subsidiaries at each reporting date.

Management has used the fair value less cost to sell approach to determine the recoverable amounts for its investment in subsidiaries. For this purpose, the net assets of the subsidiaries were used and where needed, adjusted to reflect their fair values, and this involves restating the carrying values of the vessels held by subsidiaries to their recoverable amounts based on the value in use approach as described below. Other items within the net assets computation are primarily current monetary items, whose carrying values already approximate their fair values.

Value in use was determined with reference to the future cash flows projections of vessels held by Hafnia Pte. Ltd. And its subsidiaries, discounted at 6.9% (2020: 6.9%). The discount rate takes into account the time value of money and the risks specific to the vessels' estimated cash flows. Cash flows were projected based on past experiences and actual operating results. Charter rates were included based on actual contractual charter rates and forecast rates upon contract expiry for the remaining useful lives of the vessels.

The projected cash outflows take into account existing and projected vessels' voyage and operating expenses.

Based on the assessment, no impairment loss (2020: Nil) was recognised in the statement of profit or loss by the Company.

Liquidation of subsidiary

On 25 January 2021, the Certificate of Cancellation of subsidiary, Hafnia Tankers LLC ("HT LLC") was filed with the Registrar of Corporations in the Republic of the Marshall Islands. Prior to liquidation, HT LLC was an intermediate holding company of several subsidiaries; and the Company recorded an investment cost of USD 348,470,000 in HT LLC. The Company also recorded liabilities of USD 407,668,000 owing to HT LLC that arose from re-organisation of group entities in 2020, subsequent to the merger of Hafnia Limited with Hafnia Tankers Limited in January 2019, and another payable of USD 10,524,000 owing to HT LLC. As part of the liquidation procedure, all liabilities owing to HT LLC were forgiven, after the investment cost in HT LLC was written off. The Company considered the net effect of USD 69,722,000 as return on capital and was deducted against investment in subsidiaries. Only the cash proceed of USD 900,000 returned on liquidation of HT LLC was taken to current year's profit or loss.

The effect of the liquidation is as follows:

	USD '000
Extinguishment of loan liability owing to HT LLC	**407,668**
Forgiveness of payables owing to HT LLC	**10,524**
Equity investment written off	**(348,470)**
Return on capital	**(69,722)**
Cash distribution from HT LLC	**900**
Net gain from liquidation of subsidiary	**900**

8. Joint venture

	2021 USD '000	2020 USD '000
Equity investments at cost	**10,213**	-

In July 2021, the Company and Andromeda Shipholdings Ltd ("Andromeda Shipholdings") entered into a joint venture, H&A Shipping Ltd ("H&A Shipping") in which the Company has joint control and 50% ownership interest. H&A Shipping is domiciled in the Republic of the Marshall Islands and structured as a separate vehicle in shipowning, Accordingly, the Company has classified its interest in H&A Shipping Ltd as a joint venture. In accordance with the agreement under which H&A Shipping is established, the Company and the other investor in the joint venture have agreed to provide equity in proportion to their interests to finance the newbuild programme.

9. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term bank deposits.

Cash and cash equivalents are principally denominated in USD.

10. Share capital and other reserves

	Number of Shares	Share capital USD'000	Share premium USD'000	Total USD'000
At 1 January 2020, 31 December 2020 and 31 December 2021	**370,244,325**	**3,703**	**704,834**	**708,537**

(a) Authorised share capital

The total authorised number of shares is 600,000,000 (2020: 600,000,000) common shares at par value of USD 0.01 per share.

(b) Issued and fully paid share capital

On 8 November 2019, the Company completed a pre-listing private placement (the "Pre-listing Private Placement") and subsequent listing (the "Listing") on Oslo Axess, which is a fully regulated marketplace operated by the Oslo Stock Exchange. 27,086,346 new shares were issued, raising net proceeds of USD 72.0 million.

On 25 February 2020, the Company announced its share buy-back program under which the Company may repurchase up to 7,193,407 common shares representing up to 1.9% of the total number of issued and outstanding shares in the Company for a total consideration of up to USD 20.0 million. The Company subsequently repurchased a total of 7,037,407 of its own common shares at an average price of NOK 17.08 per share, amounting to a total consideration of approximately USD 12.6 million.

Following an up-listing application to the Oslo Stock Exchange on 23 April 2020, the Company was subsequently listed on the Oslo Børs and commenced trading of its shares on 30 April 2020.

All issued common shares are fully paid. The newly issued shares rank pari passu with the existing shares.

(c) Share premium

The difference between the consideration for common shares issued and their par value is recognised as share premium.

USD 3.0 million of listing fees and expenses were capitalised against share premium upon the Listing in 2019.

(d) Contributed surplus

Contributed surplus relates to the amount transferred from share capital account when the par value of each common share was reduced from USD 5 to USD 0.01 per share in 2015. Contributed surplus is distributable, subject to the fulfilment of the conditions as stipulated under the Bermudian Law.

(e) Treasury shares

The reserve for the Company's treasury shares comprises the cost of the Company's shares held. At 31 December 2021, the Company held 7,086,703 of its own shares (2020: 7,179,946).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11. Share-based payment arrangements

(a) Description of share option programme (equity-settled)

The Company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (share options) in the Company. On 16 January 2019, 1 March 2019, 1 June 2019, 1 August 2019, 25 February 2020 and 8 March 2021, the Company granted share options to key management and senior employees. All options are to be settled by physical delivery of shares. The terms and conditions of the share options granted are as follows.

Grant date	Number of instruments in thousands	Vesting conditions	Expiry of options
Option grant to key management personnel on 16 January 2019 (“Tranche 1”)	1,834	3 years’ service condition from grant date of Tranche 1	16 January 2025
Option Grant to key management personnel on 1 March 2019 (“Tranche 2”)	207	3 years’ service condition from grant date of Tranche 1	16 January 2025
Option Grant to key management personnel on 1 June 2019 (“Tranche 3”)	1,183	3 years’ service condition from grant date of Tranche 1	16 January 2025
Option grant to key management personnel on 1 August 2019 (“Tranche 4”)	207	3 years’ service condition from grant date of Tranche 1	16 January 2025
Option Grant to key management personnel on 25 February 2020 (“LTIP 2020”)	3,432	3 years’ service condition from grant date	25 February 2026
Option Grant to key management personnel on 8 March 2021 (“LTIP 2021”)	3,432	3 years’ service condition from grant date	8 March 2027

The share options become void if the employee rescinds their position before the vesting date.

The fair value of services received in return for share options granted is based on the fair value of the share options granted, measured using the Black-Scholes model.

(b) Measurement of grant date fair values

The following inputs were used in the measurement of the fair values at grant date of the share options.

	Share option programme					
	Tranche 1	**Tranche 2**	**Tranche 3**	**Tranche 4**	**LTIP 2020**	**LTIP 2021**
Grant date	16 January 2019	1 March 2019	1 June 2019	1 August 2019	25 February 2020	8 March 2021
Share price (NOK)	24.03	24.17	24.47	24.67	20.57	16.55
Exercise price (NOK)	27.81	27.81	27.81	27.81	23.81	19.16
Time to maturity (years)	4.5	4.4	4.1	4.0	4.5	4.5
Risk free rate	2.54%	2.54%	1.93%	1.78%	1.24%	1.02%
Volatility	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Dividends	-	-	-	-	-	-
Annual tenure risk	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Share options granted	1,833,958	207,278	1,183,063	207,278	3,431,577	3,431,577
Fair value at grant date (USD)	1,610,382	182,009	976,425	169,317	2,249,146	2,036,068

Volatility has been estimated as a benchmark volatility by considering the historical average share price volatility of a comparable peer group of companies.

12. Other payables

	2021 USD '000	2020 USD '000
Other payables		
- related corporations	**78,592**	496,239
Loan payable to related corporation	**1,076**	1,045
Accrued operating expenses	**247**	113
	79,915	497,397

The carrying amounts of other payables, principally denominated in United States Dollars, approximate their fair values due to the short period to maturity.

The other payables to related corporations are unsecured, interest-free and are repayable on demand.

The loan payable to a related corporation is unsecured, interest-free and has no fixed terms of repayment.

Information about the Company's exposure to currency and liquidity risks is included in **Note 14**.

13. Financial guarantee contracts

The Company's policy is to provide financial guarantees only to the wholly-owned subsidiaries or joint ventures. At 31 December 2021, the Company has issued financial guarantees to certain banks in respect of credit facilities granted to subsidiaries. These bank borrowings amount to USD 1,112.9 million (2020: USD 1,110.5 million) at the balance sheet date.

In addition, the Company and the joint venture partner, CSSC (Hong Kong) Shipping Company Limited, have issued a joint financial guarantee to certain banks in respect of credit facilities granted to the joint venture. Bank borrowings provided to the joint venture amounts to USD 141.6 million (2020: USD 152.5 million) at the balance sheet date. Corporate guarantee given will become due and payable on demand if an event of default occurs.

In addition, the Company issued a limited financial guarantee to a bank in respect of the USD 50.0 million (2020: USD 50.0 million) receivables purchase agreement facility granted to the commercial pools.

14. Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Company.

(a) Market risk – Currency risk

The Company's business operations are not exposed to significant foreign exchange risk as it has no significant regular transactions denominated in foreign currencies.

(b) Credit risk

The Company's credit risk is primarily attributable to other receivables, loans receivable from subsidiaries and cash and cash equivalents. Other receivables are neither past due nor impaired. The maximum exposure is represented by the carrying value of each financial asset on the balance sheet.

The Company has used a general 12-month approach in assessing the credit risk associated with loans receivable from subsidiaries.

The Company performs ongoing credit risk assessment of subsidiaries to make sure they have sufficient resources to make settlement of its liability to the Company. In this regard, the Company is of the opinion that the credit risk of default is low.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company maintains sufficient cash for its daily operations via short-term cash deposits at banks and funding from a subsidiary. Unless there is a liquidity need, the Company allows the vessel owning and operating subsidiaries to retain their surplus cash from operations.

The table below analyses non-derivative financial liabilities of the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date on an undiscounted basis.

	Less than 1 year USD '000
At 31 December 2021	
Other payables	**79,915**
At 31 December 2020	
Other payables	497,397

(d) Capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividends paid, return capital to shareholders, obtain new borrowings or sell assets to reduce borrowings.

The Company is not subject to any externally imposed capital requirements for the financial years ended 31 December 2021 and 2020.

(e) Accounting classifications and fair values

The following tables present assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(1) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(2) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and

(3) inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Note	Carrying amount: Financial assets at amortised cost USD '000	Carrying amount: Total USD '000	Fair value: Level 1 USD '000	Fair value: Level 2 USD '000	Fair value: Level 3 USD '000	Fair value: Total USD '000
At 31 December 2021							
Financial assets not measured at fair value							
Other receivables	5	8	8				
Loans receivable from subsidiary	6	13,166	13,166	-	13,166	-	13,166
Cash and cash equivalents	8	*-	*-				
		13,174	13,174				

	Note	Carrying amount: Other financial liabilities USD '000	Carrying amount: Total USD '000	Fair value: Level 1 USD '000	Fair value: Level 2 USD '000	Fair value: Level 3 USD '000	Fair value: Total USD '000
At 31 December 2021							
Financial liabilities not measured at fair value							
Other payables	12	79,915	79,915				
		79,915	79,915				

**Amount less than USD 1,000.*

	Note	Carrying amount: Financial assets at amortised cost USD '000	Carrying amount: Total USD '000	Fair value: Level 1 USD '000	Fair value: Level 2 USD '000	Fair value: Level 3 USD '000	Fair value: Total USD '000
At 31 December 2020							
Financial assets not measured at fair value							
Other receivables	5	8	8				
Loans receivable from subsidiary	6	8,063	8,063	-	8,063	-	8,063
Cash and cash equivalents	8	1	1				
		8,072	8,072				

	Note	Carrying amount: Other financial liabilities USD '000	Carrying amount: Total USD '000	Fair value: Level 1 USD '000	Fair value: Level 2 USD '000	Fair value: Level 3 USD '000	Fair value: Total USD '000
At 31 December 2020							
Financial liabilities not measured at fair value							
Other payables	12	497,397	497,397				
		497,397	497,397				

(f) Offsetting financial assets and financial liabilities

The Company's financial assets and liabilities are not subjected to enforceable master netting arrangements or similar arrangements.

15. Holding corporations

The Company's ultimate and immediate holding corporation is BW Group Limited, incorporated in Bermuda, which is wholly owned by Sohmen family interests.

16. Related party transactions

Related party information has been disclosed elsewhere in the financial statements.

17. Dividends paid

	2021 **USD '000**	2020 USD '000
Final dividend paid in respect of Q4 2019 of USD 0.0573 per share	-	21,204
Interim dividend paid in respect of Q1 2020 of USD 0.1062 per share	-	38,557
Interim dividend paid in respect of Q2 2020 of USD 0.1062 per share	-	38,557
	-	98,318

The directors have not declared a dividend for the financial year ended 31 December 2021.

The directors declared a dividend of USD 21.2 million for the financial year ended 31 December 2019. Together with the interim dividends paid for Q1 2020 and Q2 2020 of USD 0.1062 per share in both quarters, the total dividend paid in FY 2020 amounted to USD 0.2708 per share or USD 98.3 million.

Under the Bermuda Companies Act, dividends cannot be paid if there are reasonable grounds for believing that (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the Company's assets would thereby be less than its liabilities.

The Company has acted in accordance with the provisions of the Bermuda Companies Act when declaring dividends.

18. New or revised accounting standards and interpretations

A number of new standards and interpretations are effective for annual periods beginning after 1 January 2021, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

19. Events occuring after balance sheet date

On 16 March 2022, the Company's shareholdings in the joint venture, H&A Shipping, was sold and transferred to its subsidiary, Hafnia Holding Limited.

Fleet list[1]

Handy

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)
Hafnia Adamello	Aug-04	Saiki	40,002	Singapore	100%
Hafnia Bering	Apr-15	HMD	39,067	Singapore	100%
Hafnia Green	Aug-07	Saiki	39,808	Singapore	100%
Hafnia Magellan	May-15	HMD	39,067	Singapore	100%
Hafnia Malacca	Jul-15	HMD	39,067	Singapore	100%
Hafnia Rainier	Mar-04	Saiki	39,817	Singapore	100%
Hafnia Robson	May-04	Saiki	39,819	Singapore	100%
Hafnia Soya	Nov-15	HMD	39,067	Singapore	100%
Hafnia Sunda	Sep-15	HMD	39,067	Singapore	100%
Hafnia Torres	May-16	HMD	39,067	Singapore	100%
Hafnia Victoria	Jun-07	Saiki	39,821	Singapore	100%
TOTAL (11 VESSELS)					

MR

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Owner-ship (%)
BW Bobcat	Aug-14	SPP	49,999	Singapore	100%
BW Cheetah	Feb-14	SPP	49,999	Singapore	100%
BW Cougar	Jan-14	SPP	49,999	Singapore	100%
BW Eagle	Jul-15	SPP	49,999	Singapore	100%
BW Egret	Nov-14	SPP	49,999	Singapore	100%
BW Falcon	Feb-15	SPP	49,999	Singapore	100%
BW Hawk	Jun-15	SPP	49,999	Singapore	100%
BW Jaguar	Mar-14	SPP	49,999	Singapore	100%
BW Kestrel	Aug-15	SPP	49,999	Singapore	100%
BW Leopard	Jan-14	SPP	49,999	Singapore	100%
BW Lioness	Jan-14	SPP	49,999	Singapore	100%
BW Lynx	Nov-13	SPP	49,999	Singapore	100%
BW Merlin	Sep-15	SPP	49,999	Singapore	100%
BW Myna	Oct-15	SPP	49,999	Singapore	100%
BW Osprey	Oct-15	SPP	49,999	Singapore	100%
BW Panther	Jun-14	SPP	49,999	Singapore	100%
Hania Petrel	Jan-16	SPP	49,999	Singapore	100%
Hafnia Puma	Nov-13	SPP	49,999	Singapore	100%
Hafnia Raven	Nov-15	SPP	49,999	Singapore	100%
BW Swift	Jan-16	SPP	49,999	Singapore	100%
BW Tiger	Mar-14	SPP	49,999	Singapore	100%
BW Wren	Mar-16	SPP	49,999	Singapore	100%
Hafnia Andromeda	May-11	GSI	49,999	Malta	100%
Hafnia Daisy	Aug-16	GSI	49,999	Malta	100%
Hafnia Ane	Nov-15	GSI	49.999	Malta	100%

MR *(continued)*

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Owner-ship (%)
Hafnia Crux	Feb-12	GSI	49.999	Denmark	100%
Hafnia Henriette	Jun-16	GSI	49,999	Malta	100%
Hafnia Kirsten	Jan-17	GSI	49,999	Malta	100%
Hafnia Lene	Jul-15	GSI	49,999	Malta	100%
Hafnia Lise	Sep-16	GSI	49,999	Malta	100%
Hafnia Leo	Nov-13	GSI	49,999	Malta	100%
Hafnia Libra	May-13	GSI	49,999	Denmark	100%
Hafnia Lotte	Jan-17	GSI	49,999	Malta	100%
Hafnia Lupus	Apr-12	GSI	49,999	Denmark	100%
Hafnia Mikala	May-17	GSI	49,999	Malta	100%
Hafnia Nordica	Mar-10	Shin Ku-rushima	49,994	Malta	100%
Hafnia Pegasus	Oct-10	GSI	49,999	Denmark	100%
Hafnia Phoenix	Jul-13	GSI	49,999	Denmark	100%
Hafnia Taurus	Jun-11	GSI	49,999	Malta	100%
Hafnia Andrea	Jun-15	HMD	49,999	Singapore	100%
Hafnia Caterina	Aug-15	HMD	49,999	Singapore	100%
Clearocean Milano	Oct-21	HMD	50,485	Philippines	TC-in[3]
Clearocean Ginkgo	Aug-21	HMD	49,999	Singapore	TC-in[3]
Dee4 Larch	Aug-16	Hyundai Vinashin	49,737	Denmark	TC-in[3]
Orient Challenge	Jun-17	Hyundai Vinashin	44,995	Singapore	TC-in[3]
Orient Innovation	Jul-17	Hyundai Vinashin	49,997	Singapore	TC-in[3]
Beagle	Mar-19	JMU	44,995	Panama	TC-in[3]
Boxer	Jun-19	JMU	49,852	Singapore	TC-in[3]

MR *(continued)*

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Owner-ship (%)
Basset	Nov-19	JMU	49,875	Singapore	TC-in[3]
Bulldog	Feb-20	JMU	49,856	Singapore	TC-in[3]
Yellow Stars	Jul-21	HMD	49,999	Marshall Islands	50%[5]
PS Stars	Jan-22	HMD	49,999	Marshall Islands	50%[5]
TOTAL (52 VESSELS)					

LR1

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Owner-ship (%)
BW Clyde	Jun-04	New Century Shipbuilding	73,400	Singapore	100%
Hafnia Columbia	Jan-07	Dalian Shipbuilding	74,999	Singapore	100%
BW Danube	Mar-07	Dalian Shipbuilding	74,860	Singapore	100%
Hafnia Hudson	Jun-07	Dalian Shipbuilding	74,991	Singapore	100%
Hafnia Kallang	Jan-17	STX Shipbuilding	69,999	Singapore	100%
BW Kronborg	Mar-07	New Century Shipbuilding	74,189	Singapore	100%
BW Lara	Aug-04	New Century Shipbuilding	73,495	Singapore	100%
BW Lena	Aug-07	Dalian Shipbuilding	74,988	Singapore	100%
BW Nile	Aug-17	STX Shipbuilding	74,189	Singapore	100%
BW Orinoco	Nov-07	Dalian Shipbuilding	74,998	Singapore	100%
BW Rhine	Mar-08	Dalian Shipbuilding	74,996	Singapore	100%
BW Seine	May-08	Dalian Shipbuilding	76,580	Singapore	100%
BW Shinano	Oct-08	Dalian Shipbuilding	74,998	Singapore	100%
BW Tagus	Mar-17	STX Shipbuilding	74,189	Singapore	100%
BW Thames	Aug-08	Dalian Shipbuilding	69,999	Singapore	100%
Hafnia Yangtze	Jan-09	Dalian Shipbuilding	74,996	Singapore	100%

LR1 *(continued)*

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)
BW Yarra	Jul-17	STX Shipbuilding	74,189	Singapore	100%
BW Zambesi	Jan-10	Dalian Shipbuilding	74,995	Singapore	100%
Hafnia Africa	May-10	STX Shipbuilding	74,539	Singapore	BB-in[2]
Hafnia Arctic	Jan-10	Brodosplit	74,910	Malta	BB-in[2]
Hafnia Asia	Jun-10	STX Shipbuilding	74,490	Malta	BB-in[2]
Hafnia Australia	May-10	STX Shipbuilding	74,539	Singapore	BB-in[2]
Tectus	Jul-09	STX Shipbuilding	74,862	Liberia	TC-in[3]
Sunda	Jul-19	Onomichi	79,902	Panama	TC-in[3]
Karimata	Aug-19	Onomichi	79,885	Panama	TC-in[3]
Kamome Victoria	May-11	Minaminippon	69,998	Panama	TC-in[3]
Peace Victoria	Oct-19	Tsuneishi Zhoushan	77,378	Liberia	TC-in[3]
Hafnia Hong Kong	Jan-19	GSI	74,999	Malta	50%[4]
Hafnia Shanghai	Jan-19	GSI	74,999	Malta	50%[4]
Hafnia Guangzhou	Jul-19	GSI	74,999	Malta	50%[4]
Hafnia Shenzhen	Aug-20	GSI	74,999	Singapore	50%[4]
Hafnia Nanjing	Jan-21	GSI	74,999	Singapore	50%[4]
Hafnia Beijing	Oct-19	GSI	74,999	Malta	50%[4]
TOTAL (33 VESSELS)					

LR2

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)
Hafnia Despina	Jan-19	Daehan	115,000	Singapore	100%
BW Galatea	Mar-19	Daehan	115,000	Singapore	100%
BW Larissa	Apr-19	Daehan	115,000	Singapore	100%
BW Neso	Jul-19	Daehan	115,000	Singapore	100%
BW Thalassa	Sep-19	Daehan	115,000	Singapore	100%
BW Triton	Oct-19	Daehan	115,000	Singapore	100%
TOTAL (6 VESSELS)					

Newbuild

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)
Hafnia Languedoc	Jan-23	GSI	110,000	Malta	50%[4]
Hafnia Loire	Mar-23	GSI	110,000	Malta	50%[4]
Hull 20110035	Jul-23	GSI	110,000	Malta	50%[4]
Hull 20110036	Oct-23	GSI	110,000	Malta	50%[4]
TOTAL (4 NEWBUILDS)					

Acquired fleet

The following tables show the 44 modern vessels Hafnia has acquired as part of the CTI and Scorpio Transactions

Chemical - Handy

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)
Navig8 Almandine	Feb-15	HMD	38,506	Marshall Islands	BB-in[2]
Navig8 Amber	Feb-15	HMD	38,506	Marshall Islands	BB-in[2]
Navig8 Amethyst	Mar-15	HMD	38,506	Marshall Islands	BB-in[2]
Hafnia Ametrine	Apr-15	HMD	38,506	Marshall Islands	BB-in[2]
Navig8 Aventurine	Apr-15	HMD	38,506	Marshall Islands	BB-in[2]
Navig8 Andesine	May-15	HMD	38,506	Marshall Islands	BB-in[2]
Hafnia Aronaldo	Jun-15	HMD	38,506	Marshall Islands	BB-in[2]
Navig8 Aquamarine	Jun-15	HMD	38,506	Marshall Islands	BB-in[2]
Navig8 Axinite	Jul-15	HMD	38,506	Marshall Islands	BB-in[2]

Chemical - Handy *(continued)*

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)
Navig8 Amessi	Jul-15	HMD	38,506	Marshall Islands	BB-in[2]
Navig8 Azotic	Sep-15	HMD	38,506	Marshall Islands	BB-in[2]
Navig8 Amazonite	May-15	HMD	38,506	Marshall Islands	BB-in[2]
Navig8 Ammolite	Aug-15	HMD	38,506	Marshall Islands	BB-in[2]
Navig8 Adamite	Sep-15	HMD	38,506	Marshall Islands	BB-in[2]
Navig8 Aragonite	Oct-15	HMD	38,506	Marshall Islands	BB-in[2]
Navig8 Azurite	Aug-15	HMD	38,506	Marshall Islands	BB-in[2]
Navig8 Alabaster	Nov-15	HMD	38,506	Marshall Islands	BB-in[2]
Navig8 Achoroite	Jan-16	HMD	38,506	Marshall Islands	BB-in[2]
TOTAL (18 VESSELS)					

Chemical - Stainless

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)
Hafnia Sirius	Jun-16	Kitanihon	25,000	Marshall Islands	BB-in[2]
Hafnia Sky	Aug-16	Kitanihon	25,000	Marshall Islands	BB-in[2]
Hafnia Spark	Oct-16	Kitanihon	25,000	Marshall Islands	BB-in[2]

Chemical - Stainless *(continued)*

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)
Hafnia Stellar	Oct-16	Kitanihon	25,000	Marshall Islands	BB-in[2]
Hafnia Saiph	Jan-17	Kitanihon	25,000	Marshall Islands	BB-in[2]
Hafnia Sceptrum	May-17	Kitanihon	25,000	Marshall Islands	BB-in[2]
Hafnia Spica	May-17	Fukuoka	25,000	Marshall Islands	BB-in[2]
Hafnia Sol	Aug-17	Fukuoka	25,000	Marshall Islands	BB-in[2]
TOTAL (8 VESSELS)					

Chemical - MR

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)
Hafnia Turquoise	Apr-16	STX Shipbuilding	49,000	Marshall Islands	BB-in[2]
Hafnia Topaz	Jul-16	STX Shipbuilding	49,000	Marshall Islands	BB-in[2]
Hafnia Tourmaline	Oct-16	STX Shipbuilding	49,000	Marshall Islands	BB-in[2]
Hafnia Tanzanite	Nov-16	STX Shipbuilding	49,000	Marshall Islands	BB-in[2]
Hafnia Viridian	Dec-15	Wilmar	49,000	Marshall Islands	BB-in[2]
Hafnia Violette	Mar-16	Wilmar	49,000	Marshall Islands	BB-in[2]
TOTAL (6 VESSELS)					

LR1

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)
Hafnia Excellence	May-16	STX Shipbuilding	74,613	Singapore	BB-in[2]
Hafnia Excelsior	Jan-16	STX Shipbuilding	74,665	Singapore	BB-in[2]
Hafnia Executive	May-16	STX Shipbuilding	74,431	Singapore	BB-in[2]
Hafnia Prestige	Nov-16	SPP	74,997	Singapore	BB-in[2]
Hafnia Pride	Jul-16	SPP	74,997	Singapore	BB-in[2]
Hafnia Providence	Aug-16	SPP	74,997	Singapore	BB-in[2]
Hafnia Exceed	Feb-16	STX Shipbuilding	74,665	Singapore	BB-in[2,6]
Hafnia Excel	Nov-15	STX Shipbuilding	74,547	Singapore	BB-in[2,6]
Hafnia Expedite	Jan-16	STX Shipbuilding	74,634	Singapore	BB-in[2,6]
Hafnia Experience	Mar-16	STX Shipbuilding	74,670	Singapore	BB-in[2,6]
Hafnia Express	May-16	STX Shipbuilding	74,663	Singapore	BB-in[2,6]
Hafnia Precision	Oct-16	SPP	74,997	Singapore	BB-in[2,6]
TOTAL (12 VESSELS)					

[1] As at 30 March 2022
[2] Bareboat charter-in
[3] Time charter-in
[4] Owned through the joint venture, Vista Shipping
[5] Owned through the joint venture, H&A Shipping
[6] These vessels have not been delivered as at 30 March 2022

Glossary list

Term	Definition
Bareboat Charter	An arrangement where charterer has possession and control of the vessel, including the right to appoint the crew
Bermuda Companies Act	The Companies Act 1981, as amended, of Bermuda
Bunkers	Fuel used on vessels to run its engines
BW Group	BW Group Limited
BW Tankers	BW Tankers Limited
Coating	Coatings applied to prodct tanker tanks, allowing the vessel to load refined oil products
Commercial Management	An arrangement to manage a vessel's commercial operation on behalf of the shipowner
Corporate Governance Code	The Norwegian Code of Practice for Corporate Governance last updated 14 October 2021
CTI	Chemical Tankers, Inc
Demurrage	A charge payble to the shipowner by the charterer of a vessel upon failure in discharging the vessel within the time agreed
Dwt	Deadweight ton, a measure of the carrying capacity of a vessel
ESG	Environmental, Social and Governance
EUR	The lawful currency of the participating member states in the European Union
GRI	Global Reporting Initiative
Hafnia	Hafnia Limited
Hafnia Tankers	Hafnia Tankers Limited
Handy	Handy size, class of product tankers with cargo carrying capacity between 25,000 dwt and 39,999 dwt

Term	Definition
Handy Pool	Handy pool for Handy vessels (one of four commercial tanker pools the Group operates as a pool manager for)
HSEQ	Health, safety, environment and quality
IASB	International Accounting Standards Board
ICBCL	ICBC Financial Leasing Co, Ltd
IFRS	International Financial Reporting Standards as adopted by the European Union
IMO	International Maritime Organisation
ISM Code	International Safety Management Code
KPI	Key Performance Indicator, a performance measure that evaluates an organisation's progress towards its long-term goals
KPMG	KPMG Singapore LLP
LNG	Liquefied Natural Gas carriers
Loan-to-value (LTV)	A leverage ratio, measured by borrowings on vessels (net of cash) divided by fair market value of the vessels
LPG	Liquefied Petroleum Gas carriers
LR Pool	The LR pool for LR1 and LR2 vessels (one of four commercial tanker pools the Group operates as a pool manager for)
LR1	Long Range I, class of product tanker with cargo carrying capacity between 55,000 dwt and 84,999 dwt
LR2	Long Range II, class of product tanker with cargo carrying capacity between 85,000 dwt and 124,999 dwt

Term	Definition
LTIP	The long-term incentive plan established by the Board of Directors
MR	Medium range, class of product tankers with cargo carrying capacity between 40,000 dwt and 54,999 dwt
MR Pool	MR pool for MR vessels (one of four commer-cial tanker pools the Group operates as a pool manager for)
MT	Metric ton
NOK	Norwegian kroner, the lawful currency of Norway
Oaktree	Oaktree Capital Management, L.P. Oaktree is a global asset manager specializing in alternative investments
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation of the Petroleum Exporting Countries
Oslo Stock Exchange	Oslo Børs, a stock exchange operated by a Norwegian stock exchange being part of Euronext and operated by Oslo Børs ASA
P&I Club	Protection & Indemnity club
Pool or Pools	Specialised Pool, Handy Pool, MR Pool and LR Pool, collectively
SASB	Sustainability Accounting Standards Board
Scorpio	Scorpio Tankers Inc
SGD	Singapore Dollar, the lawful currency of Singapore

Term	Definition
Specialised	Specialised, product tankers with cargo carrying capacity below 20,000 dwt
Specialised Pool	Specialised pool for specialised vessels (one of four commercial tanker pools the Group operates as a pool manager for)
TCFD	Task Force on Climate-related Financial Disclosures
Time Charter	An arrangement where charterer undertakes to hiring of a vessel for a stated period of time but the shipowner is responsible for crewing the vessel
Tonne-mile	A measure of one tonne of freight moved over a distance of one mile
USD	The lawful currency of the United States