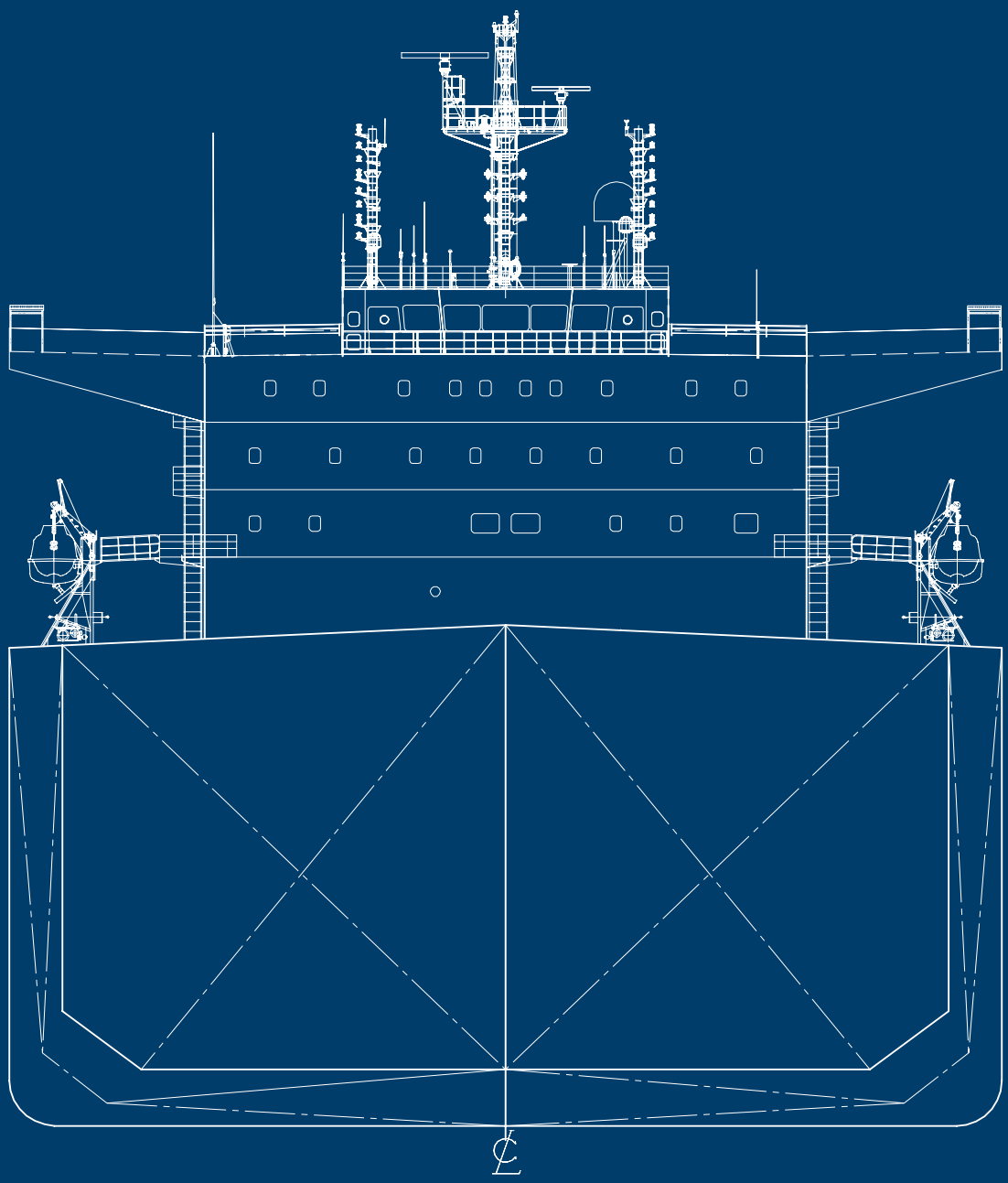
HAFNIA
Member of BW Group



Annual Report 2019

Content

1 Management review

On Friday, November 8, 2019, we rang the bell at the Oslo Stock Exchange, and Hafnia was cleared for departure as the world's leading listed product tanker company.

Prior to the listing, we had reached a great goal in the merging of "Hafnia Tankers" and "BW Tankers", combining strengths and values of two well-established organisations into one united product tanker company.

Our mission remains to be the first choice as trusted partner for the customers, shareholders and communities we serve. With the largest owned and commercially managed fleet comprising 176 vessels, Hafnia is uniquely positioned for the future of responsible maritime energy transportation to world markets.

The results and achievements of 2019 are satisfactory, especially in the light of challenging markets, and provide a promising platform for the future

Following the merger, we have focused on driving commercial and cost synergies, developing our core cultural values and evaluating processes for improved customer service, and strategizing how to benefit from the company's large-scale operations. All these elements have led to improvement of the day-to-day management, and internal knowledge sharing at Hafnia.

We are pleased to see that our hard work has paid off. The results and achievements of 2019 are satisfactory, especially in light of challenging markets, and provide a promising platform for the future. This is the outcome of great perseverance and craftsmanship throughout the organisation.

The net profit for 2019 was USD 71.7 million – hopefully one of many profitable years to come. We would like to share an overview of some of the milestone initiatives from 2019, below.

Merger, private placement and listing

Years of strengthening the business and preparing for the capital markets culminated in the successful listing. This is the beginning of an exciting new chapter in the company's history.

The private placement was successfully completed in November, raising approximately USD 230 million in primary and secondary proceeds, with gross primary proceeds of USD 75 million which was used to finance the equity portion of two MR vessels, repayment of an unsecured USD 34.5 million loan from BW Group and remaining proceeds for general working capital purposes.

Strong balance sheet

We have maintained excellent financial performance and results. Our balance sheet remains strong, and in combination with capital discipline and a light newbuild programme, our future cash flow is expected to be solid. In September 2019, Hafnia signed a USD 473 million senior secured term loan and revolving credit facility to refinance two existing USD 360 million and USD 236 million facilities. This refinancing was raised from ten banks in Europe and Asia.

Full compliance with IMO 2020 regulations

We achieved full compliance with the new IMO sulphur regulations, with the fleet converting to using low sulphur fuel oil as of December 2019. We installed scrubbers on three LR2 newbuilds delivered in 2019; they are all chartered out on long-term contracts, but we believe that switching to low sulphur fuel oil is the most sustainable way to go.

Environmental, social and governance (ESG)

The United Nations has called climate change the defining issue of our time and urged world leaders to recognise that humanity is at a critical moment. Without committed action today, adapting to these impacts in the future will be more difficult and costly. Against this backdrop, Hafnia takes a front-row seat in global efforts to combat climate change as a leading shipping company firmly committed to providing safe, sustainable and efficient hydrocarbon transportation solutions. This is how we are contributing towards the shipping industry's efforts to reduce our environmental impact and we are, a member of the Getting to Zero Coalition. Furthermore, we are committed to diversification of the maritime workforce and are a member of the Danish charter for more women in shipping.

We achieved full compliance with the new IMO sulphur regulations

The development, implementation and maintenance of good and well-functioning governance policies and practices are important processes and focus areas for Hafnia.

Core cultural values

We believe in leading with purpose and guiding with values. In 2019, we launched international Culture & Values workshops throughout our organisation to evaluate our shared values and unlock new opportunities for growth. Our vision is "Best on Water" and our values are encapsulated by the letters "CARE" – Collaborative, Ambitious, Reliable, and Enduring.

Establishment of "Innovation & Change" and "People, Culture & Strategy" teams

We have established two new business units: People, Culture & Strategy and Innovation & Change, allowing us to accelerate new ideas to launch. We aim to create external partnerships and start-ups to solve challenges, and create a culture of innovation through training and change initiatives.

Newbuild programs

We have completed our newbuild programme in 2019, and with 15 new vessels delivered in 2019 (including time-chartered in vessels), we ended the year with a total of 81 owned vessels. Looking forward, we see healthy constraints in the global orderbook of product tankers. In 2020 we will take delivery of two remaining LR1 newbuilds through Vista Shipping Ltd., a joint venture between Hafnia and CSSC Shipping.

"The world's leading listed product tanker company"

Looking ahead

In 2020, Hafnia will continue the transition towards generating higher returns on equity, focusing further on commercial and cost synergies as well as ensuring flexible and trustworthy solutions to our customers and partners. The global oil demand growth is currently projected to grow by 1.3% in both 2020 and 2021. However, the recent outbreak of the novel coronavirus "COVID-19" in China could have a significant negative impact, and we follow the development closely.

As of 15 February 2020, the coverage for the first quarter of 2020 was 61% at USD 22,123/day. For the individual segments, the coverage was 99% at USD 23,900/day for LR2, 58% at USD 22,096/day for LR1, 59% at USD 20,739/day for MR and 57% at USD 25,960/day for Handy.

Looking ahead, Hafnia is well-positioned to deliver great results in 2020, and we strive to be recognised as a leader in, and the preferred provider of, oil products, maritime transportation and related services and solutions.

Welcome to Hafnia!

Mikael Skov, CEO

Key figures

Income statement	Q1 2019 USD million	Q2 2019 USD million	Q3 2019 USD million	Q4 2019 USD million	YTD 2019 USD million
Operating revenue	214.1	200.7	188.5	224.6	827.9
TCE income	132.6	118.0	106.7	157.1	514.4
EBITDA	74.1	58.9	50.0	94.8	277.8
Operating profit	44.9	27.7	15.4	57.6	145.6
Capitalised financing fees written off	-	-	(9.3)	-	(9.3)
Financial related expenses	(17.0)	(16.3)	(16.2)	(14.9)	(64.4)
Share of profit from associates and joint venture	-	0.6	-	0.3	0.9
Profit/(loss) before tax	27.9	12.0	(10.1)	42.9	72.7
Net profit/(loss) for the period	27.9	12.0	(10.6)	42.4	71.7
Balance sheet					
Total non-current assets	2,184.9	2,194.8	2,249.9	2,346.4	2,346.4
Total assets	2,450.1	2,482.7	2,623.9	2,681.3	2,681.3
Total liabilities	1,444.6	1,468.8	1,621.2	1,562.8	1,562.8
Total equity	1,005.5	1,013.9	1,002.8	1,118.5	1,118.5
Total invested capital	2,302.8	2,349.4	2,531.7	2,442.8	2,329.9
Cash and cash equivalents	75.2	100.9	122.3	91.6	91.6
Key financial figures					
Gross margins:					
TCE	61.9%	58.8%	56.6%	70.0%	62.1%
EBITDA	34.6%	29.3%	26.5%	42.2%	33.6%
Operating profit	21.0%	13.8%	8.2%	25.7%	17.6%
Return on Equity (RoE) (p.a.)	11.2%	4.8%	-4.3%	16.2%	6.8%
Return on Invested Capital (p.a.)	7.8%	4.7%	2.4%	9.4%	6.2%
Equity ratio	41.0%	40.8%	38.2%	41.7%	41.7%

For the 3 months ended 31 December 2019	LR2	LR1	MR	Handy	Total
No. Vessels on water at the end of the period[1]	6	30	46	13	95
Number of operating days[5]	451	2,562	4,095	1,207	8,315
Total calendar days (excluding TC-in)	389	2,527	3,725	1,209	7,851
TCE (USD per operating day)[2]	24,723	20,560	17,309	18,588	18,898
OPEX (USD per calendar day)[3]	8,177	6,289	7,069	6,127	6,728
G&A (USD per operating day) [4]	-	-	-	-	1,031

[1] *Excluding four LR1s and two LR1 newbuilds owned through 50% ownership in Vista Shipping Limited.*

[2] *TCE represents gross TCE income after adding back pool commissions.*

[3] *OPEX includes vessel running costs and technical management fees.*

[4] *G&A adjusted for cost incurred in managing external vessels.*

[5] *Total operating days include operating days for vessels that are time chartered-in. Total operating days for the LR2 segment are greater than calendar days due to the finalisation of estimated offhire days in previous quarter.*

2 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.

3 A busy year globally

2019 in numbers

80+

years of energy transportation and tanker business experience

3

commercial shipping pools, with 27 external pool participants

15

newbuild vessels delivered

2

second-hand vessels purchased

1

vessel divested

January

merger

November

private placement

November

listing

2,681.3

USD million total assets on balance sheet

176

vessels operated in the Hafnia pools

81

owned vessels

1,801

employees across the world

5

global offices in Singapore, Copenhagen, Monaco, Bermuda and Houston

2

loan facilities refinanced

341

shareholders

71.7

USD million in net income

1,118.5

USD million in equity

21.2

USD million in dividend payments

4 This is Hafnia

A modern integrated shipowner

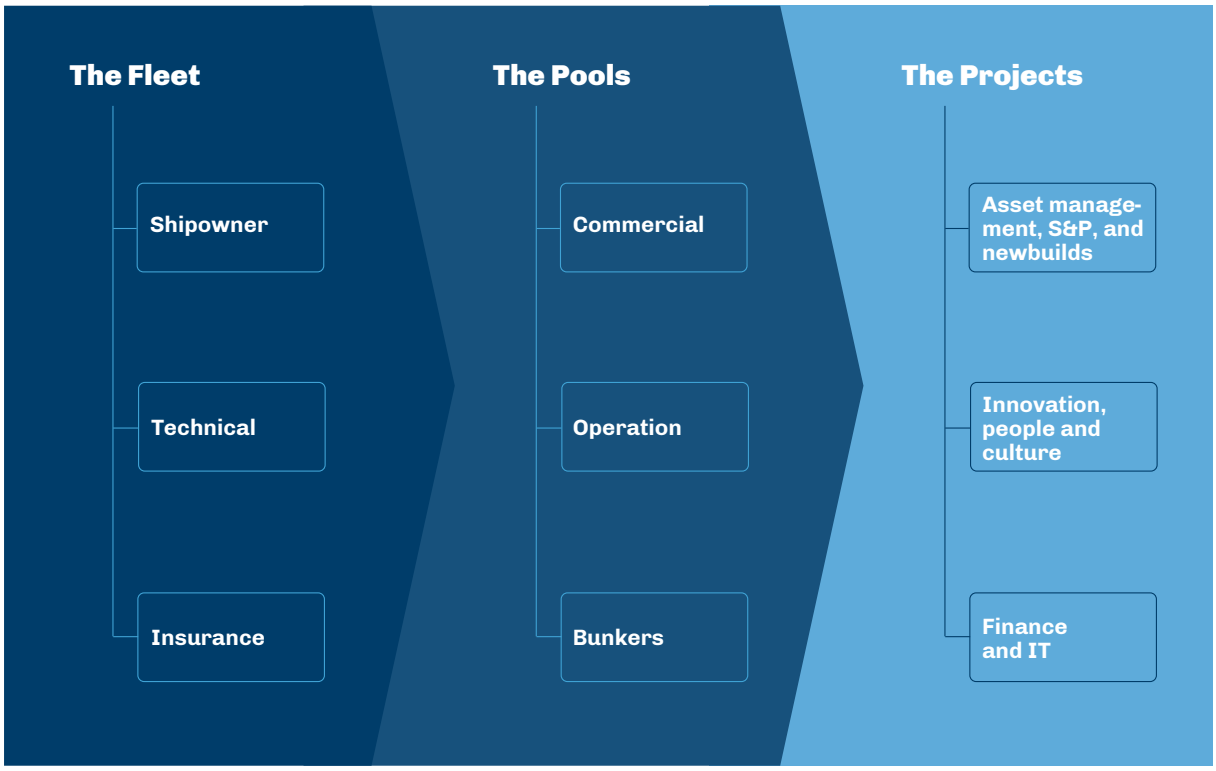
Hafnia offers services in four segments, namely the Handy, MR, LR1 and LR2 segments.

Hafnia is a Member of the BW Group – a group which has an unparalleled track record across the multiple shipping segments it is engaged in. With more than 80 years' experience in energy transportation, and the tanker business, the group has a long-standing reputation as a leading provider of safe, reliable, and efficient energy transportation and infrastructure solutions.

More than 80 years' experience in energy transportation

As a modern shipowner, Hafnia 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.

Hafnia's business consists of integrated commercial, technical and financial functions throughout the organisation and business areas – which we like to present as "The Fleet", "The Pools" and "The Projects".



4.1 The Fleet

4.1.1 Vessel segments

Hafnia operates 176 vessels within 4 vessel segments

Handy
- 13 owned vessels
- 0 time chartered-in vessels
- 16 vessels in commercial management

(25,000–39,999 dwt)
Length: 185 meters
Lightweight: 8,307-9,620
Crew capacity: 27
260,000 barrels

MR
- 41 owned vessels
- 6 time chartered-in vessels
- 16 vessels in commercial management

(40,000–54,999 dwt)
Length: 185 meters
Lightweight: 10,235-12,056
Crew capacity: 28
320,000 barrels

LR1
- 25 owned vessels
- 6 bareboat chartered-in vessels
- 3 time chartered-in vessels
- 44 vessels in commercial management

(55,000–84,999 dwt)
Length: 228 meters
Lightweight: 12,705-15,673
Crew capacity: 32
520,000 barrels

LR2
- 6 owned vessels
- 0 vessels in commercial management

(85,000–124,999 dwt)
Length: 249 meters
Lightweight: 19,391
Crew capacity: 28
750,000 barrels

4.1.2 A diverse and young fleet

Hafnia's fleet operates globally and has a total carrying capacity of approximately 6.1 million dwt. With an average age of approximately 6.8 years (excluling newbuilds), most of our vessels have a modern eco-design which incorporates the latest technological improvements designed to optimise speed, fuel consumption and reduce emissions. A young and well-maintained fleet reduces operating costs, improves safety, vessel utilisation and quality of service delivered to customers. This is a competitive advantage for securing favorable charters with high-quality counterparties.

A young and well-maintained fleet reduces operating costs and improves safety

Our owned fleet's average age of approximately 6.8 years (excluding newbuilds) compares well to the average age of the global LR2, LR1, MR and Handy fleets at approximately 8.8, 10.5, 10.1 and 13.9 years respectively (source: Clarksons Research's database, February 2020). The estimated useful life span of each vessel is 25 years.

4.1.3 Products transported

The Handy and MR vessels carry a wide range of oil and oil products which includes gasoline, diesel, naphtha, kerosene, vegetable oil, fuel, crude oil and chemicals.

The LR1 and LR2 vessels carry a wide range of oil products which includes gasoline, diesel, naphtha, kerosene, fuel and crude oil.

4.1.4 Employment and earnings

Hafnia employs its vessels within the three Hafnia pools, except for the LR2 fleet. Revenue from vessels' employment within the pools reflects the number of vessels in the pools, the number of days during which the vessels in the fleet operate and the freight rates that the vessels earn under charter employment.

Handy	
TCE income/voyage day	USD 14,157
MR	
TCE income/voyage day	USD 15,642
LR1	
TCE income/voyage day	USD 17,334
LR2	
TCE income/voyage day	USD 22,732

TCE income has been adjusted by adding back pool commissions amounting to USD 3.4 million.

4.1.5 Technical and crewing

Hafnia has a fully integrated technical department, that is responsible for the marine, vetting, security functions and crew management for the owned fleet to ensure that the highest standards with regard to safety and environment are maintained on board. The technical department draws support and knowledge from the external technical managers in relation to crew management, newbuild supervision, purchasing support and development and/or application of certain technology solutions for its IT platform.

4.1.6 Strategy 2020

Green initiatives within the shipping environment and Hafnia's strategy towards a long-term fleet transitioning to lower emissions vessels are progressing, but will take time. Hafnia follows all new technologies closely and is always in dialogue with shipyards and other stakeholders.

Hafnia follows all new technologies closely

Hafnia may divest a number of its older vessels to make room in the fleet for alternatives with ECO type vessels chartered-in or bought second hand.

Furthermore, Hafnia will continue to maintain, improve and upgrade its existing fleet. This includes fuel consumption reduction via improved antifouling and engine room management, intermediate dry dockings, waste heat recovery, as well as optimising maintenance utilisation.

4.1.7 Purchase options and obligations

The following table presents an overview of the Group's purchase options for chartered-in vessels.

4.1.8 Purchase options

In USD million

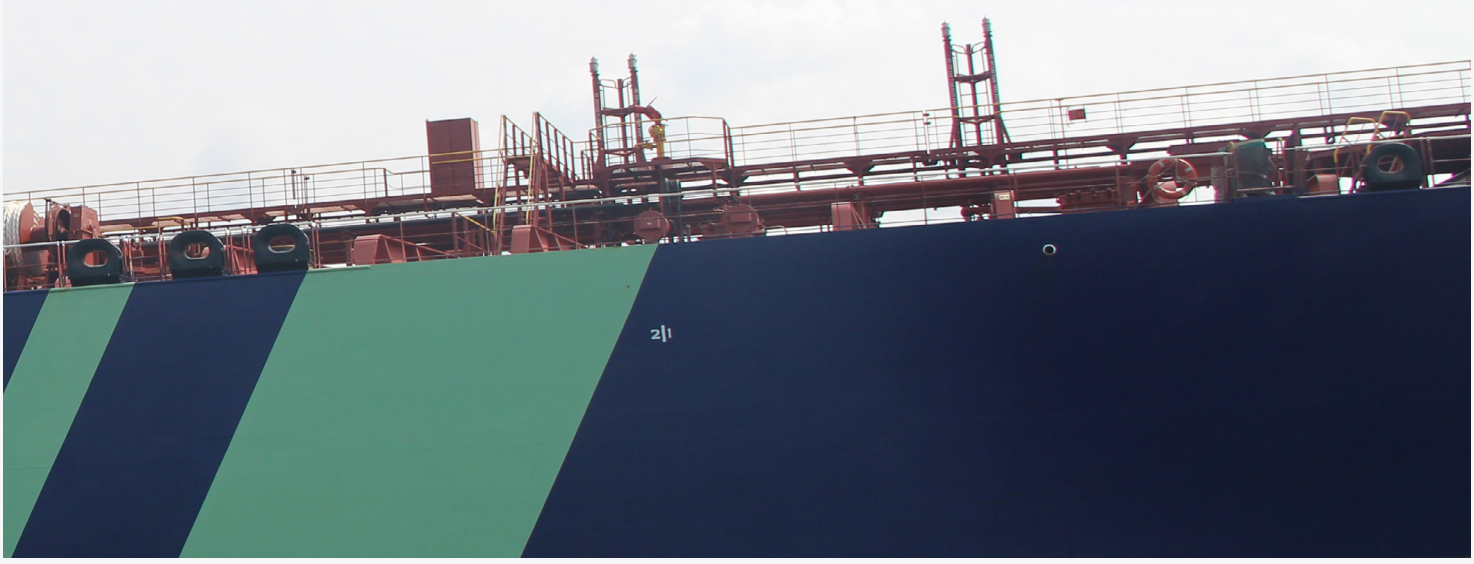
Name	Type	Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Compass	LR1	2006	-	12.30[1]	9.55[2]	6.80[3]	-	-	-	-	-	-
Compassion	LR1	2006	-	12.30[1]	9.55[2]	6.80[3]	-	-	-	-	-	-
Orient Challenge	MR	2017	33.50	31.90	30.30	28.70	27.10	25.50	23.90	-	-	-
Orient Innovation	MR	2017	33.50	31.90	30.30	28.70	27.10	25.50	23.90	-	-	-
Beagle	MR	2019	-	-	38.00	35.75	34.25	32.75	31.25	29.75	-	-
Basset	MR	2019	-	-	38.00	35.75	34.25	32.75	31.25	29.75	-	-
Boxer	MR	2019	-	-	38.00	35.75	34.25	32.75	31.25	29.75	-	-
Bulldog	MR	2020	-	-	38.00	35.75	34.25	32.75	31.25	29.75	-	-
Sunda	LR1	2019	-	-	46.00	44.00	42.00	40.00	38.00	36.00	-	-
Karimata	LR1	2019	-	-	46.00	44.00	42.00	40.00	38.00	36.00	-	-
Hafnia Africa	LR1	2010	-	24.00	19.60	17.10	14.60	12.10	9.60	8.00	5.50	3.00
Hafnia Australia	LR1	2010	-	21.00	19.00	17.00	14.90	12.90	10.90	8.90	6.35	-
Hafnia Asia	LR1	2010	24.18	23.70	22.86	21.25	19.38	-	-	-	-	-
Hafnia Arctic	LR1	2010	25.15	24.65	23.77	22.10	20.15	-	-	-	-	-

[1] A termination fee of USD 3.5 million will be applicable if the charter party period is not extended or the Group has not exercised its purchase option.
[2] A termination fee of USD 2.6 million will be applicable if the charter party period is not extended or the Group has not exercised its purchase option.
[3] A termination fee of USD 1.5 million will be applicable if the Group has not exercised its purchase option.

4.1.9 Purchase obligations

In USD million

Name	Type	Year	2021	2022	2023	2024	2025	2026	2027	2028	2029
Hafnia Australia	LR1	2010	-	-	-	-	-	-	-	-	4.20
Hafnia Asia	LR1	2010	-	-	-	-	17.25	-	-	-	-
Hafnia Arctic	LR1	2010	-	-	-	-	17.94	-	-	-	-



4.1.10 Tonnage chartered in and out

Time chartered in tonnage as of 31 December 2019

Name	2020		2021		2022	
	Days	USD/Day	Days	USD/Day	Days	USD/Day
MR	2,903	16,658	2,920	16,650	2,920	16,650
LR1	166	12,500	-	-	-	-

Name	2023		2024		2025	
	Days	USD/Day	Days	USD/Day	Days	USD/Day
MR	2,920	16,650	2,125	16,507	398	15,908

Bareboat chartered in tonnage as of 31 December 2019

Name	2020		2021		2022	
	Days	USD/Day	Days	USD/Day	Days	USD/Day
MR	732	9.950	548	9.950	-	-

Chartered out tonnage as of 31 December 2019

Name	2020		2021		2022	
	Days	USD/Day	Days	USD/Day	Days	USD/Day
MR	947	17,495	482	17,750	-	-
LR2	1,568	24,875	1,095	25,500	920	25,525

4.2 The Pools

4.2.1 The three Hafnia pools

Hafnia operates a fleet of 176 vessels (including vessels chartered out on long term charter contracts, and excluding newbuilds) in its pools and covers all major product tanker segments. The pools are managed with the aim of maximising fleet utilisation and revenues, as well as managing a cyclical freight rate environment.

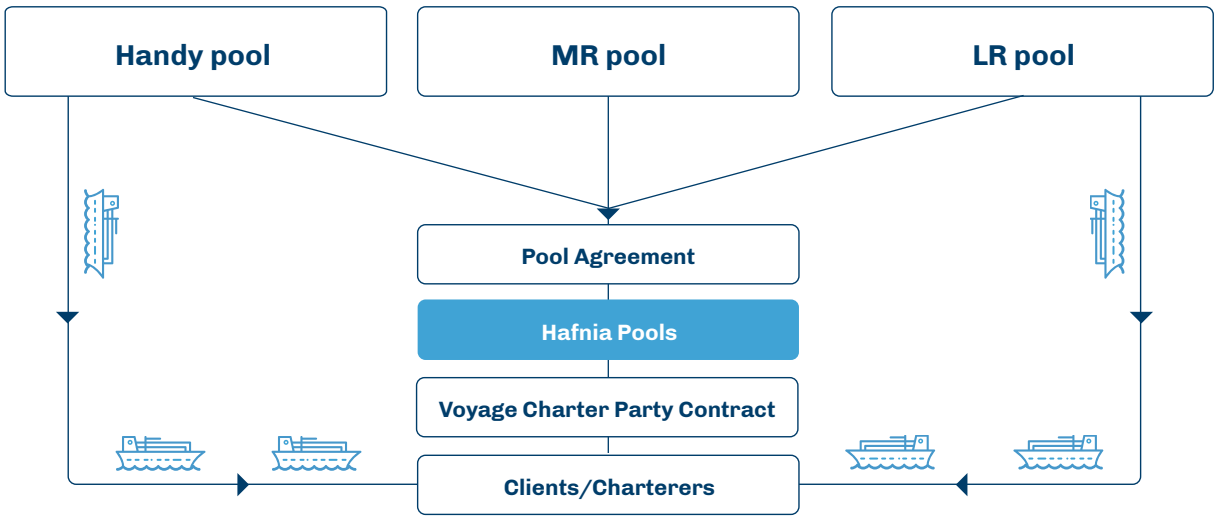
Hafnia's chartering department commercially trades pool vessels in the spot market

At the core of the pools' performance is Hafnia's highly specialised and dedicated chartering and commercial departments, responsible for the development, marketing and negotiation of all types of contracts for the product tanker vessels that the pools operate.

Hafnia's chartering department commercially trades pool vessels in the spot market. All contracts are negotiated and secured by the pools under instructions and authority from the Pool Board and Hafnia's Chief Executive Officer.

4.2.2 Functioning, structure and size

When employed in a pool, a vessel is part of a fleet of similar vessels, brought together by their owners in order to exploit efficiencies and benefit from a revenue sharing mechanism. The pool operator sources different cargo shipment contracts and directs the vessels in an efficient way to service these obligations.



4.2.3 Pool participants

The Handy Pool comprises 29 Handy vessels and has 8 pool participants. The MR Pool comprises 63 MR vessels and has 11 pool participants. The LR Pool comprises 78 LR vessels and has 16 pool participants.

4.2.4 Pool earnings

The earnings allocated to vessels are aggregated and divided on the basis of a pool points system, which reflects comparative voyage results on hypothetical benchmark routes. The pool points system is generally weighted by attributes such as size, fuel consumption, classification and other capabilities. Pool revenues are recognised when the vessel has participated in a pool during a given period and the amount of pool revenue for that period can be estimated reliably.

Hafnia receives pool management commission in the form of a fixed fee and a percentage of all net pool income arising from voyage charters, time charters and other charters.

4.2.5 Management of the pools

Each pool is managed by a pool board, comprising two representatives from each pool member. The pool board is the governing body for the pool, managing the responsibility for the overall strategic management of the pools.

4.2.6 Operation and bunkers

Hafnia's operations department is responsible for managing the performance of Hafnia's product tankers during their voyages. This includes each vessel's compliance with the terms and conditions of the applicable charter party contracts and active management of voyage costs to optimise each vessel's earnings. The Hafnia bunker department is responsible for competitive procurement of bunkers for the pools and third-party customers.

4.2.7 Strategy 2020

Hafnia seeks to remain as a market leader in pool management. Hafnia's strategy is to increase its three pools with additional external vessels and the right pool partners and maintain its tailor-made approach to pool management.

Hafnia will embark on increased data driven analysis, competition tracking, strong collaboration and fuel efficiency. A focus area is also to consolidate the bunker department's global position in the market by increasing volumes handled.

Finally, Hafnia is focusing on increasing the level of transactions where the pool can add value to its customers, work proactively with oil majors, build on the strong trading mentality, and increase short time charter in/out and freight forwarding activity.

Hafnia's strategy for 2020 is to maintain its tailor-made approach to pool management

4.3 The Projects

Driving investment forward

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

The sale and purchase team drives Hafnia's investments, providing analysis to the management on sale and purchase activities, sale and leaseback transactions and newbuild opportunities.

4.3.1 Innovation and change department

Hafnia's Innovation & Change department is responsible for creating a culture of innovation at Hafnia by encouraging employees to come up with new ways of meeting and exceeding our customers' needs and promoting a mindset of constant experimentation.

In addition to this, the department also scouts for potential partnership opportunities with start-ups and other industry majors to accelerate our internal initiatives and to tackle some of the major challenges faced by shipping today.

4.3.2 Strategy 2020

The ability to discover and fulfill unmet customer needs in a competitive market is what brought Hafnia to its position as the world's leading listed product tanker company. Hafnia's strategy is to grow market share and profits through product and service innovation.

At Hafnia, we have an inherent innovative culture, which we seek to explore further by using existing capabilities and creating adjacent capabilities.

With the establishment of our new business unit – Innovation and Change, we seek to improve or incorporate innovative practices in this digital age.

5 The product tanker market

Analysis creates expertise

5.1 Outline

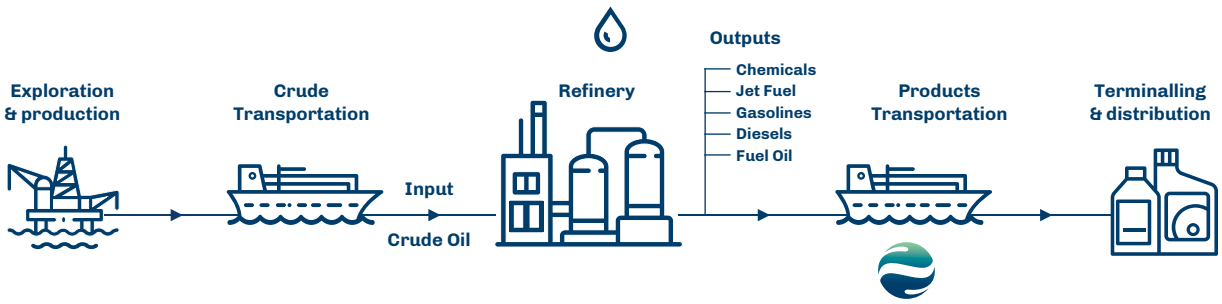
The product tanker industry is cyclical and volatile, resulting in fluctuations in the rates charged for Hafnia's vessels. Fluctuations in rates, result from changes in the global supply and demand for tanker capacity and changes in the supply and demand for oil and oil products.

As this simplified tanker market overview shows, the charter rates and product tanker capacity depend on a number of factors:

- The number of new tanker vessels being delivered and the number of vessels being recycled
- The number of vessels that are out of service or undergoing repair
- Refining throughput and the price of oil and oil products
- Environmental regulations
- Geopolitics

While 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, as well as fuel oil and vacuum gas oil (dirty products) and gas oil, gasoline, jet fuel, kerosene and naphtha (clean products).

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




BW RISHINE
SINGAPORE

Freight and hire rates for product tankers trading under spot charters are very sensitive to fluctuating demand for and supply of vessels, and rates are consequently volatile. Rates are also strongly affected by seasonal fluctuations in demand from end consumers. While trends in the product tanker market are heavily impacted by product tanker supply and demand trends, typically market conditions have also been correlated with crude oil tanker market developments, partly reflecting the fact that some crude and products tankers have the potential to act as 'swing tonnage' between the dirty and clean markets.

Rates are strongly affected by seasonal fluctuations

Product tanker asset values have also fluctuated over time, and there is a relationship between changes in asset values and the charter market. Newbuild prices fell significantly between 2008 and 2010, primarily as a result of lower global contracting activity. Prices increased in 2013-14, before softening across 2015-16. Since mid-2017, newbuild prices have risen once more, and by the end of September 2019, the indicative newbuild price for an MR was USD 36.5 million, still below the mid-2008 level of USD 53.5 million, before softening marginally to USD 35.5 million at the end of January 2020.

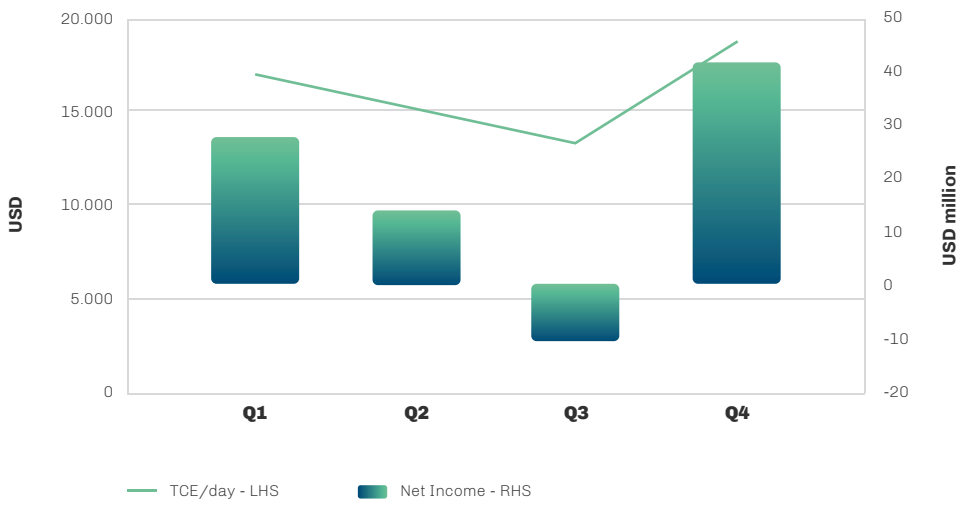
Hafnia Guangzhou leaving Guangzhou Shipyard on her maiden voyage.

5.2 2019 – Reflections

2019 started on a strong note, however throughout the first and second quarters, global refinery output declined following refinery maintenance in Europe, the US, the Middle East and Asia. Preparation for the introduction of the IMO 2020 sulphur cap, resulted in a reduction of refined product cargoes and lower demand for product tankers. According to the International Energy Agency (IEA), global refining throughput fell by 0.7 million barrels per day year-on-year in the second quarter, the largest annual decline in 10 years.

The global refining throughput declined further in the third quarter by 0.5 million barrels per day year-on-year resulting in a downward revision of IEA's annual growth forecast to 150 thousand barrels per day, the lowest in a decade. Global oil supply fell by 1.5 million barrels per day in late Q3 2019 to 99.3 million barrels per day after attacks on Saudi oil facilities halted half of production briefly.

The product tanker market rebounded in the fourth quarter of 2019, benefiting from a rising crude tanker market brought about by US sanctions imposed on two COSCO subsidiaries, and an attack on an Iranian crude tanker in the Red Sea. Scrubber retrofits and IMO 2020 sulphur cap-related bunkering delays effectively offset tanker fleet growth in 2019 and contributed significantly to improved tanker earnings in the last quarter. The return of refineries from maintenance in the first two quarters, and high refinery runs in China, also contributed to the solid tanker earnings in the quarter.



5.3 2020 – Outlook

The International Energy Agency (IEA) expects OPEC production to fall by 1 million barrels per day in 2020 to 29 million barrels per day, and forecasts that, although OPEC output will continue to fall through to 2024, worldwide oil supply is expected to rise.

In 2019, oil accounted for around one third of world energy consumption. Global oil demand growth is currently projected to grow by 1.3% in both 2020 and 2021, supported largely by expansion in petrochemical feedstock demand, with several project start-ups in the US and Asia lending support. However, whilst a 'phase 1' trade deal between the US and China had provided some support to economic sentiment, the recent outbreak of a novel coronavirus, COVID-19, in China could have a significant negative impact.

5.4 Trade trends

In 2019, total seaborne oil products trade totalled an estimated 22.5 million barrels per day, equivalent to 9% of global seaborne trade in terms of tonnes, with volumes having expanded steadily overall in recent years (increasing from 20.2 million barrels per day in 2014 at a CAGR of 2.1%). However, the rate of growth in individual years has varied significantly during this period. Growth in seaborne oil products trade accelerated to over 7% in 2015, the fastest pace of growth since 2005, driven in part by the low oil price environment following the price crash in 2014 which encouraged oil demand growth and inventory building.

5.4.1 Import trends

In recent years, key drivers of overall expansion in seaborne oil products trade have included increased imports into South East Asian/Asia Pacific, African and Middle Eastern countries. This is due to increasing oil demand in developing economies, many which lack sufficient domestic refinery capacity to meet this growth in demand. Weakness in the Mexican refining sector has also lent support to global growth in oil products trade, with imports into the country growing by a CAGR of 12.2% in 2013-18 as refinery utilisation fell. However, Mexican imports declined in 2019, in part due a government crack-down on fuel theft.

Refinery closures have also lent support to product import demand in some regions, for example in OECD Europe, where refining capacity has contracted by circa 0.8 million barrels per day since 2010. Whilst oil demand in this region has declined at an average rate of 0.4% p.a. in 2010-19, oil products imports have in fact expanded by a CAGR of 0.7% across the same period. Similarly, Australian oil products imports rose by a CAGR of 11% in 2010-18 according to customs data, supported in part by the closure of 0.3 million barrels per day of refinery capacity.

Increased imports into South East Asian/Asia Pacific, African and Middle Eastern

More recently, unfavourable arbitrage economics have exerted downward pressure on the pace of seaborne oil products trade growth. In 2019, South East Asian imports fell by 6% (total Asia down by 5% year-on-year) with oil demand growth in the region being limited, particularly in the first half of the year, by to a warmer winter, petrochemical outages and economic impact from US–China trade tensions. Preparations ahead of the IMO 2020 sulphur cap appear to have also impacted products trade volumes, with the run-down of HSFO inventories appearing to have exerted pressure on fuel oil trade volumes.

5.4.2 Export trends

Much of the increase in exports in recent years has stemmed from increased shipments from the US, the Middle East and China. Exports from the US rose by a CAGR of 5.8% in 2013-18, supported by increased refinery capacity and also by the significant rise in domestic oil production, particularly shale oil, which led to higher availability of crude feedstock to refine. However, US products exports slipped 4% in 2019, partly owing to the closure of the 0.33 million barrels per day PES refinery on the USEC mid-year following a fire.

Meanwhile, Middle Eastern shipments expanded by a CAGR of 15.1% in 2013-18, due in large part to the construction of new refinery facilities in the UAE (Ruwais expansion, 0.4 million barrels per day) and Saudi Arabia (Jubail and YASREF, 0.4 million barrels per day each). However, significant declines in Saudi products exports in 2019, led to Middle Eastern products exports declining by an estimated 14% in 2019.

In the same period, Chinese seaborne products exports grew by a CAGR of 22.1% in 2014-19, also partly driven by significant expansion in refinery capacity (+1.4 million barrels per day) both at existing and new facilities, along with increased utilisation in the 'teapot' refining industry following the liberalisation of China's oil market which allowed these independent refiners access to imported crude oil in late 2015 and to apply for products export quotas in 2016. As a result of these factors, China transitioned from a net oil products importer to a net oil products exporter during this period. In 2019, a rapid increase in Chinese oil products shipments of circa 14% (particularly gasoil), owing to the significant oversupply in the domestic market, largely supported the small increase in total Asian products exports in 2019 of circa 1%. However, this oversupply contributed to suppressed refining margins in Asia for much of the year, which along with increased global refinery maintenance to maximise production of middle distillates ahead of the 2020 sulphur cap exerted downwards pressure on seaborne products export volumes.

5.4.3 Product tanker trade flow

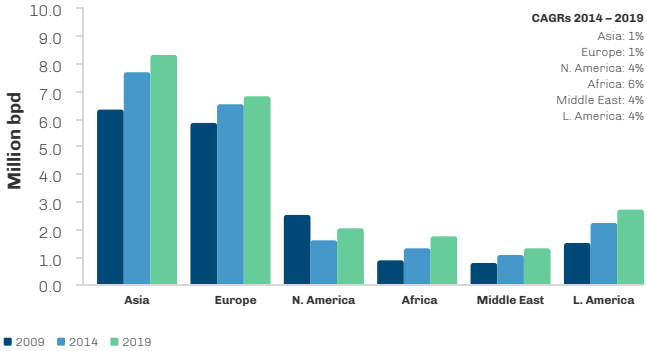
Seaborne oil products trade in terms of tonne-miles is estimated to have increased by a CAGR of 2.5% in 2014-19. This pace is slightly faster than trade growth in tonnes as long-haul trade volumes have increased in recent years from countries that have only historically produced and exported crude oil, in particular from the Middle East to Asia and Europe. Increased exports from the US have also helped to support long haul trade, with growth on routes to the Far East and Brazil.

However, exports from the US have grown most significantly to closer Latin American countries, in particular Mexico, where refinery sector weakness has supported import demand. Growth on trades such as these has somewhat counterbalanced the positive impact on oil products trade growth in terms of tonne-miles at a global level, as has growth in intra-regional trade volumes in Asia. Continued growth at these historical levels will be subject to global economic developments and a continuation of the trade and refinery trends of recent years. In 2020, oil products tonne-mile trade is expected to increase by 3.9%, supported in part by positive impacts from the IMO 2020 sulphur cap on gasoil trade volumes, which is projected to boost exports from the US, Middle East & China.

Global refinery capacity has expanded steadily over time

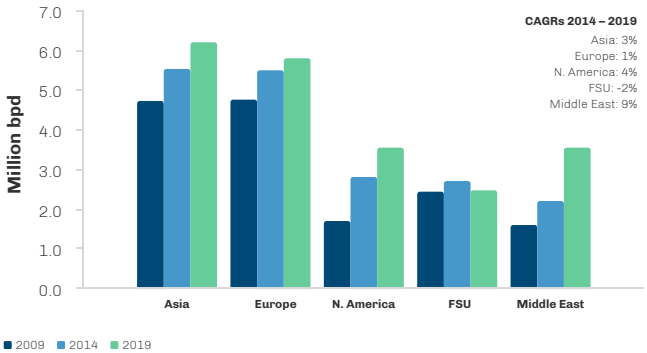
Overall, growth in longer haul trade has lent support to demand for larger, LR vessels designed for longer haul trades as well as MR vessels, whilst growth on shorter-haul routes has provided positive impetus to demand for smaller tankers such as Handy vessels as well as MR vessels. MR vessels offer the flexibility of being sufficiently small to enable access to a diverse range of ports and are popular with oil traders given this flexibility and ability to deal with common parcel sizes.

Major importers of seaborne oil products

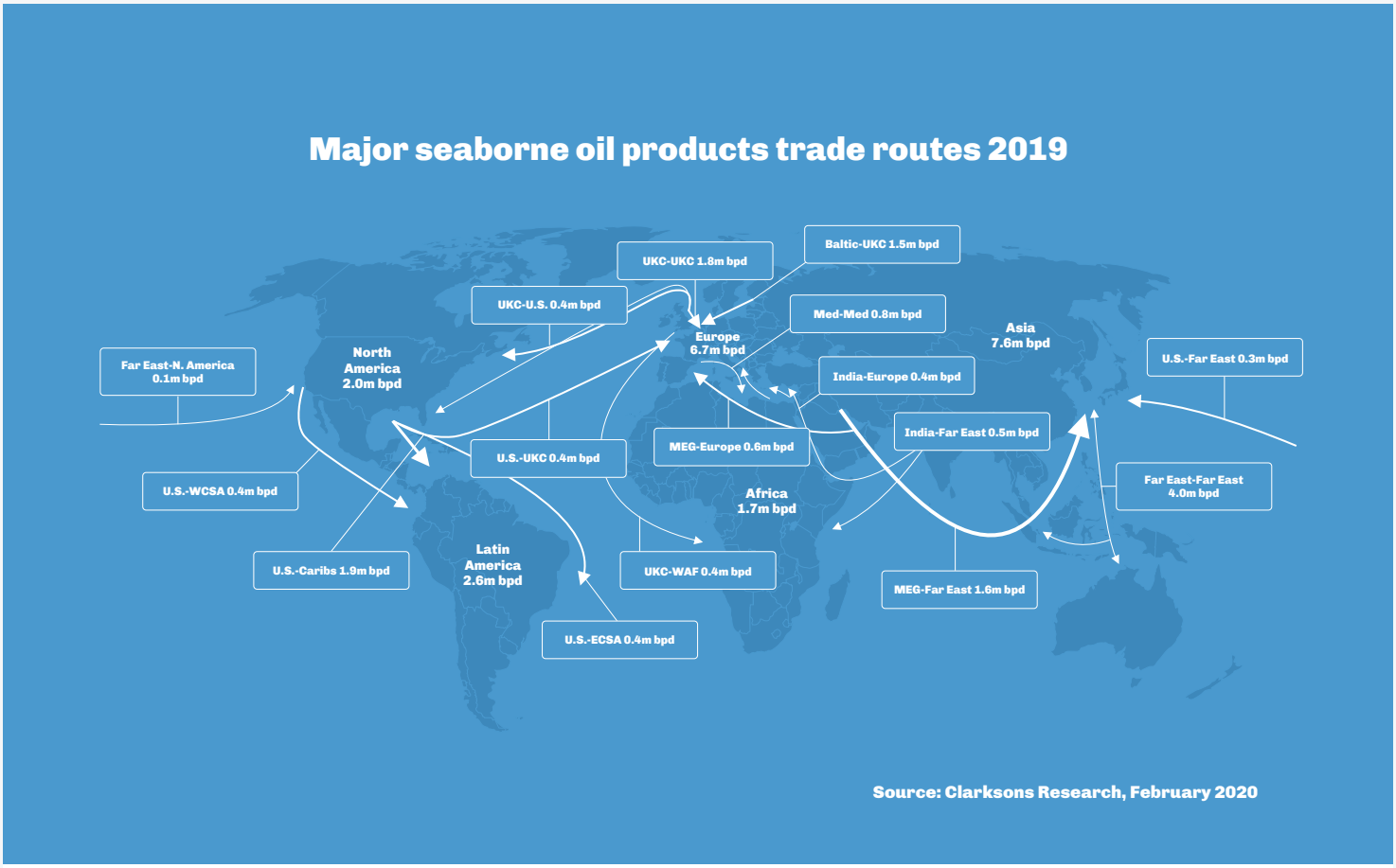


Source: Clarkson Research and Industry Sources, February 2020

Major exporters of seaborne oil products



Source: Clarkson Research and Industry Sources, February 2020



5.5 Trends in refining capacity

Trends in refinery capacity and throughput levels are also a key driver of seaborne products trade patterns. At the end of 2019, global refinery capacity totalled an estimated 101.2 million barrels per day, with over a third of this capacity located in Asia, and significant capacity also located in the US and Europe.

Global refinery capacity has expanded steadily over time in order to meet the continued growth in consumption of oil products, and has expanded by over 9.0 million barrels per day since the end of 2010. Refinery capacity additions in Asia, particularly China, have been a key driver of this expansion, with China adding 4.3 million barrels per day of capacity in this period. Growth in Middle Eastern refinery capacity has also been a key driver of expansion in the global refining industry, with the construction of large-scale export-oriented plants such as YASREF and Jubail in Saudi Arabia, which have supported long-haul products trade to Asia and Europe. More recently, the US and Indian refining sectors have also registered firm expansion, adding 1.0 million barrels per day and 0.8 million barrels per day of capacity respectively since 2014, whilst the refining industries in OECD nations in Europe and Japan have contracted as outdated capacity has been closed.

Macroeconomic forces have a significant impact on world oil products consumption

Further expansion is also projected in China, in particular in the independent refining sector.

5.6 Supply and demand

Demand for oil tankers is dictated by world oil demand and trade, and the location and accessibility of oil products supplies relative to the principal locations for discharging such cargoes. The metric of tonne-miles is often used as a proxy for oil tanker demand and is a product of (a) the amount of cargo transported in tankers, multiplied by (b) the distance which cargo is transported. Macroeconomic forces, both globally and regionally, have a significant impact on world oil products consumption and, consequently, upon the volume of oil products to be transported by sea. The average distance of sea transportation of oil products is affected by trading patterns, which are determined by a combination of economic and geographic factors, refinery developments, regional products imbalances, seasonal variations, oil price trends and differentials in oil products prices between regions, environmental influences, exceptional climatic conditions and geopolitical events.

Daily oil demand has increased

Daily oil demand has increased from approximately 88.6 million barrels per day in 2010 to 100.3 million barrels per day in 2019, driven by increasing world population, global economic expansion and rising oil consumption in the transportation industries in developing countries. The developing world has been the key driver of continued growth in global oil consumption, with oil demand in these nations growing by a CAGR of 2.7% since 2010 in comparison to growth of 0.1% p.a. on average in OECD countries.

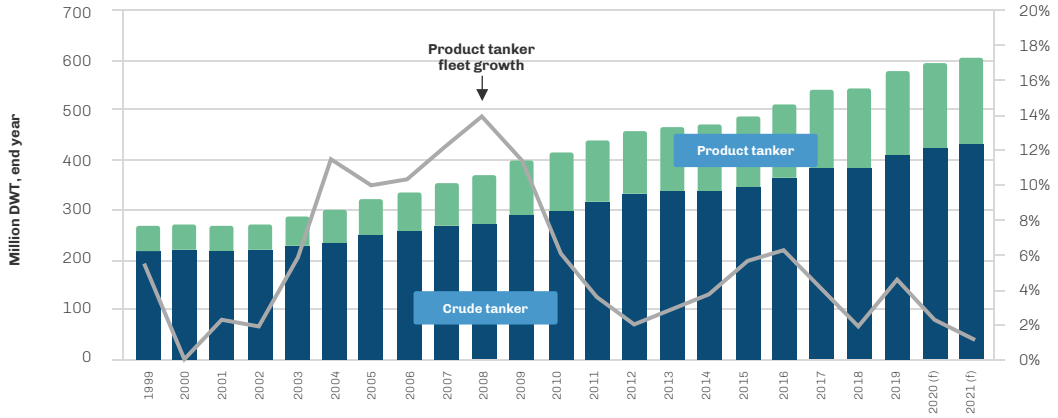
Tanker supply is determined by the size of the existing fleet as measured by cargo carrying capacity. It is influenced by a variety of factors, primarily the size of the existing fleet by number and ship size, the rate of deliveries of newbuilds, scrapping, and other operating efficiency factors (for example, storage, time in port and congestion and vessel speed) affecting the number of ships available for charter.

The fleet of product tankers increases as a result of the construction and delivery of newbuilds to the fleet and decreases as a result of the removal of older vessels by demolition or otherwise, or through vessel loss. Permanent removal of a vessel can take place within a relatively short time frame, typically within three months. The construction of a newbuild products tanker, however, typically requires between 18 months and three years from contract signing to delivery of the vessel by the shipyard, depending on the schedule of the relevant shipyard's orderbook. Today's supply side dynamics are occurring against a backdrop of more limited global shipbuilding capacity than in the late 2000s, as well as limited availability of ship finance.

The introduction of the IMO 2020 global sulphur cap may also have an impact on product tanker supply. Approximately 10% of existing product tanker fleet by capacity has already had a SOx scrubber fitted or has a retrofit pending. Vessel time out of service for scrubber retrofit is currently estimated to have absorbed 0.5% of product tanker fleet capacity across 2019, which is likely to limit growth in active product tanker fleet capacity. Active fleet capacity is likely to continue to be impacted by time out of service for scrubber retrofitting 2020. The introduction of the global sulphur cap may also lead to increased scrapping of older vessels given their fuel inefficiency and the economics of fitting scrubbers. There is also the possibility for changes in vessel operating speeds and the use of tankers for storage to absorb fleet supply to some extent.

The overall comparison between supply growth and demand growth can be seen in the graph below:

Crude and product tanker fleet development

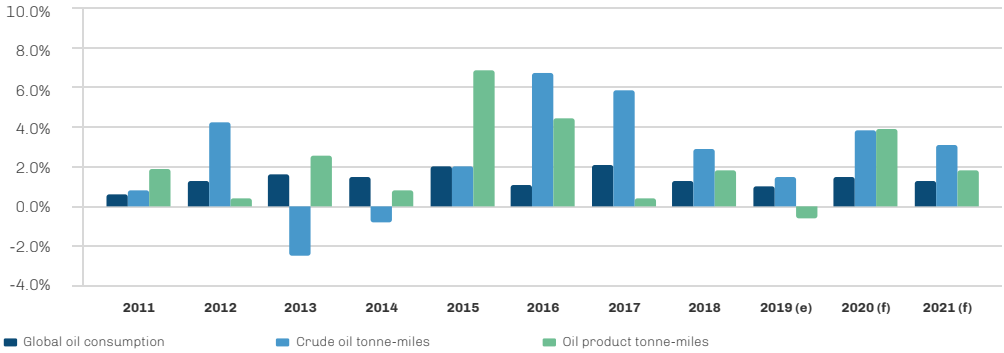


Crude tanker fleet
CAGR (2014 – 2019): 4.0%
2020: 2.9%
2021: 1.7%

Product tanker fleet
CAGR (2014 – 2019): 4.5%
2020: 2.3%
2021: 1.2%

Source: Clarkson Research, February 2020

World seaborne oil and total Consumption growth



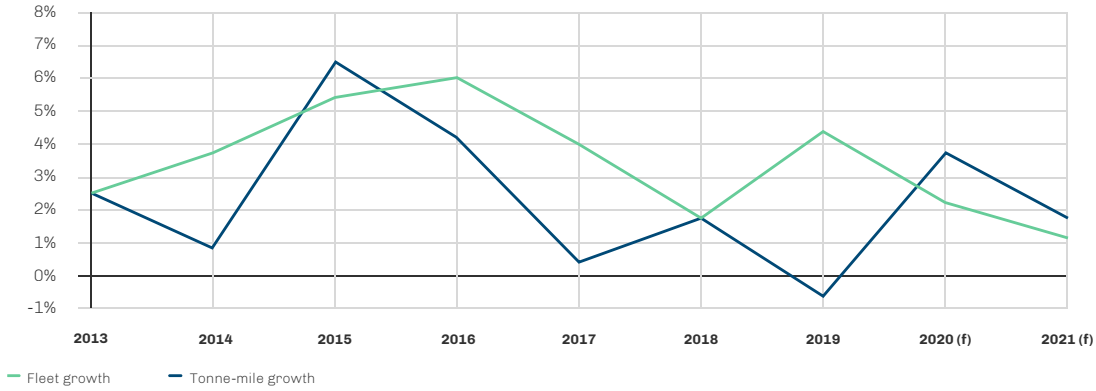
CAGRs 2014 – 2019
Oil consumption: 1.5%
Crude oil tonne-miles: 3.8%
Oil product tonne-miles: 2.5%

2020 / 2021 Forecast:
Oil consumption: 1.3% / 1.3%
Crude oil tonne-miles: 3.8% / 3.1%
Oil product tonne-miles: 3.9% / 1.8%

Source: Clarkson Research, January 2020

Product tanker supply and demand

y-o-y-change

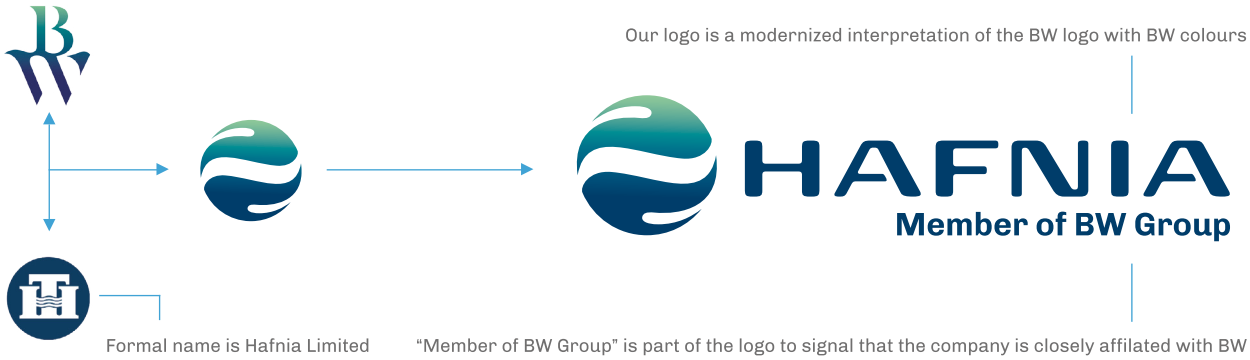


Source: Clarkson Research, February 2020

6 Merger, private placement and listing

In January 2019, the new "Hafnia" was launched as a result of the merger between Hafnia Tankers Ltd and BW Tankers Limited, and a new significant player within the product tanker market became a reality.

The Company continued Hafnia Tankers' listing on the N-OTC list until the listing on Oslo Axess was implemented in November 2019.



6.1.1 Interview with employees on merger, culture & values

1. How did you experience the merger between BW Tankers and Hafnia Tankers?

Joakim: Company mergers are an essential part of the shipping world, and I am sure that the merger between Hafnia Tankers and BW Tankers has helped the companies and us as employees achieve greater growth by combining resources.

Shuzhen: Agree, but despite these advantages, mergers can also mean employee layoffs, and merging companies with different cultures can be challenging with a lot of uncertainties. However, management kept communication channels open and people knew their positions relatively quickly. Overall, it has been positive with people having open minds and fostering a friendly atmosphere.

Jacqueline: I joined the Hafnia team shortly after the merger, and it was extremely heart-warming to be welcomed by Hafnia with open arms, from both the ex-BW Tankers colleagues and also the new colleagues from ex-Hafnia Tankers. It amazed me as to how the employees from two different companies had grown into one big family in such a short period of time. My initial thoughts as a new hire was that post-merger, Hafnia did not seemed like one that had recently merged – with two different company, different values, different culture and different procedures.

2. Did you prepare for the merger and integration of a new business unit and new colleagues?

Emil: I think one of the bigger points for me was the importance of transparency. Of course, we appreciated that management could not share every single business detail, and I think we got the expected pre-merger transparency in terms of an insight on how the merger would affect our team and us.

Hayati: I came from Hafnia Tankers, and to be honest, I was a bit worried prior to the merger. However, the process and impact was clearly and properly explained to us before we moved into the BW office, and this established great faith in management as they kept us updated throughout the process. When the moving day came, it was nice to see familiar faces that I worked with previously and feel welcomed by the BW team.

Siew Ying: Communication is key, and I took part in the internal preparations for the integration process. There was a clear project plan and it was clear that management's top priority has been the people.

Jacqueline: It is common for employees to go through a period of confusion and doubt as to the direction the company is heading towards. I felt that management had done a great job in reaching out to each and every employee – e.g. to address certain worries that they

Clockwise from bottom left: Emil Fabricius-Bjerre, Shuzhen Pay, Joakim Kristensen, Jacqueline Teng, Siew Ying Teoh, Hayati Said Mohamed

may be going through and questions they may have. Most importantly, there were open communications channels within the company and these allowed each employee to participate in the integration process by sharing their opinions and feedback.

Shuzhen: It was important to consider what is changing and how it will affect us as employees and the work we do on a daily basis. I had to set up a new team with new processes and people. This was demanding but with the strong support from management, I was able to gain confidence during the integration.

3. What are the strengths of Hafnia as an employer?

Jacqueline: I feel that every employee is important and all of us are given the opportunity to contribute and make meaningful impact. This also allows the employees to take ownership of their work. In essence, Hafnia values its employees and that in itself speaks volume.

Joakim: Hafnia's strengths are that we have a clear and specific purpose as a company, and we are shown how our roles enables us to achieve the company's mission. It's clear to me that we aim to live our values and that the organisation stresses teamwork while still encouraging individual achievement and creativity.

Hayati: Hafnia as a whole (post merger) now achieves much greater success and Hafnia does have the strengths to be the leading company with the right attitude by all staff and management.

Shuzhen: People, people, people.

Emil: Yes exactly, and that you feel part of a group pulling together towards a common goal.

4. Following the merger, you all participated in the company's culture & values workshops. What were your key learnings from the workshops?

Siew Ying: One thing I learned is that we should walk the talk and not be putting on a "show" during the workshops, while doing things differently around the office.

Hayati: During the workshops, we were able to voice our opinions and suggestions, and we were heard. I feel that I am a part of Hafnia, and although I do not hold a "high ranking" position, it makes me glad, positive and proud knowing that the company listens to its employees and tries to see from our point of view.

Shuzhen: Our CARE values (Collaborative, Ambitious, Reliable, Enduring) has been embedded in our everyday professional life. These values have and should be reflected in how we work, which include being honest and keeping an open mind with a positive attitude. As all employees start knowing and applying the values, I believe that we will also gain more satisfaction out of the workplace and be happier at work.

Joakim: The workshops were great, and I believe that the whole organisation benefitted, and that this will help us in strengthening the business commercially.

5. How does the professional development and work opportunities in Hafnia reflect the global nature of the shipping industry?

Jacqueline: The global shipping industry is constantly evolving and transforming and the same goes for Hafnia – there are many moving parts, which allows us to have varied work experience. I am in Hafnia's Corporate Finance and you would think that it is all about the money. However, there have been a new global framework implementation in the finance industry, which calls for responsible ship financing which will help incentivise shipping's decarbonisation in line with the IMO's climate goals. This has allowed me to get a better understanding of the different aspects of shipping (i.e. carbon emission reporting, compliance with MARPOL and etc) which I would otherwise, not have had a chance to.

Shuzhen: Hafnia provides great international opportunities and exposure to different parts of the business with visits to our global offices, shipyards, and investors. Recently, we concluded a refinancing with 10 Asian and European banks, and this is just yet another example of how Hafnia is a global player in the product tanker business.

Siew Ying: I was very lucky to be given the opportunity to move to another role which help to strengthens knowledge on OPEX controlling and at the same time develop new skills and knowledge working with the bunker team.

Emil and Joakim: Working in an international environment involves having to interact and work with people coming from very different backgrounds, in this respect Hafnia is as a workplace "second to none".

6.2 Private placement and listing

On 8 November 2019, Hafnia was listed on Oslo Axess with a share price of NOK 25.45

On 5 November 2019, Hafnia announced the successful completion of a pre-listing private placement of USD 230 million which was deemed to be a favorable fast-track path to a direct listing. The transaction garnered significant interest from high-quality investors worldwide. On 8 November 2019, Hafnia was listed on Oslo Axess with a share price of NOK 25.45. Pareto Securities and Skandinaviska Enskilda Banken (Oslo Branch) acted as joint global coordinators in both the pre-listing private placement and the Oslo Axess listing.

7 Chairman's statement

2019 was a milestone year for Hafnia, where we successfully completed the merger between BW Tankers and Hafnia Tankers in January and listed the combined entity on the Oslo Axess in November. Along the way, Hafnia expanded its fleet by 15 vessels, reorganised its pool companies, refinanced USD 473 millions of debt, and introduced a new Vision, Purpose and Values to guide the culture of the newly merged company.

Hafnia is positioning and transforming itself to be a leading product tanker company, putting people and relationships first and challenging the industry of today to deliver the industry of tomorrow

Hafnia is positioned to be a leading product tanker company, putting people and relationships first, and challenging the industry of today to deliver the industry of tomorrow. We remain focused on our commitment to deliver energy safely for our customers and to deliver value for our investors. On this score, we were pleased to achieve a respectable lost time injury rate, even as we strive for zero, and to deliver reasonable profits in a year of challenging markets.

In addition, we are working to improve the environmental footprint of our business. Energy is a critical enabler for progress and prosperity, and shipping is the most environmentally friendly way to move that energy. Yet we are mindful that carbon-based fuels have an impact on climate, and we must do our utmost to mitigate that impact.

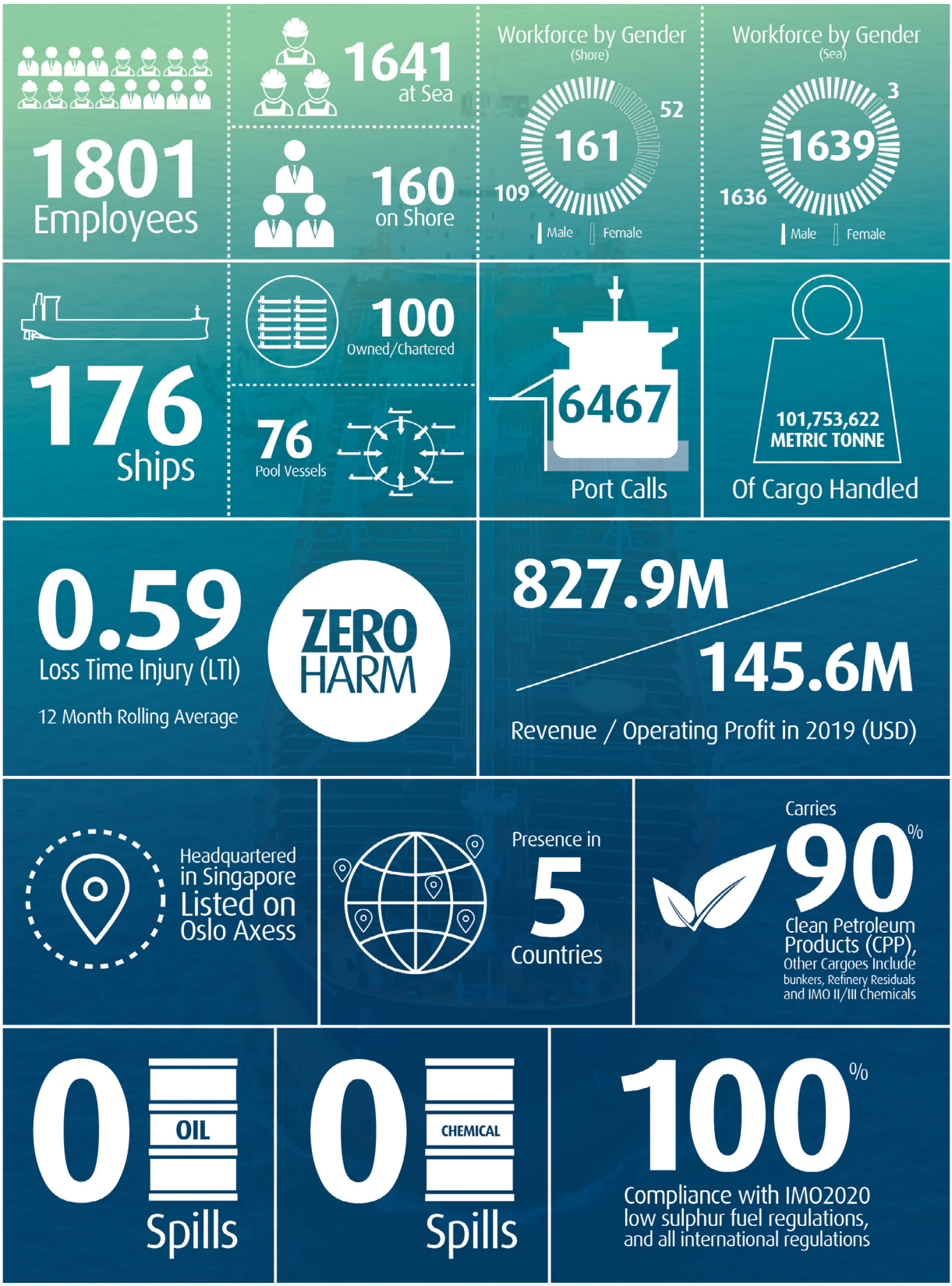
Hafnia has joined the Getting to Zero Coalition, an alliance of more than 80 companies within the maritime, energy, infrastructure and finance sectors, supported by key governments and Inter-Governmental Organisations. The Coalition is committed to getting commercially viable deep sea zero-emission vessels into operation by 2030. Additionally, we are supporting discussions on a carbon levy for shipping, with proceeds deployed towards R&D and infrastructure to accelerate the implementation of solutions. The company is actively implementing digitalisation initiatives to improve the efficiency of our fleet through real-time data and monitoring of performance and fuel efficiency.

Looking ahead, global concerns are mounting – continued geopolitical tensions, political strife leading to violent protests in a number of countries, significant environmental disasters, and a viral epidemic starting in the new year. We must all strive to improve the state of the world around us. In that regard, affordable energy facilitates better living conditions for many around the world, especially when we can deliver it in a safe and responsible fashion. Hafnia will play its part, and we are grateful to our colleagues around the world for their dedication and hard work to achieve this.

Andreas Sohmen-Pao
Chairman

8 Sustainability agenda

8.1 Hafnia – an overview of 2019



Our approach to sustainability

Our approach to sustainability starts with the United Nations Sustainable Development Goals (UNSDGs). Much of what we do at Hafnia contributes towards multiple UNSDGs. Hydrocarbons fuel our planes, trains and automobiles. They power our homes and are used to make the roads that connect our cities. From clothes to cleaning products, packaging and pharmaceuticals – our modern world depends on hydrocarbons. Its safe and responsible transportation around the world is therefore essential to maintaining a sustainable quality of life globally.

As a member of BW Group, Hafnia leans on over 80 years of deep maritime expertise and legacy. The Group's work in oil and gas transportation, floating gas infrastructure, environmental technologies and deep-water production lends Hafnia deep experience, and a track record of dependability. We believe in the importance of playing a role in the sustainable development of maritime energy transportation. We are confident of our ability to contribute positively and act to reduce our impact on the environment for future generations to come.

Our modern world depends on hydrocarbons

Sustaining the world with hydrocarbons

Hafnia is taking the lead in the product tanker industry to increase the sustainable and responsible transportation of hydrocarbons to support sustainable growth as outlined by the UN's Sustainable Development Goals.

BW TRITON

8.2 How we engage stakeholders

Regular dialogue with employees, crew, customers, investors, bank partners, industry groups, governments, regulators, suppliers and third-party providers through formal and informal channels is essential to the way we do business at Hafnia. We are open to stakeholder engagements on how we can develop sustainably in collaboration and partnership. The table below summarises the highlights of our stakeholder engagement in 2019.

Below: Summary of Stakeholder Engagement and Outcomes.

Stakeholder	Mechanisms for engagement	Stakeholder expectations	Follow-up from Hafnia
Crew	- Crew shore conferences - Vessel visits - Quarterly and monthly HSEQ newsletters - Cadet programs - Emails - Conference calls - Induction/ familiarisation	- Competitive and timely wages - Clear and timely communication - Career development - Job security - Respectful and safe workplace - Medical and social benefits - Quality of crew - Effective appraisals	- Introduced anti-harassment and anti-bullying policy - Fleetwide implementation of Crew Wellness Program "Wellness@Sea" - Introduced new training programs - Enhanced recruitment and selection process - Started quarterly letters from Executive Vice President, Technical - Target to recruit more female crew
Employees	- Townhalls - Intranet - Meetings - Formal appraisals - Annual Employee Engagement survey - Emails	- Career development - Competitive benefits - Support diverse workforce - Respectful and safe workplace - Work/life balance - Reliable and industry-leading technology - Better cross-department collaboration - Clear and timely communication - ESG efforts in company agenda	- Implemented CEO Blogs and department videos - Committed to inform all crew and employees of press releases - Introduced new resources including laptops/ phones, monitors and collaboration tools - Participate in Women in Shipping Charter - Participate in Getting to Zero Coalition - Creation of sustainability strategy
Customers	- Website - Industry events - Regular meetings - Customer appreciation events - Member of oil companies' working groups - Emails	- Available vessels at competitive rates - Well-maintained vessels - Compliance with all regulations - Good customer service	- Prompt and respectful customer service - Continued focus on fleet maintenance - Engaged PR agency to steer social media engagement initiatives

Stakeholder	Mechanisms for engagement	Stakeholder expectations	Follow-up from Hafnia
Pool partners	- Twice yearly technical conferences - Twice yearly BOD meetings - Informal meetings - Industry events - Monthly statement of accounts - Weekly market report	- Equitable allocation of pool points - Clear and timely communication - Good, respectful service - Trustworthy response, quick and accurate information - Sharing of market intelligence	- Prompt and respectful customer service - Focus on fleet optimisation - Sharing of market intelligence - Use of agreed pool point allocation model - Transparent communication
Government and policy makers	- Regular dialogue - Topic specific conferences and events - Media coverage - Participation in industry coalitions and study groups	- Provide safe and reliable maritime energy transportation - Offer innovation solutions to decarbonize - Invest in local presence	- Leveraged Hafnia's expertise to position itself as a global thought leader on trade, sustainable shipping, innovative solutions and alternative fuels - Active participation in major industry events as speakers to share expertise - Members of Danish Shipowners Association, Singapore Shipping Association, International Maritime Employers' Council, Getting to Zero Coalition, ShippingLab
Investors	- Roadshows - Investor presentations - Ongoing Meetings - Bank Days - Investor Relations functions - Media coverage - Press releases	- Return on investment - Transparent and credible reporting - Investment in line with Poseidon Principles - Strong steps to ensure forward reduction in emissions - Compliance with all regulations	- Active participation in major industry events as speakers to share expertise - Inaugural earnings presentation webcast and telecon - Continued regular dialogue and meetings - Communicated sustainability initiatives at presentations
Potential talent	- Social Media - Website - Job fairs - Speaking engagements - Media coverage	- Career development - Competitive benefits - Support diverse workforce - Respectful and safe workplace - Work/life balance	- Active participation in major industry events as speakers to share expertise - New website - Engagement of PR agency to steer social media engagement


BW NESO

8.3 Topics of materiality and our sustainability approach

Materiality is a critical input into this sustainability report as it ensures we provide our stakeholders with the information most relevant to them and our business. Material topics are those that can reasonably be considered important to reflect Hafnia's Environmental, Social and Governance (ESG) impacts, or influencing the decisions of stakeholders. Materiality can also be determined by international standards and agreements, broader societal expectations, and by our influence on upstream entities, such as suppliers, or downstream entities, such as customers and shipyards. A list of 16 material topics was consolidated through formal and informal discussions with multiple stakeholders, and forms the foundation of our sustainability approach.

Left: Hafnia's contributions towards the United Nation's Sustainable Development Goals

Our commitments

- Goal 7 Affordable and Clean Energy
- Goal 12 Responsible Consumption and Production
- Goal 13 Climate Action

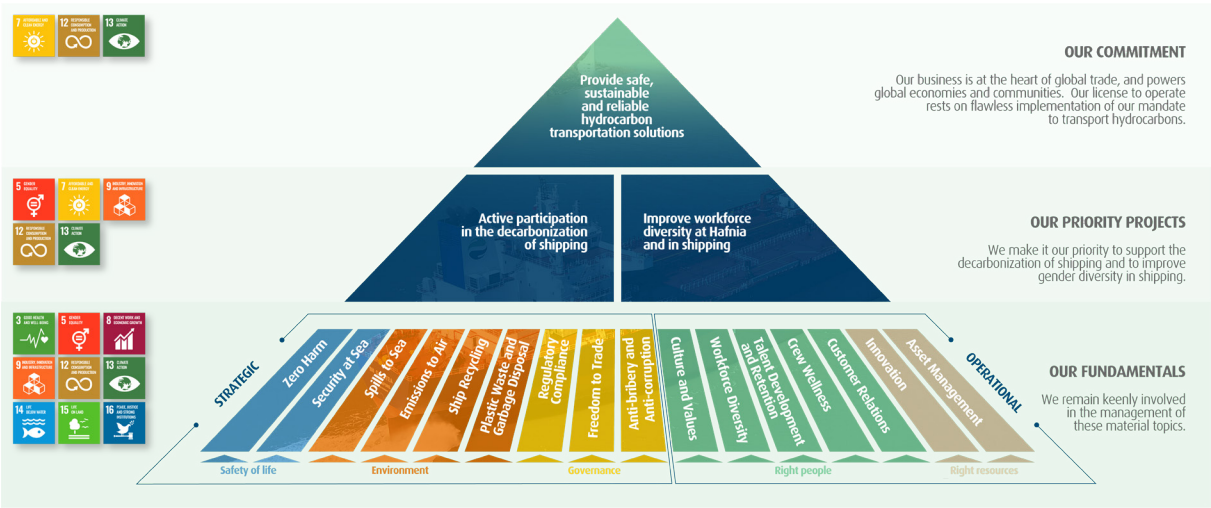
Our priority projects

- Goal 5 Gender Equality
- Goal 7 Affordable and Clean Energy
- Goal 9 Industry Innovation and Infrastructure
- Goal 12 Responsible Consumption and Production
- Goal 13 Climate Action

Our fundamentals

- Goal 3 Good Health and Wellbeing
- Goal 5 Gender Equality
- Goal 8 Decent Work and Economic Growth
- Goal 7 Affordable and Clean Energy
- Goal 9 Industry Innovation and Infrastructure
- Goal 12 Responsible Consumption and Production
- Goal 13 Climate Action
- Goal 14 Life Below Water
- Goal 15 Life on Land
- Goal 16 Peace Justice and Strong Institutions

ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS



Above: Hafnia's Sustainability Approach

At the top of our sustainability approach lies our commitment as a company to sustainable development – the provision of safe and reliable hydrocarbon transportation solutions for our customers. Our business is at the heart of global trade, and we focus on delivering energy to world markets, even as we look to the future and explore what it means to pursue sustainable development as a shipping company.

In 2019, we made it our priority to actively participate in the decarbonization of shipping, and to improve workforce diversity at Hafnia. These two topics will be the subject of special focus in this chapter. Our material topics touch directly or indirectly on many of the UNSDGs and the next table shows our efforts in this regard.

Singapore flagged BW Galatea, one of Hafnia's newbuilds delivered in 2019 and built with energy-saving equipment such as rudder bulb, and mass flow meters (MSM) in its fuel lines.

Material issue	Zero Harm	Security at Sea	Spills to Sea	Emissions to Air
Importance	Fundamentals/ Strategic/ Safety of Life	Fundamentals/ Strategic/ Safety of Life	Fundamentals/ Strategic/ Environment	Fundamentals/ Strategic/ Environment
UNSDG				
Targets met?	◖	●	●	●
Goal	To achieve Zero Harm to People, Environment & Property with a commitment to return safely to our families and friends	To protect our crew and assets from risks in troubled times and waters	To protect our oceans and seas from pollution arising from our operations	To reduce our environmental impact and comply with all global emissions regulations
2019 targets	- 0 fatalities - 0 Lost Work Case Injury - Continuous improvements in all safety related areas - Ingrain all Zero Harm initiatives into Hafnia's work culture	- 0 fatalities due to security incidents - 0 casualties due to security incidents - 0 days lost due to security incidents	- 0 spills to sea - 100% compliance with IMO Ballast Water Management Convention - 100% compliance with MARPOL Annex I (oil), II (noxious liquid substances), and IV (sewage) regulations - 100% compliance with internal waste management policies	- Full compliance with IMO2020 emissions regulation to burn fuels with sulphur content below 0.5% - Continuously improve vessels' energy efficiency
2019 progress	- 0 fatalities - 5 Lost Work Case Injuries[1] - Completed Safety Culture Survey to assess strengths and weaknesses in fleet culture - Established Visible Leadership program	- 0 fatalities due to security incidents - 0 casualties due to security incidents - 0 days lost due to security incidents	- 0 spills to sea - 100% compliance with IMO Ballast Water Management Convention - 100% compliance with MARPOL Annex I (oil), II (noxious liquid substances), and IV (sewage) regulations - 100% compliance with internal waste management policies	- Installed 3 scrubbers - Announced participation in Getting to Zero Coalition - Successfully transitioned all vessels to low sulfur fuel options - Leveraged on computerised performance system to manage fleet performance
2020 targets	- 0 fatalities - 0 Lost Work Case Injury - Launch Visible Leadership program and senior management ship visits - Arrange 2 drills to improve sea/shore communications	- 0 fatalities due to security incidents - 0 casualties due to security incidents - 0 days lost due to security incidents - 1 drill involving piracy scenario1 drill with piracy scenario	- 0 spills to sea - 100% compliance with IMO Ballast Water Management Convention - 100% compliance with MARPOL Annex I (oil), II (noxious liquid substances), and IV (sewage) regulations - Introduce environmentally-friendly detergents	- Actively participate in Getting to Zero Coalition - Introduce initiatives to reduce emissions from shore - 25 dry dockings to optimise vessel performance - Continuously improve vessels' energy efficiency

[1] *We regret to report 5 Lost Work Case Injuries in 2019. Full investigations and Root Cause analyses were done for all cases, and learnings were shared fleetwide. These 5 cases did not involve loss of body parts.*

Material issue	Ship Recycling	Plastic Waste & Garbage Disposal	Regulatory Compliance	Freedom to Trade
Importance	Fundamentals/ Strategic/ Environment	Fundamentals/ Strategic/ Environment	Fundamentals/ Strategic/ Governance	Fundamentals/ Strategic/ Governance
UNSDG	8 9	12 14 15	13 14 16	8 16
Targets met?	●	●	●	●
Goal	To ensure that all ship recycling is conducted in compliance with the Hong Kong Convention	To ensure clean seas and reduce plastic waste[2] on board and ensure compliance with international sewage regulations	To ensure full compliance with relevant international maritime regulations governing shipping and energy transportation including EU MRV and IMO DCS Reporting	To observe political developments carefully, influence government and regulatory bodies actions where possible and comply with sanctions
2019 targets	- Commit to comply with the Hong Kong Convention for all ship recycling initiatives - 100% compliance with Hong Kong Convention	- 0 non-compliance with MARPOL Annex V (garbage) regulation - Reduce plastic waste by 2% below 2018 level (19.11 m3/vessel)	- 0 non-compliance with relevant international maritime regulations governing shipping and energy transportation	- 0 non-compliance with relevant international sanctions regarding maritime trade
2019 progress	- Ship Recycling Policy published on website - Completed HK-IMH Certification of all managed vessels	- 0 non-compliance with MARPOL Annex V (garbage) regulation - Plastic waste was 8.8% less than 2018 levels at 17.8 m^3/ vessel	- 0 non-compliance with relevant international maritime regulations governing shipping and energy transportation	- 0 non-compliance with relevant international sanctions regarding maritime trade
2020 targets	- 0 non-compliance with Hong Kong Convention	- 0 non-compliance with MARPOL Annex V (garbage) regulation - Reduce plastic waste by 2% below 2019 level	- 0 non-compliance with relevant international maritime regulations governing shipping and energy transportation	- 0 non-compliance with international sanctions regarding maritime trade

[2] Plastic means a solid material which contains as an essential ingredient one or more high molecular polymers and which is formed during either manufacture of the polymer or the fabrication into a finished product by heat and/or pressure. For the purposes of MARPOL Annex V, "all plastics" means all garbage that consists of or includes plastic in any form, including synthetic ropes, synthetic fishing nets, plastic garbage bags, containers, electrical and electronic components, utensils, and incinerator ashes from plastic products.

Material issue	Anti-corruption and anti-bribery	Culture & Values	Workforce Diversity	Talent Development and Retention
Importance	Fundamentals/ Strategic/ Governance	Fundamentals/ Operational/ Right People	Fundamentals/ Operational/ Right People	Fundamentals/ Operational/ Right People
UNSDG	16	5, 8	5, 8	5, 8
Targets met?	●	●	●	●
Goal	To stand united and eliminate corruption and bribery faced by the maritime industry	To make Hafnia one of the best places to work, where we treat each other with respect and work together to deliver the industry of tomorrow	To create an inclusive work environment and culture where differences are celebrated and cross-cultural best practices are developed	To find and develop people that will thrive within the Hafnia culture and have qualities that can push the business to greater heights
2019 targets	- 0 facilitation payments for Hafnia fleet - Comply with legislation on anti-corrupt practices	- Launch new Culture & Values - Roll out Culture & Values in offices worldwide	- Increase representation of women in senior leadership positions - Increase female crew representation to at least 30 by 2025	- Continue promoting from within - Offer training and talent development opportunities - Identify high potentials early to accelerate d evelopment - ≤10% attrition rate on shore and at sea
2019 progress	- 0 facilitation payments for Hafnia fleet - Rolled out posters and crew communication with tagline "Do Not Ask, We Will Not Pay" - Continued membership in Maritime Anti-Corruption Network (MACN) - Global communication to commemorate UN Anti-Corruption Day	- Culture & Values launched on time and rolled out globally by senior leaders of Hafnia - Workshops were conducted for all shore employees - Created new department called "People, Culture and Strategy" - Continued to run ship training programs - Culture & Values launched on Hafnia managed vessels	- Continued with efforts to build inclusive leadership and engage our employees on the I&D agenda - Appointed one female Board Member - 3 female officers currently in employment - Continued to run cadet programs	- 28 staff promoted, 3 temporary staff moved into full-time positions, 1 staff member offered overseas posting - 8.6% attrition rate on shore - 45% of sea staff vacancies filled through internal promotions - 97% retention rate for sea staff
2020 targets	- 0 facilitation payments for Hafnia fleet - Comply with legislation on anti-corrupt practices - Continue membership in MACN - Global communication to commemorate UN Anti-Corruption Day	- Continue reinforcement of new Culture & Values - All new hires to attend a Culture & Values workshop within their first year with company - All new shore hires to attend a Culture & Values workshop within their first year with company - All new sea hires to attend Culture & Values training on board	- Active member of "Women in Shipping Charter" to encourage women to join shipping - Continue to recruit female officers to meet 2025 target - Continue to run cadet programs	- Continue promoting from within - Conduct ≥3 employee engagement events - ≤10% attrition rate on shore and at sea - Offer training and talent development opportunities - Identify high potentials early to accelerate development - Launch Competency Management System - Continue welfare initiatives such as short crew contracts and medical insurance during leave

Material issue	Crew Wellness	Customer Relations	Innovation	Asset Management
Importance	Fundamentals/ Operational/ Right People	Fundamentals/ Operational/ Right People	Fundamentals/ Operational/ Right Resources	Fundamentals/ Operational/ Right Resources
UNSDG				
Targets met?	●	●	●	◖
Goal	To continuously improve the physical and mental health of our Seafarers	To build trust with customers that we can be relied upon for fast and accurate response to all queries	To encourage a culture of innovation and creativity at Hafnia; and in partnership with peers and start-ups, explore new solutions and offerings in the maritime energy sector	To ensure optimal availability of vessels for our customers
2019 targets	- Fleet-wide implementation of Wellness@Sea Program - Establish emotional helplines for all Seafarers - Educate Seafarers on mental health	- Continued fast and accurate responses to customer queries - 0 negative external feedback on poor customer service - 1 customer appreciation event - 2 Pool Board meetings - 2 Pool Technical meetings	- Foster innovation at Hafnia by encouraging independence of thought regardless of job title and delegating responsibility - Identify inefficiencies and harness quick-wins from available digital resources	- 0 delay in planned dry dockings - ≤2 days unplanned off-hire - 0 Port State Control detention - ≤4 SIRE inspection observations per vessel - 0 delay in planned maintenance on board vessels
2019 progress	- Fleet-wide implementation of Wellness@Sea Program - 3 emotional helplines available - Training on mental health for senior officers started in Indian office	- 0 negative external feedback on poor customer service - 1 customer appreciation event in Geneva - 2 Pool Board meetings - 2 Pool Technical meetings	- Hired 1 headcount to focus on fostering innovation within the organisation - Identified inefficiencies in operations handover and launched digital solution which reduced handover time by 15%	- 5 dry dockings as scheduled for in-house managed vessels - 2.38 days unplanned off-hire[3] - 0 Port State detention - Average of 2.7 SIRE inspection observations per vessel
2020 targets	- All vessels to complete 52-week workbook / activities - Mental health training for Philippines office - Collect and analyse data from use of emotional helplines - Education through Mental Health exercises	- Continued fast and accurate responses to customer queries - 0 negative external feedback on poor customer service - 1 customer appreciation event - 2 Pool Board meetings - 2 Pool Technical meetings	- Appoint 10 innovation agents to champion change internally - Kick-start 1 pilot project with industry peers and/or start-ups focused on decarbonization	- 0 delay in planned dry dockings - ≤2 days unplanned off-hire - 0 Port State detention - ≤4 SIRE inspection observations per vessel - 0 delay in planned maintenance on board vessel

[3] *Upgrade of elderly tonnage added to off-hire days.*

8.4 Our focus and our initiatives

8.4.1 The journey towards decarbonization

As a user of fossil fuels, and a leading player in their global carriage, Hafnia has a pivotal part to play in the decarbonization of the shipping industry. Sustainability is not about making sacrifices in the face of challenges and regulations – rather, it is about making economic sense and capturing business opportunities. We continue to work hard to comply with all relevant global regulations governing emissions[4] and safe carriage of hydrocarbons. Compliance makes business and financial sense because it impacts our license to operate; but more importantly, it is also the right thing to do.

Because it is the right thing to do, we take our efforts at minimizing environmental impact in general, and decarbonization in particular, seriously – implementing measures, in a structured way and tracking them using five-year environmental management plans. Measures include investments in modern tonnage with lower fuel consumption and in new technology which will allow us remote access to real time voyage statistics, as well as the ability to harness insights from data collected over many years of fleet management.

Investments in modern tonnage

We also continue to scrutinise the granular – making physical changes to propellers, adopting new paint technology, tweaking engine tuning, utilizing autopilot, vessel trim and weather routing to make our ships run more efficiently and make every drop of fuel count. The next two tables summarize our efforts in the last five years on the operations front at reducing our environmental impact, and our environmental performance data in 2019[5].

These measures help move Hafnia in the right direction towards decarbonization of our business activities. It also leads us to conclude that sustainable development at Hafnia must include the decoupling of growth from emissions. How can we juggle a seemingly impossible goal – that as our fleet grows and ages, emissions cannot correspondingly follow but must instead decline?

Below: Summary of environmental innovations, 2014-2019

DSME duct fitting before propellers	Variable frequency drive for big fans, pumps & steering gear
Propeller boss cap fins	Twisted leading edge rubber bulb
Increased propeller diameter	Waste heat recovery unit for generators
Fixed online PMI system for optimising main engine fuel consumption	Advanced hull design, hydro-dynamic, computational fluid dynamics optimisation
De-rated main engines for improved fuel efficiency	Ballast water treatment systems
Grey water modification	Advanced hull anti-fouling paint

[4] *Which places a 0.5% global sulphur cap on marine fuels.*

[5] *We begin with 2019 as it is the year we merged our legacy companies.*

Right: 2019 is the first year after the merger for Hafnia[6]

	Unit	2019
Vessel Emissions and Indicators		
Number of owned vessels at the end of the year	No.	89
Oil use and generated CO2 emissions		
Used HFO	metric ton	383,202
Used LSHFO	metric ton	24,066
Used MGO	metric ton	81,128
Generated CO2 emission from vessel	metric ton	1,529,223
NOX	metric ton	79,586
SOX	metric ton	21,095
Distance sailed in NM	NM	4,594,384
CO2 Emission in grams per ton-nm (Based on Capacity Work)	g/Ton-km	5.82

The answer lies in a mix of human ingenuity and data analytics. In 2019, guided by data and augmented by deep maritime expertise, we undertook a study to understand our carbon footprint and produced a roadmap to take full control of efforts to ensure that as we continue to grow, with our right and planned initiatives, we will also comfortably meet IMO 2030's target of reducing carbon intensity by 40% by 2030, compared to 2008 IMO baseline[7].

Above: Hafnia, a company at the forefront of transforming ships into digital enterprises. Its platform, SmartShip, allows for real-time tracking of voyage performance and insights, and for early detection of possible equipment malfunctions and proactive maintenance efforts.

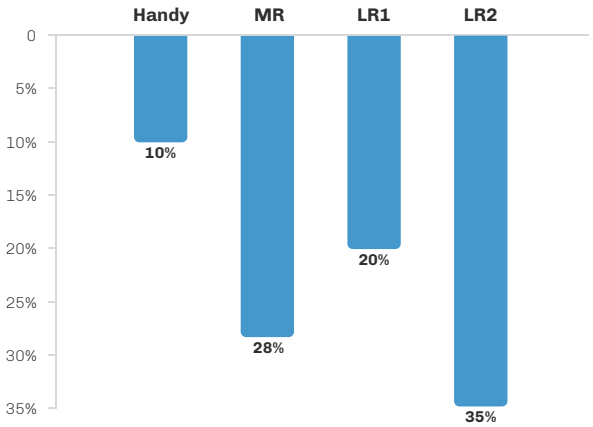
[6] The following are mathematical assumptions used in our calculations:
SOx: 2.7% Sulphur is considered for HSHFO, 0.5 % Sulphur for VLSFO & 0.1 % Sulphur for LSMGO.
NOx: IMO Tier II, 14.4 gms / kWh is used. Computed Fuel energy is used for kWh calculations.
Energy Calculation: Specific energy 40.4 MJ / Kg is used for HSHFO, 41.2 MJ/Kg is used for VLSFO and 42.2 MJ/Kg for LSMGO.
CO2 Emission in grams per ton-nm (Based on Capacity Work) is calculated as Annual Efficiency Ratio (AER). It is a weighted average of all the Fleet Vessels.

$$AER = \frac{\Sigma_i C_i}{\Sigma_i dwtD_i}$$

Where Ci is the carbon emissions for voyage i computed using the fuel consumption and carbon factor of each type af fuel, dwt is the design deadweight of the vessel, and Di is the distance travelled on voyage i. The AER is computed for all voyages performed over a calender year.

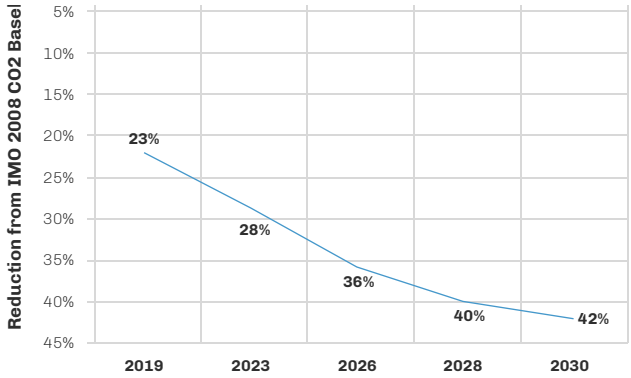
In 2019, across Hafnia's owned fleet, our carbon intensity was 5.82 grams/ton nautical mile (T NM), which is 23% below the present IMO 2008 baseline[8]. We have set a goal to reach IMO 2030's target by 2028, by reducing our carbon intensity to 4.54 gms/T NM. To reach our goal, standard vessel optimisation efforts will be supplemented with additional initiatives such as intermittent drydockings and opportunistic fleet renewals[9]. The table below breaks down our carbon intensity figures by fleet type and provides details on what we plan to do in 2020 as part of our eight-year road map towards IMO 2030 compliance.

Hafnia CO2 intensity reduction status in 2019 as compared to data based on IMO 2008 inventory



Left: Hafnia's roadmap to IMO 2030 carbon i ntensity target

Hafnia CO2 reduction pathway for 2030 compliance



[7] The target is to reduce carbon dioxide emissions per transport work, as an average across international shipping. Carbon intensity is calculated in the same way as Annual Efficient Ration (AER) which is CO2 (gms)/Deadweight Ton Nautical Mile (T NM) MEPC 67/5/4

[8] This baseline may change.

[9] Carbon intensity of newbuilds must decline to comply with mandatory IMO EEDI requirements. EEDI refers to the energy efficiency design index for newbuilds.

Right: Hafnia owned vessels and their carbon intensity

Fleet Type	LR2	LR1	MR	Handy
Number in fleet	6	31[1]	41	13
Average age (years)	0.7	10.1	5.8	9.9
2019 Carbon intensity (gms/T NM)	3.30	5.35	6.02	7.51
2019 Percentage below 2008 baselines	35%	20%	28%	10%
Carbon intensity – IMO 2030 target	3.08	4.03	5.02	5.02
Hafnia 2020 targets	- Continued fleet optimisation	- Continued fleet optimisation - 4 dry-dockings	- Continued fleet optimisation - 15 dry-dockings	- Continued fleet optimisation - 6 dry-dockings

[1] *Including four LR1 vessels owned in the Vista joint venture and six bareboat-in vessels.*

The next section showcases the data-centric approach in optimising vessel performance, with a highlight on BW Kronborg, a 2007-built LR1 product tanker.

8.4.2 Safeguarding the environment with big data

Managing one of the world's largest fleets of product tankers means a diverse vessel profile – from technically-advanced newbuilds to older vessels in need of closer management for optimal performance. In 2015, Hafnia implemented a computerised performance system fleetwide to make sense of the enormous amount of data collected over the years. The system takes multiple factors into consideration when analysing performance, and among other functionalities, flags vessels which may be underperforming. It compares data reported by vessels against theoretical potentials and indicates any deviation in percentage terms. With regular input of operational data, the system provides insights into a myriad of operational trends and general machinery health of equipment (such as boilers, main engines and auxiliary engines), to pre-empt possible catastrophic failure of equipment out at sea. In addition to general optimisation, the system is also used to generate reports to ensure compliance with all regulations, and in the allocation of pool points. It also allows for weather routing, speed optimisation and for training of and communicating with onboard teams.

BW Kronborg was flagged as an "under-performing" vessel through data analytics. She was built 13 years ago, and it has been about three years since her last dry dock. Her hull is fouled and the anti-fouling paint destroyed, which is causing excessive fuel consumption when compared with peers, at a rate of approximately 50 MT/day when laden, and 38 MT/day in ballast at 12 knots. With experienced crew and shore colleagues in frequent dialogue, her under-performance was noticed and intervention measures discussed and she was scheduled to undergo intermediate dry docking.

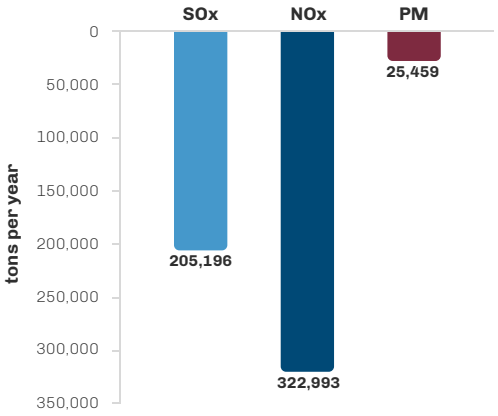
Hafnia usually dry docks vessels every five years with intermediate surveys taking place in between – a practice which allows us to provide well maintained vessels for our customers. Dry docking is a costly but essential part of fleet management. The process of dry docking involves taking a vessel off-service and sailed to a yard where it would be berthed and water drained so that submerged portions of the vessel, or areas which would otherwise be difficult to access at sea, can be maintained or replaced. Vessels are also given fresh coats of paint, including an anti-fouling layer, during dry dockings. Once the vessels are put back into service, they are more eco-friendly and fuel-efficient.

Since 2015, years of award-winning fleet management experience have been augmented by a computerised performance system, which goes a step further and allows for predictive analyses, where potential problems are flagged by the system and issues are managed before they become operational concerns.

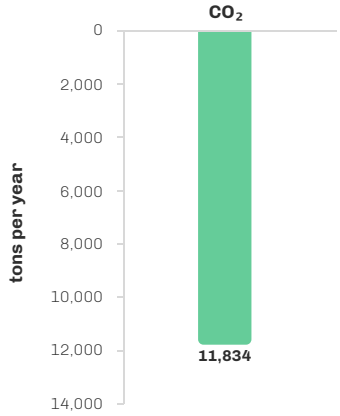
The management of BW Kronborg is a good example of how we can complement deep operational experience with the smart use of data to reap both financial and environmental rewards. This initiative is estimated to reap approximately USD 3.4 million in fuel savings in two years due to reduced fuel consumption, and importantly, we would have reduced carbon dioxide emissions, in this two-year period, by approximately 12,000 tons per year.

Below: Diagram 5 – Emissions reduction and increased savings for BW Kronborg

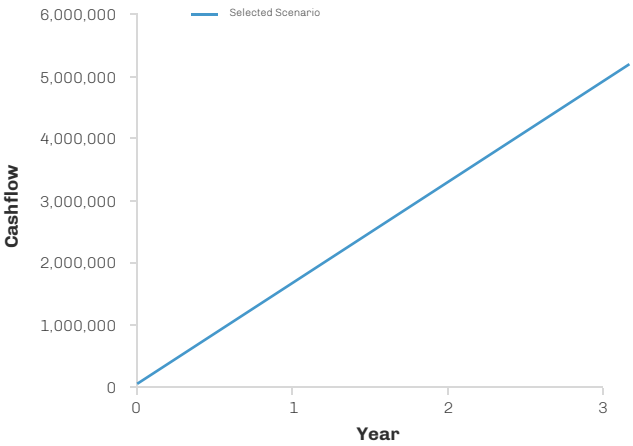
CO2 Reduction intermediate docking



Reductions in air emissions – Intermediate docking



Potential saving for the pool



8.5 Workforce diversity in shipping

Hafnia is committed to cultivating and preserving a culture of diversity and inclusion. The collective sum of individual differences, life experiences, knowledge, unique capabilities and talent that our employees invest in their work represents a significant part of our company culture and reputation. Hafnia embraces differences in age, ethnicity, family or marital status, and all other characteristics that make our employees unique.

In 2019, Hafnia is proud to sign up to the Charter for More Women in Shipping, an initiative organised by Danish Shipping to encourage more women to join the shipping industry. A "Taskforce for More Women at Sea" has also put together ten recommendations that aim to help attract new women and to retain those who are already working in the industry. As a signee to the Charter, Hafnia will commit to establishing goals for the number of women in our employment and to drawing up concrete actions that they will undertake to reach these goals.

From time to time, the topic of gender representation comes up in maritime forums. Anecdotally, people mention the "sea of men" at shipping conferences, or that sailing crew are disproportionately male. Be it legacies of tradition, culture, politics or religion, many professions and industries are associated with specific genders. And rather than piecing together the history and politics shaping the gender bias in the maritime and shipping industries, Hafnia proudly shines the spotlight on some of the women leading at Hafnia – strong, capable individuals who are true ambassadors of Hafnia. A common theme emerges among these women, that character, tenacity and attitude should take centerstage. Key lessons will inspire all readers, both male and female.

Mette Praest, General Manager, Handy & MR Operations represents Hafnia at the signing of the Charter. Pictured with her is Mogens Jensen, Danish minister for Food, Fisheries and Equal Opportunities

10 recommendations from the women in shipping charter

1. Set specific targets

If you genuinely want to change the distribution of men and women in the industry, setting specific targets to achieve that is necessary.

A specific target as well as action plans that outline how to achieve it send a strong signal that you are serious about it. It is also key to bringing about a change in behaviour.

The taskforce for more women at sea recommends

The taskforce for more women at sea recommends

That shipping companies and educational institutions set specific targets for the number of women in their organisation and outline the specific initiatives required to achieve those targets.

2. Management should take the lead

Setting targets for more women in the staff pool requires some organisational changes, including behavioural or cultural changes. The idea is to create a common desired culture in the organisation that facilitates its goals, strategies and conduct.

The taskforce recommends that the initiatives and changes that are launched should be anchored in management. If the management team does not set the course and lead the way themselves, change rarely happens. All levels of management in the shipping company should get involved and be made responsible for the cultural change.

The taskforce for more women at sea recommends

- That diversity-related workplace initiatives are anchored at the senior management level of the shipping company. It is also recommended to maintain close communication with the ship officers, which should function as a natural extension of the targets set by the company.
- To organise in-service training for the ship officers and senior officers on diversity and inclusion. In addition, the taskforce recommends setting targets for how many senior officers should complete the in-service training and that the ship officers should be assessed on the basis of employee satisfaction and retention rates, particularly in relation to female seafarers.
- That the same in-service training requirements and setting of targets apply to any ship and crew managers.

3. Support the women

It can be a major transition to join a ship's crew, especially if it is the first time and you are the only woman among them. Therefore, it can be helpful to focus individually on the female crew member with support, mentoring and other measures that can ensure they have access to any help they require.

The taskforce for more women at sea recommends

- That shipping companies and educational institutions actively support women who join ship's crews. Prepare a good onboarding process, offer a mentor, review the shipping company's staff policy, complaints procedure, etc.
- That shipping companies strive to add more women to a crew.
- That shipping companies ensure that everyone on board is aware of the company's values relating to diversity and inclusion and is ready to support the female crew members.
- That the shipping companies strengthen the female employees' attachment to the workplace during and after maternity leave.

4. Clean up language and eliminate prejudices

Language plays a role in defining which gender is being addressed. Therefore, it can be useful to more closely consider how a company communicates in order to switch out highly gender-based expressions with more gender-neutral ones so that no one feels excluded.

It should be stressed, however, that with this recommendation the taskforce is not suggesting that we abolish genders. In this context, gender neutralisation refers exclusively to equality, equal opportunities and reducing the number of obstacles based on gender.

The taskforce for more women at sea recommends

- That shipping companies and educational institutions actively support women who join ship's crews. Prepare a good onboarding process, offer a mentor, review the shipping company's staff policy, complaints procedure, etc.
- That shipping companies strive to add more women to a crew.
- That shipping companies ensure that everyone on board is aware of the company's values relating to diversity and inclusion and is ready to support the female crew members.
- That the shipping companies strengthen the female employees' attachment to the workplace during and after maternity leave.

5. Raise awareness of career opportunities

In its dialogue with a number of female role models, the taskforce has found that knowing what career opportunities exist is crucial when women choose their educational track and job.

There are many opportunities to pursue a career in the Blue Denmark, but not all career paths are equally apparent. Similarly, there is also an inadequate level of awareness of opportunities that exist for in-service training.

The taskforce for more women at sea recommends

- That maritime educational institutions and shipping companies raise awareness about the many career paths that exist within Blue Denmark.
- That the shipping companies facilitate an open dialogue on career change opportunities (e.g. from sea to shore or vice-versa) that facilitate a good work-life balance.
- That Danish Shipping should work on providing opportunities for retaining/recovering/maintaining certificates of competency aftera period on land.

6. Rethink the recruitment process

The taskforce has worked with proposals on how shipping companies and maritime educational institutions can include the aspect of diversity in their recruitment and hiring processes, as these can often be marked by unconscious preferences and prejudices.

The taskforce for more women at sea recommends

- Taking into account the diversity checklist below in the hiring process.
  – Is the vacancy listing formulated in a way that appeals to both men and women?
  – Is the interview panel/hiring committee composed of both men and women?
  – Do the applicants who have been called in for an interview include both men and women?

7. Make use of role models

Role models can play a major role in a person's choice of educational programme and/or workplace, and more generally, how they learn and develop. The importance of role models is accordingly high in relation to 'progressing' in life and ensuring that there is someone we can see ourselves in and identify with.

The taskforce for more women at sea recommends

- That World Careers continues and expands its use of female role models and ensures that there are role models of both genders present at events and all social platforms.
- That shipping companies make use of both male and female role models and encourage/support them in sharing their experiences and career tracks on relevant platforms.
- That male role models be actively used to articulate the need for and desire for more diversity at sea in a way that female candidates and staff feel welcome and valued.

8. Offer in-service training

If seafarers find their life situation or career goals changing, a transition from sea to shore – provided the attachment to the industry can be maintained – may be the solution. Currently, there is no general guidance on how to prepare for a shore based job in terms of competences, which can act as a deterrent for women in particular.

The taskforce for more women at sea recommends

- That maritime educational institutions and other relevant parties create an overview of and draw attention to the in-service training and continuing education opportunities that already exist.
- That educational institutions develop relevant, modular in-service training courses that can bridge the gap between a career at sea and on shore in line with demand and provided that they are not already included in their course offerings.
- That shipping companies back the principle of life-long learning and support relevant in-service training/courses for seafarers who have expressed a desire or need to take a new direction in their career.
- That Danish Shipping continue its work on eliminating dead ends in the education system and facilitating as much flexibility and accessibility as possible in relation to maritime education.

9. Stand up to harassment and bullying

A crucial factor in retaining female personnel at sea is to ensure that the company and its staff have a clear set of values that include a zero-tolerance attitude towards harassment, etc., and that the company takes efforts to ensure a healthy and safe working environment seriously.

The taskforce for more women at sea recommends

- That shipping companies have a clear policy (in writing) on harassment and bullying being unacceptable. The policy can be made more effective by including possible examples of conduct that is considered harassment and/or bullying, as well as the associated consequences of such conduct if the company learns that it has or is taking place. It should also clearly state where and to whom such conduct or incidents should be reported.
- That shipping companies ensure that all their employees are aware of the bullying policy, such as through employee meetings, officer seminars or other events where employees are brought together, making it clear to everyone that bullying is an important issue that the management takes seriously.
- That the issue of harassment and bullying is incorporated into the compulsory components of all maritime educational programmes.

10. Manage conflicts properly

While it is important to have an explicit policy stating that harassment and bullying are unacceptable, it is just as important to have a clear procedure in place in the event of conflicts occurring in the workplace. Unresolved conflicts can destroy the dynamic and flow of the workplace and end up costing countless hours of lost productivity from employees as a direct conse-quence thereof. In addition, unresolved conflicts can lead to good employees leaving the workplace and harming the reputation of the company.

The taskforce for more women at sea recommends

- That shipping companies establish a clear complaints procedure that is accessible to all staff.
- That shipping companies ensure that complaints are dealt with quickly, uniformly and with dignity, and with clear communication throughout a complaint procedure.
- That shipping companies encourage their crews to draft and sign a joint statement that harassment and bullying are not tolerated on board their ships.

Below: Celebrating workforce diversity at Hafnia

Total Workforce 1801

Total Workforce on Shore 160

Total Workforce at Sea 1641

Gender Diversity (On Shore)

108

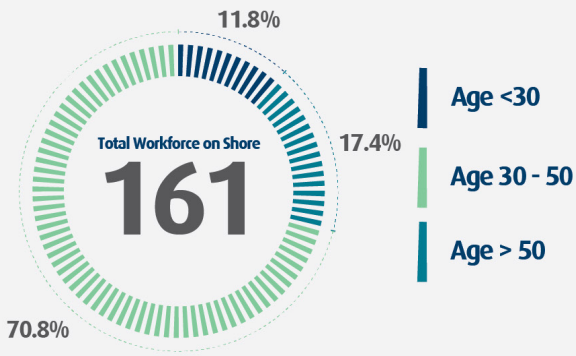
52

Gender Diversity (Sea)

1638

3

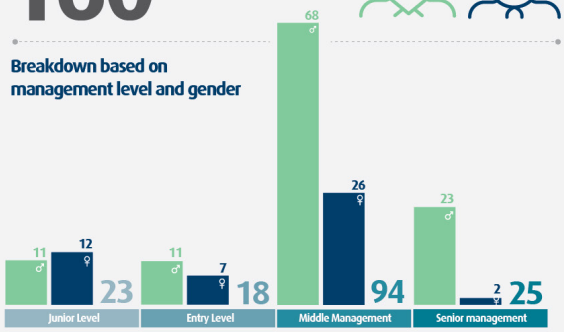
Percentage of Employees on Shore



Total Workforce on Shore

160

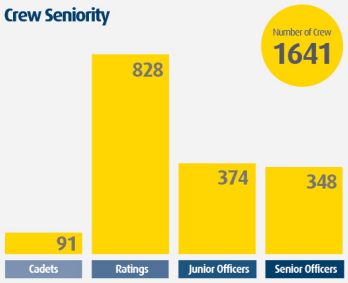
Breakdown based on management level and gender



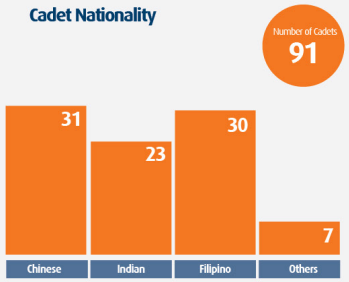
Total Workforce at Sea

1641

Crew Seniority



Cadet Nationality



Employee Nationality

1801

Employees from

25

Nations

8.5.1 Sustainability and diversity – the recipe for success:

Ouma Sananikone, Board Member

How do you think sustainable development looks for Hafnia and more broadly, for the shipping industry?

Ouma Sananikone (Ouma): A company's commitment to sustainability underscores its responsibility to its stakeholders and is an important driver of its engagement with its clients, employees, the communities in which it operates, and how it conducts its business.

The right mindset and resources in addressing social and environmental issues grants a company or an industry continued permission to operate, helping to ensure its relevance, vitality and success, while building long term-value by being mindful of its impacts on people, society and the environment, and adopting the right strategy, fostering a positive culture, setting a clear framework today, in order to thrive tomorrow.

Handling 90 percent of world trade, the operations of the maritime industry have global economic and social impact. As such, the maritime industry is uniquely positioned with both the responsibility and opportunity to take a leadership position in its approach to ESG. The shipping industry can i) partner with stakeholders, including industry groups, to identify industry-wide solutions to manage environmental and social risks; ii) contribute to best practices; and iii) work with international and national bodies to frame regulations. Hafnia will i) set a robust ethical business framework; ii) adopt a clear strategy and ambitious goals, well defined metrics, beyond compliance; iii) continue to search for more efficient work practices, and better and innovative solutions in addressing the management of environment and social risks, workplace safety and wellbeing, sustainable operations, markets and products; iv) practice transparent reporting that includes measurement of progress against goals and industry/best practice benchmarks; and v) lead with best practices.

What are your thoughts on workforce diversity, and its importance to Hafnia and the shipping industry? How does diversity translate into a strategic advantage?

Ouma: Workforce diversity is essential to the success of any organisation, and particularly for Hafnia, a company that operates globally, to ensure its business remains competitive, innovative, sustainable, and meets the evolving needs of its clients and stakeholders. At Hafnia, we value the innovation and creativity that cognitive diversity brings and are committed to fostering such a culture. With keen competition for skilled workforces, people can choose where they work. Hafnia's positive, diverse and inclusive culture, its alignment with the United Nations Universal Declaration of Human Rights, and Sustainable Development Goals, as well as its focus on and investment in staff's safety, wellbeing and professional learning and development, makes it an employer of choice, and helps it retain and attract quality staff.

A vibrant, diverse and inclusive environment gives its people energy, and enthusiasm to achieve. It inspires them to create and find the best solutions for the company, its clients, and stakeholders. Hafnia's workforce includes individuals from varied backgrounds with different skill sets, experiences and ways of thinking. That range of experiences, skills and perspectives are key strengths and critical to the range of services that Hafnia delivers across the globe, as well as understanding the communities in which it operates.

What would be your advice, for both men and women, who wish to aspire towards greater professional achievements?

Ouma: To succeed in whatever we do, we must have clarity of purpose and direction. We must recognise the difference between a wish and a goal – be clear about what you wish to achieve and set goals to get there. There must be 100 percent commitment, accountability and personal responsibility. Plan, prepare, set objectives and timelines, act, track progress, obtain and listen to feedback. Develop the skills, focus and determination required to achieve your goals, and ensure you create a positive personal impact and deliver outstanding performance.

Several personal attributes will also help you along your journey. First, ***communicate effectively*** – set the right tone, understand your audience, and articulate your message effectively so it is clearly understood. Learn to listen, influence and inspire. Second, ***build relationships with stakeholders*** – know them, their

requirements and perspectives. Success is rarely achieved alone so be collaborative. Third, ***be passionate and curious*** – the world changes fast (think technology, geopolitics, information), so remain curious about your environment, and continue to learn and grow. Be an expert in a particular field, but also aspire to be a good generalist across many areas. Work fills a large and important part of our life, so work in companies with the right values and love what you do! Finally, ***show leadership and character*** – be courageous, optimistic, a good listener, empathetic, build a great team, care about your environment and community, and pursue initiatives that are impactful.

8.5.2 Finding your niche:

Dorte Thuesen Christensen, Vice President, Operations and Claims

The shipping industry is still largely perceived as male-dominated. What attracted you to this industry?

Dorte Christensen (Dorte): I was primarily attracted to the prospect of an international career, where I would be trusted and empowered relatively early with significant responsibilities. I wanted a challenge, and I was looking forward to continuing my leadership journey from the Danish air force, but in a commercial setting.

What are your responsibilities at Hafnia, and how does a typical day look like?

Dorte: I am responsible for Commercial Operations and Claims, and we have five teams in three locations and our Claims Team in two locations. We run Operations via dedicated geographical teams, where we support our customers in their time zone. With local operations leads to support the teams on day-to-day matters, I have spent a lot of time in the first year focusing on integration after the merger – getting our procedures aligned, adjusting systems and reorganising all our legacy BW Tankers vessels into the pools. I also took time to look at our business more strategically; how do we get more competitive with 176 vessels, benefit from our scale and get best practices shared across our various locations and segments.

There is no typical day, however I do try to structure my day to manage different time zones. Seated in Copenhagen, I reach the office early to connect with Singapore. I try to invest a lot of time in talking to people, even if this is via Skype or Facetime as I believe that we get more out of a conversation where we can see each other, than one just over the phone. Currently, I am also overseeing the Houston team as the local operations manager is on maternity leave.

Why should diversity be an important corporate concern for an organisation?

Dorte: I believe you can only nurture a continuously high-performing team if you have diversity. Diversity comes in many forms – background, nationality, gender, age, experience etc. You need different people to create the best results, as they have different perspectives and ideas, and through shared conversations, we come up with better solutions for our customers.

Do you have any advice for women either thinking of embarking on a career in the industry or looking to advance into a management position?

Dorte: My advice applies to everyone. Do it. Do it for yourself, and not for the expectation of family or friends. Find your edge. Know yourself and your strengths and weaknesses. In my view, a fantastic career does not necessarily mean managerial responsibility. Anyone can be a star performer. If you do aspire to go into a managerial position, be a leader, even before you get the mandate; aim to be inspiring and motivate and support peers and younger colleagues. Share your experience and be curious about the perspectives of others.

When you get a managerial position, continue to be a leader and show the way; remove obstacles and give your team stretch targets. I get a kick out of seeing my team succeed, when they pull white rabbits out of a hat, deliver on a difficult task and support each other. All these make me proud and give me a sense of achievement.

I have five leaders reporting to me, two of them are also women who are also mothers to young children. They have found a way to be frontline female leaders in shipping. It can be done, and there is no secret recipe; it comes with prioritisation and accepting that you are not going to be there for everything.

8.5.3 Breaking the mold:

Almitra Korgaonkar, Second Officer

Tell us a little about yourself

Almitra Korgaonkar: I completed my 12th grade examination in India in 2007 and signed up for pre-sea training. This was followed by cadetship and a concurrently completed bachelor's degree in Nautical Sciences. I have been sitting for various examinations since then, such as Second Mate and First Mate certification. I am currently preparing for Master's certification. I am the only daughter of my parents. My father is a project consultant and my mother is a freelancer in advertising and marketing. I was married in 2015, and my husband is a seafarer too. He sails in the BW LPG fleet as a Second Officer. To balance family life, we try to sync our contracts so we are at home at around the same time.

> "I am very happy that I am now specialising in this field"

What led you to career at sea?

Almitra: I have always wanted to do something different and challenging. I had known about the merchant navy through a relative and the idea of working on a ship has always fascinated me.

What qualities does one need to be a Chief Officer?

Almitra: On the educational and professional front, you will need to study science with physics, chemistry and mathematics; followed by a bachelor's degree in nautical science. With that, you will join a shipping company as a cadet, and from there pass a series of competency exams to progress through the ranks. On the personal front, you must be able to live alone and away from family for long periods. You must be resilient and be able to perform under pressure. You must fully embrace life at sea and always be eager to learn and thrive even when facing changing weather conditions and time zones. Also, you should understand some elements of human psychology – as we are usually about 18 people on board, with everyone away from home, we can sometimes feel lonely. It is vital to treat everyone as your second family onboard, the vessel as your home away from home, support each other and perform as a team.

What were some of the challenges you faced in your career?

Almitra: Merchant shipping is an overwhelmingly male dominated industry, and not all shipping companies hire women. There was a time when I was at home for more than a year, waiting for the opportunity to sail at sea. During that period, I was stressed, but I used that time to update my knowledge and focus on other aspects of life. Fortunately, I was then employed by BW Tankers and now Hafnia and have looked forward ever since.

What has been your experience being a female crew member at sea?

Almitra: Being the only female onboard comes with its pros and cons. It also depends on the kind of team you have on board and the relationships you develop. You meet a variety of people at sea; some are encouraging and some less so. Dealing with prejudices and trying to be accepted by the rest of my crew used to be difficult during my earlier years. But with years under my belt, I've learnt how to manage difficult situations better, and convince my teammates that I am well suited for my job at sea and this means being extra cautious while doing my job, proving my competency and performing better than my peers.

STOP BRIBERY AND CORRUPTION

Do not ask. We will not pay.

Hafnia is part of the Maritime Anti-Corruption Network (MACN) - a global business network tackling corruption in the maritime industry. We have a strict anti-corruption policy, with **ZERO TOLERANCE for bribery**. This means that our Masters are under instructions not to make any payments or give any gifts. Any such demands will be reported.

For information on Hafnia's Anti-Bribery policy, visit **www.hafniabw.com**

For information on MACN, visit **www.maritime-acn.org**

HAFNIA
Member of BW Group

MACN

9 Governance
Maintaining control and mitigating risk

9.1 Corporate governance report

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 17 October 2018 issued by the Norwegian Corporate Governance Board. The Code is available at www.nues.no.

Overview of the Company's compliance with the Code:

Section of the Code		Deviations
1	**Implementation and reporting on corporate governance**	None
2	**Business**	The Company's objective are wider 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 and transactions with close associates**	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**	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**	Share based remuneration of executive personnel does not require the approval of the annual general meeting
13	**Information and communications**	None
14	**Take-overs**	None
15	**Auditor**	None

9.1.1 Implementation and reporting on corporate governance

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

It is the view of the Board of Directors (the "**Board**") that the best interests of the Company and its stakeholders are best served by the implementation of business policies and practices which are in compliance with applicable Legislations, regulations and ethical and corporate governance guidelines. Further, the Company aims to keep all dealings with customers, potential customers and other third parties transparent and compliant. To this end, Hafnia has implemented policies that are designed to be fair and in accordance with leading market practices on stakeholder relationships and accommodating to the reasonable expectations of its stakeholders.

Hafnia is primarily governed by the Bermuda Companies Act, its Memorandum of Association and its Bye-laws. Certain aspects of Hafnia's activities are governed by Norwegian law pursuant. In particular, 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.

9.1.2 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 objects as set out therein are wider and more extensive than recommended in the Code.

The Board sets clear objectives and strategies for the Company and defines its risk profile, while the Company's executive management implements and ensures compliance with the Board's determinations. Hafnia's objectives, strategies and risk profile are evaluated at least on an annual basis. The strategy and objectives of the Company, as well as its corporate governance regime, are cornerstones in the Company's policy to integrate considerations related to its various stakeholders into its business execution and value creation.

Stakeholders may read more about Hafnia's strategy, objectives and risk profile in the Annual Report.

9.1.3 Equity and dividends

The Board monitors the Company's capital structure to ensure that it is appropriate to the company's objective, strategy and risk profile.

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. 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.

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.

9.1.4 Equal treatment of shareholders and transactions with close associates

The Company has one class of shares. All shares in the Company carry equal rights, including the right to vote and participate 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.

Any transactions that the Company carries out in its own shares will be carried out either through the stock exchange or at prevailing market prices if carried out in any other way.

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.

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

9.1.5 Shares and negotiabilty

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.

9.1.6 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 members of the Board, 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.

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.

9.1.7 Nomination committee

As provided for in its bye-laws, the Company will appoint a nomination committee at the 2020 annual general meeting. The Company has already prepared and approved the guidelines for the nomination committee's activities, duties, composition and remuneration.

The nomination committee's duties include to propose 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 seeks to consult relevant shareholders concerning proposals for appointment of candidates.

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 has been implemented to facilitate cooperation between the Nomination Committee and the Board, and to ensure continuity in the Board.

See Section 9.2.7 below for further information regarding the nomination committee and its responsibilities.

The Company will provide shareholders with any deadlines for submitting proposals for candidates to the nomination committee.

9.1.8 Board of directors: composition and independence

An introduction to the members of the board of directors and their expertise is included in Section 9.2.2 of the Annual Report. The Company believes that the composition of the Board ensures that the Board has the required expertise,

capacity, diversity and independence to attend to the Board's duties towards the Company and its stakeholders.

The Board consists of five board members who work together to exercise proper supervision of the Company's business, compliance and performance and the work done by the Company's management. The chairperson of the Board is elected by the shareholders. Four out of five 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.

9.1.9 The work of the board of directors

The Board is ultimately responsible for the management of the Company and for supervising its day-to-day management.

The Board's duties and responsibilities are set out in detail in the Company's bye-laws. The Company has adopted various guidelines for the Board's work, and the Board emphasises clear allocation of responsibilities and duties amongst the board members and between the Board and executive management. The Board has also adopted guidelines for executive personnel.

Directors and officers of the Company and executive personnel 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 of Directors and Executive Personnel cannot consider items in which they have a special and prominent interest so that such items can be considered in an unbiased and satisfactory way. When assessing significant matters in which the chairman of the Board has been actively involved outside of the role as chairman of the Board, another board member will normally chair the discussions regarding such matters.

The Board has established an audit committee consisting of members of the Board, and has adopted guidelines for the audit committee's work. See Section 9.2.4 below 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 compensation paid to executive personnel. See Section 9.2.7 below for further information regarding the members of the remuneration committee and their responsibilities.

The Board aims to annually evaluate its own performance, expertise and cooperation in order to ensure that it fulfils its duties and responsibilities satisfactorily.

9.1.10 Risk management and internal control

The Board is responsible for ensuring that the Company has sound and appropriate control procedures and systems to manage its exposure to the risks that are inherent to the Company's business. Such procedures also support the quality of the Company's financial reporting and compliance with applicable laws and regulations, and shall as such contribute to accommodate the interest of the Company's stakeholders and assets.

In Section 9.3 below, the Company provides an overview of central risks related to Hafnia and its business.

Management and internal control will be 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 management system is central to the Company's internal control and shall ensure that the Company's vision, policies, goals and procedures are known and adhered to.

The Company has frequent and relevant management reporting of both operational and financial matters in place both to ensure adequate information for decision-making and to respond quickly to changing conditions. 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 and 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. These measures (and others) ensure that considerations related to the Company's various stakeholders are integrated in the Company's decision-making processes and value-creation.

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

9.1.11 Remuneration of the board of directors

The remuneration of the Board is decided by the annual general meeting. 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 performance of the Company, 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, board members 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.

9.1.12 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. Such guidelines are not a requirement under Bermuda law, and will therefore not be subject to the approval of the annual general meeting. The deviation is in accordance with common practice for Bermuda incorporated companies and customary for Bermuda incorporated companies listed on the Oslo Stock Exchange. This represents a deviation from Section 12 of the Code.

The remuneration committee annually prepares recommendations to the Board regarding the remuneration to executive management. When preparing its recommendations, the remuneration committee will take into account 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.

Details of the remuneration paid to executive management in 2019 is set out in Note 26 the Company's financial statements for the year ended 31 December 2019.

9.1.13 Information and communications

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 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.

9.1.14 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 Com pany 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 will consider whether to arrange a valuation from an independent expert. If any member of the Board, or 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, the Board will arrange an independent valuation. 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.

9.1.15 Auditor

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

The auditor participates in the audit committee's review and discussion of the annual accounts and quarterly interim accounts, and will annually submit the main features of the plan for the audit of the Company to the Board or the audit committee.

The auditor normally participates in Board meetings that deal with the annual accounts, accounting principles, assess any important accounting estimates and matters of importance on which there has been disagreement between the auditor and the executive management of the Company and/or the audit committee. The auditor shall at least once a year 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 an account to the shareholders 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.

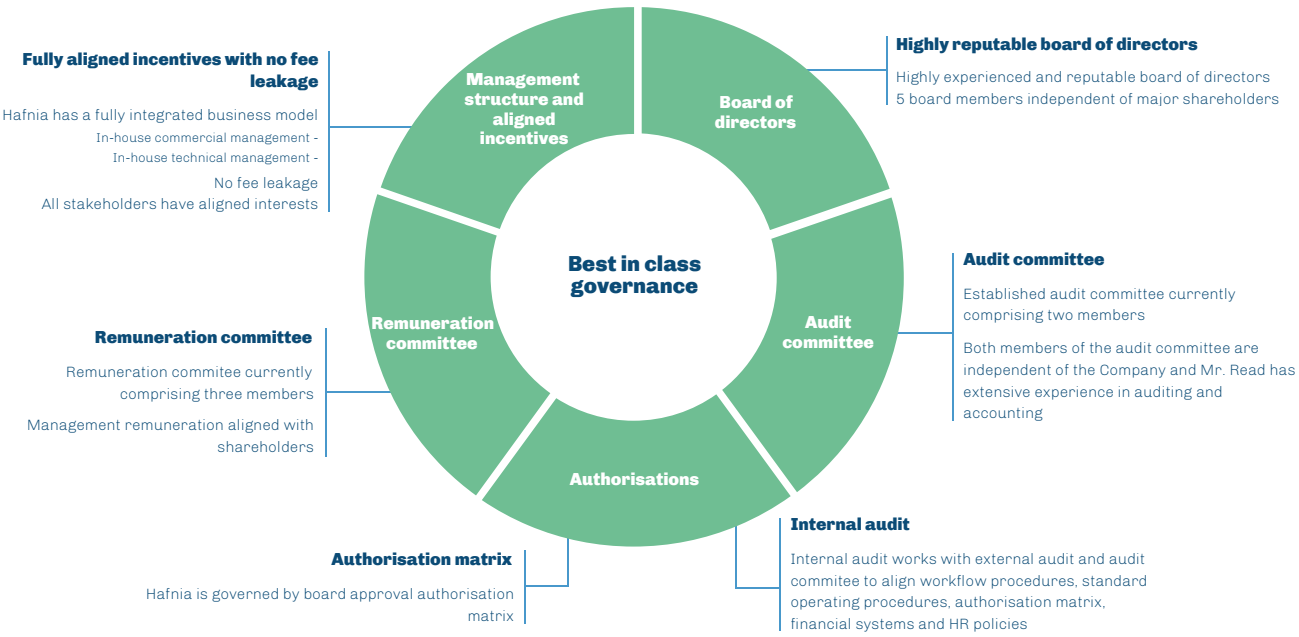
9.2 Corporate governance

The development, implementation and maintenance of good and well-functioning governance policies and practices are important to Hafnia.

All Hafnia's governance policies and practices are created to be compliant with applicable laws and ethical standards. These policies are to be fair and in accordance with best market practice and reasonable expectations of shareholders, employees, customers, suppliers and other contracting parties, and the public in general.

Strong focus on corporate governance and aligned incentives

Corporate governance overview



9.2.1 Board and management presentation

Hafnia's management team consists of seasoned executives who have an extensive network of strong relationships with major oil and gas companies, shipyards, global financial institutions and other key participants in the shipping industry. 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 in the maritime space. Hafnia's management is complemented by a Board of Directors with extensive collective international experience in shipping, energy and capital markets – as well as a broad range of complementary functional competencies.

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.


Hafnia
下水作业程序

9.2.2 The board

Andreas Sohmen-Pao, Chairman

Position	Chairman
Attendance 2019	8 out of 8
Gender	Male
Nationality	Austrian citizen and resides in Singapore
Independent	No

Andreas Sohmen-Pao has held various positions within BW Group and its predecessor company World-Wide Shipping. Mr. Sohmen-Pao is currently Chairman of BW Group, BW LPG, BW Energy, Hafnia, Epic Gas and BW Offshore, and was previously Chief Executive Officer from September 2004 to March 2015. He is currently Chairman of Singapore Maritime Foundation and a non-executive director of Singapore's National Parks Board. Mr. Sohmen-Pao is also a trustee of the Lloyd's Register Foundation. He has previously served 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 and The Esplanade among others. Prior to joining BW, Mr. Sohmen-Pao worked at Goldman Sachs International in London. He was educated at Oxford University in England, graduating in 1993 with a double first class honors degree in Oriental Studies. Mr. Sohmen-Pao also holds an MBA with distinction from Harvard Business School. He is an Austrian citizen and resides in Singapore.

Erik Bartnes, Director

Position	Director
Attendance 2019	8 out of 8
Gender	Male
Nationality	Norwegian citizen and resides in Oslo
Independent	Yes

Erik Bartnes has focused on his private investments through his company Castel AS since 2010. Mr. Bartnes was the co-founder of Pareto AS and senior partner from 1988 to 2010, and Chairman of Pareto AS until April 2013 and has vast experience within project finance, corporate finance and asset management with focus on shipping and oil service sectors. Mr. Bartnes is one of the co-founders of the original Hafnia Tankers in 2010 and served as Executive Chairman until BW Group bought a majority stake in Hafnia Tankers in 2018. Currently, Mr. Bartnes serves as Chairman of Christiania Shipping A/S, Eclipse Drilling AS, Revier Invest AS, Pareto Invest AS, Svele AS and Johan Vinje AS. Mr. Bartnes is a Board Member of Pareto Forvaltning AS, Premium Maritime Fund AS, Thor Dahl Shipping AS and Ulstein Group AS. Previously, Mr. Bartnes served as a Board Member of Eitzen Chemical ASA, Viking Cruises Ltd, Nordic Tankers, Nordic Shipholding, Siva Shipping AS and Ugland Shipping AS. Mr Bartnes holds a LizRerPol degree from University of Fribourg in Switzerland. Mr. Bartnes is a Norwegian citizen and resides in Oslo.

Donald John Ridgway, Director

Position	Director
Attendance 2019	7 out of 8
Gender	Male
Nationality	UK citizen and lives outside London
Independent	Yes

Donald John Ridgway has more than 45 years of experience working in all facets of the oil and gas shipping business, predominantly spent working for BP. In 2002, Mr. Ridgway was appointed COO (and Deputy CEO) of BP, and was promoted to CEO in 2008, before stepping down in the summer of 2015. Mr. Ridgway has substantial international experience, having been based in London, Singapore and the United States. Mr. Ridgway is a qualified Master Mariner, and has a Master degree from the Judge Institute, Cambridge University. Mr. Ridgway is a Chartered Marine Technologist and a Fellow of the Institute of Marine Engineering, Science and Technology. Mr. Ridgway 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 is a UK citizen and resides in London.

Peter Graham Read, Director

Position	Director
Attendance 2019	7 out of 8
Gender	Male
Nationality	UK citizen and resides in London
Independent	Yes

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 QMM Holdings Limited and the Professional Cricketers Association. Mr. Read is also a Member of the Board and Chairman of the Audit and Motoring Committees of the Royal Automobile Club. In a career spanning 37 years at KPMG, Mr. Read was a Partner and Sector Chairman. He was lead Partner for a number of global businesses, was Chairman of the UK TMT Practice (Telecoms, Media, Technology) and EMA Chairman of the Global Japanese Practice from 2008 to 2013. Prior to this, he was Head of the TMT Practice (2003-2008), Head of Transaction Services, TMT Practice (1998-2003) and Head of the UK Shipping Practice (1996-2003). Mr. Read began his early career in general practice where he gained experience in audit, due diligence and financial reporting. 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 is a UK citizen and resides in London and Sussex, England.

Ouma Sananikone, Director

Position	Director
Attendance 2019	1 out of 1
Gender	Female
Nationality	UK/U.S. citizen and resides in New York
Independent	Yes

Ouma Sananikone has extensive experience in finance, particularly investment management, covering all asset classes including private equity, infrastructure and real estate, having spent over 30 years in the industry at both executive and board levels. Ms. Sananikone is currently a Non-Executive Director of Innergex (Canada), Ivanhoe Cambridge (Canada), and Macquarie Infrastructure Corporation (U.S.). Ms. Sananikone was also Chairman of, among others, Smarte Carte (U.S.) and of EvolutionMedia (Australia) and recently retired from a Non-Executive Directorship of the Caisse de Depot et Placement de Quebec (Canada) after serving the maximum term of ten years. 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, but not limited to, 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 is a dual UK/U.S. citizen and resides in New York.

9.2.3 The management

Mikael Øpstun Skov, Chief Executive Officer

Position	Chief Executive Officer
Gender	Male
Nationality	Danish citizen and resides in Monaco

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 is a Danish citizen and resides in Monaco.

Perry Wouter Van Echtelt, Chief Financial Officer

Position	Chief Financial Officer
Gender	Male
Nationality	Dutch citizen and resides in Singapore

Perry Wouter Van Echtelt is Chief Financial Officer of Hafnia, a role he assumed in November 2017 and continued to hold after the merger between Hafnia Tankers and BW Tankers in January 2019. 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). Prior to joining MeesPierson, he worked for Gilde Investments from 1998 until 2000. Mr. Van Echtelt has been involved in numerous M&A transactions, advisory mandates and debt and equity raising transactions across various industries including the shipping sector. Mr. Van Echtelt is a Dutch citizen and has resided in Singapore since 2013.

9.2.4 Audit committee

In line with the recommendations set out in the Corporate Governance Code, the Company has established an Audit Committee comprising two Members, i.e. Peter Graham Read (Chairman) and Erik Bartnes (Committee Member). The Members of the Audit Committee are independent of the Company and Peter Graham Read has relevant qualifications within accounting and auditing. 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 they wish to retire from their appointment as Members of the Audit Committee.
The primary purpose of the Audit Committee 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:

- 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.

9.2.5 Internal audit

The internal audit department provides independent, objective assurance and consulting services designed to add value and improve Hafnia's operations and ensure that the control environment is working effectively. It helps Hafnia to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls, and governance processes.

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of Hafnia's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives.

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 considers the use of technology-based audit and other data analysis techniques in their work.

9.2.6 Authorisation manual

Hafnia has established an 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

Hafnia considers the use of technolgy-based audit and other data analysis techniques

9.2.7 Remuneration and nomination committees

Hafnia has established a remuneration committee comprising two members, i.e. Andreas Sohmen-Pao (Chairman) and Erik Bartnes (Committee Member). 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 they wish to retire from their appointment as Members of the Remuneration Committee. Any remuneration to be paid to the members of the Remuneration Committee is to be decided at the annual general meeting.

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.

Hafnia intends to appoint a Nomination Committee at the 2020 annual general meeting of the Company. The Nomination Committee will be responsible for nominating candidates for the election as Members of the Board of 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.

9.3 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 program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Hafnia's financial performance.

Hafnia is exposed to various market, operational, and financial risks. The most significant risks are set out in the listing prospectus issued in November 2019. That document and other information on risks are available on the company's website at www.hafniabw.com.

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

Market risk management

The shipping market can be subject to significant fluctuations. Hafnia's chartering strategy is to secure fixed income employment for a portion of its fleet. Hafnia's vessels are employed under a variety of chartering arrangements including time charters and spot voyage charters.

In 2019, approximately 5% of Hafnia's shipping revenue was derived from vessels under fixed income charters.

Hafnia is exposed to the risk of variations in fuel oil costs, which are affected by the global political and economic environment. Historically, bunker fuel expenses have been the most significant expense. Under a time charter or bareboat charter, the charterer is responsible for bunker fuel costs, therefore, the Hafnia's strategy to secure fixed income charters also reduces exposure to fuel price fluctuations.

Credit risk management

Hafnia's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. The maximum exposure is represented by the carrying value of each financial asset on the balance sheet.

Interest rate risk management

Hafnia had interest-bearing financial liabilities in the form of bank borrowings at variable rates. A portion was hedged with caps and swaps.

Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and funding (through committed credit facilities) to meet operating and capital expenditure needs. To address the inherent unpredictability in short-term liquidity requirements, Hafnia maintains sufficient cash for its daily operations in short-term cash deposits with banks and has access to the unutilised portions of revolving facilities provided by financial institutions.

Capital risk management

Hafnia's objective when managing capital is to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise value for shareholders. In order to maintain or achieve an optimal capital structure, Hafnia may adjust the amount paid in dividends, return capital to shareholders, obtain new loans or sell assets to reduce debt.

10 Investor relations

10.1 Communication

Hafnia has great focus on building trust and awareness in the investor community by ensuring that Investor Relations is conducted in compliance with relevant rules, regulations and recommended practices. Good relations and an open, active dialogue with shareholders, potential investors, analysts and other participants of the capital markets, shall build trust and contribute to reduced costs of capital for the company.

In order to enhance investors' understanding of Hafnia's performance, the company strives to ensure that all existing shareholders, potential investors and other stakeholders shall gain simultaneous access to accurate, clear, relevant, comprehensive and up-to-date information about the company.

Hafnia has an ongoing dialogue with analysts and investors and has participated in a large number of investor conferences and seminars. Since the listing in November 2019, Hafnia has made five announcements to the stock exchange.

10.2 Dividends policy

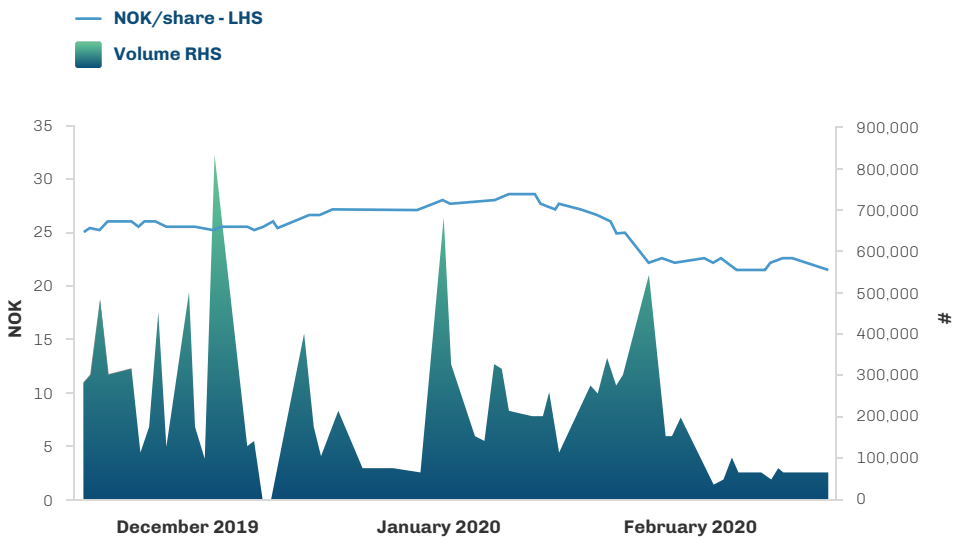
Hafnia targets a quarterly dividend based on a pay-out ratio of 50% of annual net profit (adjusted for extraordinary items). The final amount of dividend is to be decided by the Board of Directors. Besides net profit, the Board of Directors will take into consideration the capital structure of the company, its liquidity position, capital expenditure plans and market outlook. In addition to cash dividends, the company may buy back shares as part of its total distribution to shareholders.

10.3 Composition of shareholders

As of 31 December 2019, Hafnia had 341 registered shareholders, as per 15 February 2020 Hafnia had 546 shareholders. Below is a list of the 20 largest shareholders as per 15 February 2020:

#	Shareholder Name	No. of Shares	Percentage, %
1	BW Group Limited	231,487,563	62.52292
2	PAG Tankers Limited	20,411,403	5.51295
3	Goldman Sachs & Co. LLC	10,934,359	2.95328
4	BW Group Limited	10,709,724	2.89261
5	The Bank of New York Mellon	7,522,137	2.03167
6	Northwharf Nominees Limited	6,973,800	1.88357
7	Nordea Bank Abp	6,641,162	1.79372
8	Morgan Stanley & Co. LLC	6,417,830	1.73340
9	WF Wells Fargo Corp Trust	4,927,552	1.33089
10	J.P. Morgan Securities LLC	3,981,463	1.07536
11	Verdipapirfondet DNB Norge	3,331,964	0.89994
12	Skandinaviska Enskilda Banken AB	2,520,347	0.68073
13	Verdipapirfondet Norge Selektiv	2,498,296	0.67477
14	KLP Alfa Global Energi	2,162,500	0.58407
15	Clearstream Banking S.A.	1,963,964	0.53045
16	Brown Brothers Harriman & Co.	1,800,000	0.48617
17	Quintet Private Bank (Europe) S.A.	1,679,689	0.45367
18	Castel Invest AS	1,660,508	0.44849
19	Viking Investments (Cayman) Ltd	1,658,605	0.44798
20	The Bank of New York Mellon SA/NV	1,548,671	0.41828

10.4 Stock data, ticker code



- Ticker code: HAFNIA

10.5 Financial calendar

Financial year 2019

25 February 2020	Annual report 2019
25 February 2020	Quarterly report - Q4
22 May 2020	Annual general meeting

Financial year 2020

25 May 2020	Quarterly report - Q1
28 August 2020	Half year report
20 November 2020	Quarterly report - Q3
24 February 2021	Quarterly report - Q4
28 February 2021	Annual report 2020

10.6 Investor relation contacts

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

10.7 Fleet list

Handy

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)
Hafnia Adamello	Aug-04	Saiki	39,807	Singapore	100%
Hafnia Bering	Apr-15	Hyundai Mipo	39,067	Singapore	100%
Hafnia Green	Aug-07	Saiki	39,808	Singapore	100%
Hafnia Hope	Jan-07	Saiki	39,814	Singapore	100%
Hafnia Karava	Mar-07	Saiki	39,814	Singapore	100%
Hafnia Magellan	May-15	Hyundai Mipo	39,067	Singapore	100%
Hafnia Malacca	Jul-15	Hyundai Mipo	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	Hyundai Mipo	38,700	Singapore	100%
Hafnia Sunda	Sep-15	Hyundai Mipo	39,067	Singapore	100%
Hafnia Torres	May-16	Hyundai Mipo	39,067	Singapore	100%
Hafnia Victoria	Jun-07	Saiki	39,821	Singapore	100%
TOTAL (13 VESSELS)					

MR

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)
Beagle	Apr-19	JMU	50,000	Panama	TC-in
Boxer	May-19	JMU	50,000	Singapore	TC-in
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%

MR (continued)

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)
BW Panther	Jun-14	SPP	49,999	Singapore	100%
BW Petrel	Jan-16	SPP	49,999	Singapore	100%
BW Puma	Nov-13	SPP	49,999	Singapore	100%
BW 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 Ane	Nov-15	GSI	49,999	Malta	100%
Hafnia Androm-eda	May-11	GSI	49,999	Malta	100%
Hafnia Crux	Feb-12	GSI	52,550	Denmark	100%
Hafnia Daisy	Aug-16	GSI	49,999	Malta	100%
Hafnia Henriette	Jun-16	GSI	49,999	Malta	100%
Hafnia Kristen	Jan-17	GSI	49,999	Malta	100%
Hafnia Lene	Jul-15	GSI	49,999	Malta	100%
Hafnia Leo	Nov-13	GSI	52,340	Malta	100%
Hafnia Lise	Sep-16	GSI	49,999	Malta	100%
Hafnia Libra	May-13	GSI	52,384	Denmark	100%
Hafnia Lotte	Jan-17	GSI	49,999	Malta	100%
Hafnia Lupus	Apr-12	GSI	52,550	Denmark	100%
Hafnia Mikala	May-17	GSI	49,999	Malta	100%
Hafnia Nordica	Mar-10	Shin Kurushima	49,994	Malta	100%
Hafnia Pegasus	Oct-10	GSI	50,326	Denmark	100%
Hafnia Phoenix	Jul-13	GSI	52,340	Denmark	100%
Hafnia Taurus	Jun-11	GSI	50,385	Malta	100%
Hafnia Andrea	Jun-15	Hyundai Mipo	49,999	Singapore	100%
Hafnia Caterina	Aug-15	Hyundai Mipo	49,999	Singapore	100%
Orient Challenge	Jun17	Hyundai Vinashin	49,972	Singapore	TC-in
Orient Innovation	Jul-17	Hyundai Vinashin	49,972	Singapore	TC-in
Bulldog	Feb-20	JMU	49,999	Panama	TC-in
Basset	Dec-19	JMU	49,999	Panama	TC-in
TOTAL (47 VESSELS)					

LR1

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)
BW Amazon	Oct-06	Dalian Shipbuilding	76,565	Singapore	100%
BW Clyde	Jun-04	New Century Shipbuilding	73,495	Singapore	100%
BW Columbia	Jan-07	Dalian Shipbuilding	74,999	Singapore	100%
BW Danube	Mar-07	Dalian Shipbuilding	74,999	Singapore	100%
BW Hudson	Jun-07	Dalian Shipbuilding	76,574	Singapore	100%
BW Kallang	Jan-17	STX Shipbuilding	74,000	Singapore	100%
BW Kronborg	Mar-07	New Century Shipbuilding	73,708	Singapore	100%
BW Lara	Aug-04	New Century Shipbuilding	73,495	Singapore	100%
BW Lena	Aug-07	STX Shipbuilding	74,996	Singapore	100%
BW Nile	Aug-17	Dalian Shipbuilding	74,000	Singapore	100%
BW Orinoco	Nov-07	Dalian Shipbuilding	74,991	Singapore	100%
BW Rhine	Mar-08	Dalian Shipbuilding	76,578	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	74,000	Singapore	100%
BW Thames	Aug-08	Dalian Shipbuilding	74,999	Singapore	100%
BW Yangtze	Jan-09	Dalian Shipbuilding	74,996	Singapore	100%
BW Yarra	Jul-17	STX Shipbuilding	74,000	Singapore	100%
BW Zambesi	Jan-10	Dalian Shipbuilding	74,982	Singapore	100%
Compass	Feb-06	Dalian Shipbuilding	72,736	Singapore	BB-in[1]
Compassion	Jun-06	Dalian Shipbuilding	72,782	Singapore	BB-in[1]
Hafnia Africa	May-10	STX	74,539	Singapore	BB-in[1]
Hafnia America	Oct-06	Onomichi	74,999	Singapore	100%
Hafnia Arctic	Jan-10	Brodosplit	74,910	Malta	BB-in[1]
Hafnia Asia	Jun-10	STX	74,539	Malta	BB-in[1]
Hafnia Australia	May-10	STX	74,539	Malta	BB-in[1]
Hafnia Guangzhou	Jul-19	GSI	74,999	Malta	50%[3]
Hafnia Beijing	Nov-19	GSI	74,999	Malta	50%[3]
Hafnia Europe	Aug-06	Onomichi	74,997	Singapore	100%
Hafnia Hong Kong	Jan-19	GSI	74,999	Malta	50%[3]
Hafnia Shanghai	Jan-19	GSI	74,999	Malta	50%[3]
Karimata	Sep-19	Onomichi	74,999	Panama	TC-in[2]
Sunda	Jun-19	Onomichi	74,999	Panama	TC-in[2]
Tectus	Jul-09	STX	74,862	Liberia	TC-in[2]
Hafnia Shenzhen	Jun-20	GSI	74,999	N/A	50%[3]
Hafnia Nanjing	Sep-20	GSI	74,999	N/A	50%[3]
TOTAL (36 VESSELS)					

[1] *"BB-in" = Bare boat charter in*
[2] *"TC-in" = Time charter in*
[3] *Owned through the Vista JV.*

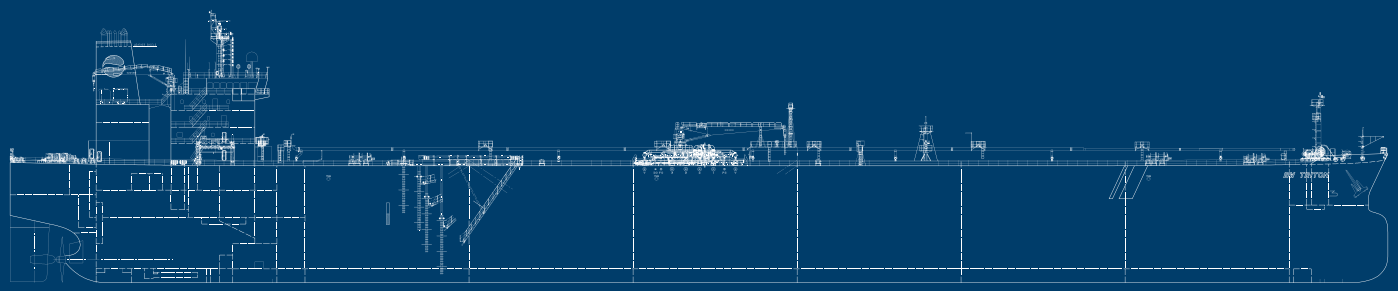
LR2

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)
BW 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)					

Newbuilds

Name	Type of vessel	Mth-Year built	Shipyard	Capacity (dwt)	Ownership (%)
Hafnia Shenzhen	LR1	Aug-20	GSI	74,999	50%
Hafnia Nanjing	LR1	Oct-20	GSI	74,999	50%
TOTAL (2 VESSELS)					

HAFNIA
Member of BW Group



HAFNIA LIMITED

(Incorporated in Bermuda)
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

Content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Hafnia Limited and
its subsidiaries

Directors' statement

The Board of Directors have today, 24 February 2020, discussed and approved the consolidated financial statements of Hafnia Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2019.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

It is our opinion that the consolidated financial statements present fairly, in all material aspects, the financial position of the Group as at 31 December 2019 and the financial performance, changes in equity, and cash flows of the Group for the financial year ended 31 December 2019.

Board of Directors

Andreas Sohmen-Pao

John Ridgway

Peter Read

Ouma Sananikone

Erik Bartnes

Independent auditors' report

To the Board of Directors and Shareholders of Hafnia Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Hafnia Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet of the Group as at 31 December 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance, consolidated changes in equity and consolidated 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 consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (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 consolidated financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 Refer to Note 2.2, 2.4(b) and Note 8 of the Group's financial statements. As at 31 December 2019, the carrying value of the Group's vessels (including dry-docking) amounted to USD 2,182 million. The Group has identified the relevant cash-generating units for its fleet of vessels according to size, and mode of deployment in the generation of revenues; and performed its vessels impairment test according to its stated policy in Note 2.4(b). Vessels deployed in the 3 commercial pools – LR, MR and Handy constitutes the Group's most significant CGUs. Under the Group's vessels impairment assessment exercise conducted as at 31 December 2019, the market valuation of the fleet of vessels provided by the independent shipbrokers was primarily used. Such market valuation can however fluctuate caused by the cyclical nature of freight rates, which makes vessel valuation a judgemental matter. Nevertheless, based on available market transactions supporting such market valuation of vessels received, and together with other internal and external factors, the Group concluded that there are no impairment indicators since the formation of the combined Group on 16 January 2019 following the Group re-organisation of entities. Accordingly, there is no impairment loss or reversal of previously recognised impairment loss recorded for the year ended 31 December 2019..	We have performed the following audit procedures: • We assessed the Group's process for identifying the relevant CGUs for its vessels for impairment testing • We evaluated the independence, competence and objectivity of the independent brokers engaged to appraise the market valuation of the vessels • We assessed the valuation methodologies and key assumptions used by the independent brokers in determining the market valuation of the vessels • We compared the market valuation provided by the independent brokers against recent sale transactions of similar types of vessels No significant matters were noted from our procedures.

Other information

Management is responsible for the other information. The other information comprises all information included in the annual report, but does not include the financial statements and our auditors' report thereon.

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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing 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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 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 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated 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.

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
24 February 2020


BW GALATEA
SINGAPORE

Consolidated statement of comprehensive income

For the financial year ended 31 December 2019	Note	**2019 USD '000**	2018 USD '000
Revenue	3	**827,855**	368,390
Voyage expenses	4	**(313,425)**	(167,119)
TCE income #		**514,430**	201,271
Other operating income		**12,335**	1,581
Vessel operating expenses	4	**(184,746)**	(93,489)
Technical management expenses		**(15,433)**	(10,910)
Charter hire expenses		**(16,867)**	(8,659)
Other expenses	4	**(31,879)**	(13,337)
Operating profit before depreciation and impairment on vessels		**277,840**	76,457
Loss on disposal of vessels		**(732)**	-
Depreciation and amortisation charges	8	**(131,505)**	(56,865)
Impairment charge on vessels – net	8	**-**	(7,400)
Operating profit		**145,603**	12,192
Interest income		**3,689**	257
Interest expense		**(67,007)**	(31,503)
Capitalised financing fees written off		**(9,314)**	-
Other finance expense		**(1,078)**	(703)
Finance expense – net		**(73,710)**	(31,949)
Share of profit of equity-accounted investees, net of tax	12	**856**	-
Profit/(loss) before income tax		**72,749**	(19,757)
Income tax expense	6	**(1,015)**	(24)
Profit/(loss) for the financial year		**71,734**	(19,781)
Other comprehensive (loss)/income:			
Item that may be subsequently reclassified to income statement			
Fair value (losses)/gains on cash flow hedges - interest rate swaps and caps		**(7,266)**	2,815
Reclassification to profit or loss		**410**	(162)
		(6,856)	2,653
Total comprehensive income/(loss)		**64,878**	(17,128)
Earnings/(loss) per share attributable to the equity holders of the Company			
(expressed in USD per share)			
Basic earnings/(loss) per share	7	**0.21**	(0.16)
Diluted earnings/(loss) per share	7	**0.21**	(0.16)

 # "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.

The accompanying notes form an integral part of these consolidated financial statements.

Independent Auditors' Report – Pages 85 to 88.

Consolidated balance sheet

As as 31 December 2019	Note	**2019 USD '000**	2018 USD '000
Vessels	8	**2,123,179**	1,027,877
Dry docking and scrubbers	8	**59,306**	26,465
Vessels under construction	8	**-**	117,495
Right-of-use assets	8	**129,366**	-
Other property, plant and equipment		**100**	-
Total property, plant and equipment		**2,311,951**	1,171,837
Intangible assets		**3,159**	-
Total intangible assets		**3,159**	-
Derivative financial instruments	19	**-**	3,158
Deferred tax assets		**36**	-
Loans receivable from joint venture	11	**29,584**	-
Associated companies and joint venture	12	**1,718**	-
Total other non-current assets		**31,338**	3,158
Total non-current assets		**2,346,448**	1,174,995
Inventories	9	**6,986**	22,660
Trade and other receivables	10	**233,489**	63,957
Derivative financial instruments	19	**2,737**	4
Cash and cash equivalents	13	**91,612**	52,463
Total current assets		**334,824**	139,084
Total assets		**2,681,272**	1,314,079
Share capital	15	**3,703**	1,962
Share premium	15	**704,834**	221,220
Contributed surplus	15	**537,112**	537,112
Other reserves	16	**(5,725)**	53,169
Treasury shares		**(500)**	-
Accumulated losses		**(120,920)**	(242,384)
Total shareholders' equity		**1,118,504**	571,079
Borrowings	18	**1,234,796**	613,044
Other payables	20	**1,238**	4,436
Derivative financial instruments	19	**6,514**	-
Total non-current liabilities		**1,242,548**	617,480
Borrowings	18	**213,330**	76,940
Derivative financial instruments	19	**-**	34
Current income tax liabilities		**1,416**	27
Trade and other payables	20	**105,474**	48,519
Total current liabilities		**320,220**	125,520
Total liabilities		**1,562,768**	743,000
Total equity and liabilities		**2,681,272**	1,314,079

The accompanying notes form an integral part of these consolidated financial statements. Independent Auditors' Report – Pages 85-88.

Consolidated statement of changes in equity

For the financial year ended 31 December 2019

	Note	Share capital USD '000	Share premium USD '000	Con-tributed surplus USD '000	Capital reserve USD '000	Tran-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 2019		1,962	221,220	537,112	50,011	-	3,158	-	-	(242,384)	571,079
Alignment of accounting policies on merger	2.2	-	-	-	-	-	-	-	-	2,097	2,097
Transactions with owners											
Issue of shares to former shareholders of Hafnia Tankers	2.2	1,470	411,872	-	-	-	-	-	-	-	413,342
Acquisition of Hafnia Tankers' reserves	2.2	-	-	-	-	(34)	(1,874)	(14,038)	-	(75,892)	(91,838)
Merger accounting adjustments	2.2										
- Merger deficit on combination		-	-	-	-	-	-	-	-	(72,571)	(72,571)
- Acquisition of NCI of former Hafnia Tankers		-	-	-	-	-	(942)	-	-	146,085	145,143
- Cancellation of treasury shares of former Hafnia Tankers		-	-	-	-	-	-	14,038	-	-	14,038
Treasury shares acquired		-	-	-	-	-	-	(500)	-	-	(500)
Equity-settled share-based payment		-	-	-	-	-	-	-	823	-	823
Issue of common shares (net of capitalised listing fees)	15	271	71,742	-	-	-	-	-	-	-	72,013
Transfer of reserve											
Transfer of reserve		-	-	-	(50,011)	-	-	-	-	50,011	-
Total comprehensive income											
Total comprehensive income for the financial year		-	-	-	-	-	(6,856)	-	-	71,734	64,878
Balance at 31 December 2019		**3,703**	**704,834**	**537,112**	**-**	**(34)**	**(6,514)**	**(500)**	**823**	**(120,920)**	**1,118,504**
Balance at 1 January 2018		1,165	26,761	537,112	50,011	-	505	-	-	(217,735)	397,819
Adjustment on initial application of IFRS 15, net of tax		-	-	-	-	-	-	-	-	(4,868)	(4,868)
Restated balance at 1 January 2018		1,165	26,761	537,112	50,011	-	505	-	-	(222,603)	392,951
Issuance of new shares	15	797	194,459	-	-	-	-	-	-	-	195,256
Total comprehensive loss for the financial year		-	-	-	-	-	2,653	-	-	(19,781)	(17,128)
Balance at 31 December 2018		**1,962**	**221,220**	**537,112**	**50,011**	**-**	**3,158**	**-**	**-**	**(242,384)**	**571,079**

The accompanying notes form an integral part of these consolidated financial statements.
Independent Auditors' Report – Pages 85-88.

Consolidated statement of cash flows

For the financial year ended 31 December 2019

	Note	**2019 USD '000**	2018 USD '000
Cash flows from operating activities			
Profit/(loss) for the financial year		**71,734**	(19,781)
Adjustments for:			
- income tax expense		**1,015**	24
- depreciation and amortisation charges		**131,505**	56,865
- impairment charge on vessels – net		**-**	7,400
- loss on disposal of vessel		**732**	-
- amortisation of deferred income		**-**	(1,399)
- amortisation of prepaid finance lease expenses		**407**	-
- interest income		**(3,689)**	(257)
- interest expense		**67,007**	31,503
- capitalised financing fees written off		**9,314**	-
- other finance expense		**1,078**	703
- share of profit of equity-accounted investees, net of tax		**(856)**	-
- equity-settled share-based payment transactions		**823**	-
Operating cash flow before working capital changes		**279,070**	75,058
Changes in working capital:			
- inventories		**21,108**	(8,100)
- trade and other receivables		**(83,308)**	(11,530)
- trade and other payables		**25,849**	4,254
Cash generated from operations		**242,719**	59,682
Income tax paid		**(330)**	(12)
Net cash provided by operating activities		**242,389**	59,670
Cash flows from investing activities			
Interest income received		**1,717**	257
Loan to joint venture company	11	**(53,150)**	-
Repayment of loan by joint venture company	11	**39,900**	-
Dividend received from equity-accounted investees		**1,748**	-
Acquisition of businesses, net of cash acquired	14	**(3,279)**	-
Acquisition of subsidiaries, net of cash acquired	14	**(155)**	-
Proceeds from disposal of vessel		**9,799**	-
Purchase of property, plant and equipment	8	**(278,574)**	(17,249)
Net cash used in investing activities		**(281,994)**	(16,992)

	Note	**2019 USD '000**	2018 USD '000
Cash flows from financing activities			
Proceeds from borrowings from external financial institutions		**718,300**	36,000
Proceeds from borrowings from a related corporation		**-**	81,000
Proceeds from borrowings from non-related parties		**3,117**	-
Repayment of borrowings to external financial institutions		**(598,293)**	(164,014)
Repayment of borrowings to a related corporation		**(44,525)**	-
Repayment of borrowings to non-related parties		**(375)**	-
Repayment of finance lease liabilities		**(11,727)**	-
Repayment of other lease liabilities		**(27,283)**	-
Payment of financing fees		**(6,629)**	-
Interest paid to external financial institutions		**(55,208)**	(27,868)
Interest paid to a related corporation		**(1,901)**	(2,045)
Repurchase of treasury shares		**(500)**	-
Proceeds from issuance of common shares (net of capitalised listing fees)	15	**72,013**	46,000
Other finance expense paid		**(1,771)**	(660)
Net cash provided by/(used in) financing activities		**45,218**	(31,587)
Net increase in cash and cash equivalents		**5,613**	11,091
Cash and cash equivalents at beginning of the financial year		**52,463**	41,372
Acquisition of Hafnia Tankers' cash and cash equivalents on merger		**33,536**	-
Cash and cash equivalents at end of the financial year	13	**91,612**	52,463

Reconciliation of liabilities arising from financing activities

	1 January 2019 USD '000	Borrowings/ derivatives acquired on merger USD '000	Financial cash flows (i) USD '000	Non-cash changes - USD '000				**31 December 2019 USD '000**
				Additional leases capitalised during the year	Interest expense	Fair value changes on cash flow hedges	Other finance expense/ (income)	
Bank borrowings	645,453	441,854	58,575	-	65,166	-	-	1,211,048
Loan from a related corporation	44,531	8,530	(46,426)	-	1,865	-	-	8,500
Loan from non-related parties	-	2,402	2,742	-	28	-	-	5,172
Finance lease liabilities	-	96,425	(11,727)	-	4,273	-	401	89,372
Other lease liabilities (Note 2.3 and 21(a))	25,019	40,798	(27,283)	90,921	4,579	-	-	134,034
Derivative financial instruments	(3,128)	2,816	(405)	-	410	6,856	(35)	6,514

	1 January 2018 USD '000	Financial cash flows (i) USD '000	Non-cash changes - USD '000				**31 December 2018 USD '000**
			Borrowings capitalised via issuance of shares	Interest expense	Fair value changes on cash flow hedges	Other finance expense	
Bank borrowings	771,874	(156,034)	-	29,613	-	-	645,453
Loan from a related corporation	-	78,955	(36,476)	2,052	-	-	44,531
Derivative financial instruments	(508)	152	-	(162)	(2,653)	43	(3,128)

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

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.

The principal activity of the Company and its subsidiaries (the "Group") is providing global maritime services.

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 Scheme of reorganisation and merger of entities (the "Merger")

On 16 January 2019, a wholly-owned subsidiary of Hafnia Limited (formally 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.

As both BW Tankers Limited and Hafnia Tankers Limited were under the common control of the BW Group before and after the merger, the Company applied the common control exemption and accounted for the opening balance of the merged group using the book value accounting method. Under the book value accounting method, the combined assets, liabilities and reserves of the

merged companies are recorded at their existing carrying amounts at the date of merger. Any adjustments that may be required in equity to reflect the difference between the consideration paid and the capital of the acquiree is recognised directly in accumulated losses.

The Company has elected not to restate the comparatives of Hafnia Limited for the financial year ended 31 December 2018, so as to reflect the combination with Hafnia Tankers Limited following the scheme of reorganisation of entities which took place on 16 January 2019. The previously reported comparative information of Hafnia Limited refers to the financial information of BW Tankers Limited only.

The merger of BW Tankers Limited and Hafnia Tankers Limited was performed on a relative net asset value ("NAV") basis, where the NAV of both merging entities were evaluated, added together and shareholdings allocated based on the proportionate contributions to the NAV of the merged entity. The NAV utilised in the exercise was performed based on the standalone financial statements of the merging entities. As a result, by utilising the book values of the merging entities from the standalone financial statements' perspective, management believes that such an approach better reflects the economics of the merger, and provides more relevant information to the shareholders. As a matter of practical expediency, management has effected the merger utilising the adjusted book values of both merging entities as at the beginning of the reporting period, 1 January 2019 as the financial effect of 16 days is not material to the financial position of the Group.

A summary of the combined assets, liabilities and reserves of the merged companies are presented below.

	BW Tankers Limited at 1 January 2019 USD '000	Hafnia Tankers Limited at 1 January 2019 USD '000	Merger adjustments USD '000	Total opening balances at 1 January 2019 USD '000
Property, plant and equipment	1,171,838	850,170	–	2,022,008
Other current and non-current assets	144,339	139,691	–	284,030
Total assets	**1,316,177**	**989,861**	**-**	**2,306,038**
Borrowings	689,984	450,595	–	1,140,579
Lease liabilities	–	96,751	–	96,751
Other current and non-current liabilities	53,017	34,401	–	87,418
Total liabilities	**743,001**	**581,747**	**–**	**1,324,748**
Share capital[1]	1,962	339	1,131	3,432
Share premium[1]	221,220	354,470	57,402	633,092
Contributed surplus	537,112	–	–	537,112
Treasury shares	–	(14,038)	14,038	–
Translation reserve	–	(34)	–	(34)
Hedging reserve	3,158	(1,874)	(942)	342
Accumulated losses[2]	(190,276)	(75,892)	73,514	(192,654)
Non-controlling interests[3]	–	145,143	(145,143)	–
Total equity	**573,176**	**408,114**	**–**	**981,290**

Note 1 – USD 58.5 million represents the difference between the consideration paid of USD 413.3 million in the form of new issued shares of the Company and acquisition of Hafnia Tankers old shares of USD 354.8 million.

Note 2 – USD 73.5 million comprises of the following adjustments:

(a) Book value accounting adjustment of USD 72.6 million, i.e. a difference between the consideration paid of USD 413.3 million and the capital of Hafnia Tankers Limited of USD 340.7 million,

(b) Reallocation of USD 0.9 million from non-controlling interests to hedging reserve.

Note 3 – USD 145.1 million of non-controlling interests of a subsidiary under Hafnia Tankers Limited who became shareholders of Hafnia Limited on completion of the merger between BW Tankers and Hafnia Tankers.

Uniformity of accounting policies

On merger of BW Tankers Limited and Hafnia Tankers Limited, all significant accounting policies have been uniformly applied in the preparation of the opening consolidated financial statements. As a consequence, there is an adjustment amounting to USD 2.1 million for the capitalisation of lubricating oils onboard vessels in the opening accumulated losses.

2.3 Changes in accounting policies

New standards, amendments to published standards and interpretations, effective in 2019

The Group has adopted/early adopted the following relevant new standards, amendments to or interpretations of standards as of 1 January 2019:

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*
- *Long-term interests in associates and joint ventures (Amendments to IAS 28)*
- *Plan amendment, curtailment or settlement (Amendments to IAS 19)*
- *Annual Improvements to IFRSs 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12, and IAS 23)*
- *Amendments to IFRS 9, IAS39 and IFRS 7 Interest rate benchmark reform (early adopted)*

The adoption of these new standards and amendments to the published standards does not have a material impact on the consolidated financial statements, except for the following:

IFRS 16 leases

The Group has adopted IFRS 16 from 1 January 2019 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The disclosure requirements of IFRS 16 are not applied to comparative information. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an ar-*

rangement contains a lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration (Note 2.16).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases under IAS 17 and IFRIC 4. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019. On transition to IFRS 16, the Group did not reassess existing sale and leaseback transactions to determine whether the transfer of the underlying asset satisfies the requirements in IFRS 15 to be accounted for as a sale.

(b) As a lessee

As a lessee, the Group leases vessels, office spaces and other equipment from external parties. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for all leases, except those exempted under practical expedients.

For leased-in vessels, at inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component using the relative stand-alone approach.

Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities' incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group had previously entered into vessel sales and leaseback arrangements which were accounted for as sales and operating leases under IAS 17. On adoption of IFRS 16, these operating lease back arrangements are accounted for in the same way as other operating leases at the date of initial application. The right-of-use asset was adjusted by the amount of deferred gain on sale and operating leaseback recognised in the consolidated balance sheet immediately before 1 January 2019.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Elected not to recognise right-of-use assets and lease liabilities for leases with less than 12 months of lease term 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.
- Excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- Used hindsight when determining the lease term.

The Group assessed its right-of-use assets for impairment on the date of transition and concluded that there is no indication that the right-of-use assets are impaired.

(c) As a lessor

The Group leases vessels on time charter contracts to external parties. The Group classifies these leases as operating or finance leases based on its assessment of whether the Group transferred substantially all the risks and rewards incidental to ownership of the leased assets to the lessees.

The accounting policies applicable to the Group as a lessor are not significantly different from those under IAS 17. The Group has assessed that there are no adjustments on transition to IFRS 16 for lease arrangements in which it acts as a lessor.

The Group also sub-leases some of its vessels. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognised from the head leases are presented in right-of-use assets, and measured at fair value at that date. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under IFRS 16.

The Group has applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to identified lease and non-lease components.

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	Impact of adopting IFRS 16 as at 1 January 2019
	Increase/ (decrease) USD '000
Right-of-use assets*	61,968
Lease liabilities	65,817

**Deducted by deferred gain on sale and operating leaseback of USD 3,849,000.*

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the applicable incremental borrowing rates at 1 January 2019.

	Impact of adopting IFRS 16 as at 1 January 2019
	Increase/ (decrease) USD '000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group's consolidated financial statements	211,613
Discounted using the incremental borrowing rate at 1 January 2019	(25,326)
Lease liabilities recognised as at 31 December 2018	186,287
- Recognition exemption for leases with less than 12 months of lease term at transition	(6,116)
- Lease termination options reasonably certain to be exercised	6,258
- Leases which have not commenced as at 1 January 2019	(161,410)
- Acquisition of Hafnia Tankers' lease liabilities on Merger	40,798
Lease liabilities recognised as at 1 January 2019	65,817

Amendments to IFRS 9, IAS39 and IFRS 7 interest rate benchmark reform

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationships that existed at 1 January 2019 or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss recognised in other comprehensive income that existed at 1 January 2019. The related disclosures about risks and hedge accounting are disclosed in Note 24(a).

New standards, amendments to published standards and interpretations, effective in 2020 and subsequent years

The following new standards, amendments and interpretations, 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 2020 (or otherwise stated) or later periods:

(a) Amendments:

- Definition of Material – Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28

(b) New standards and interpretation:

- IFRS 17 *Insurance Contracts (effective 1 January 2021 or later)*
- Revised Conceptual Framework for Financial Reporting

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

2.4 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 2019 and 31 December 2018.

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) Reversal of impairment/impairment of non-financial assets

Property, plant and equipment 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 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 currently recognised impairment charges.

See Note 8 for further disclosures on estimation of the recoverable amounts of vessels.

(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 may differ from estimates.

Demurrage revenue is recognised as revenue from voyage charters in sprofit or loss, based on actual demurrage recovered over total estimated claims issued to customers historically.

2.5 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 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 reflect 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 on a straight-line basis over the contract period.

(c) Interest income

Interest income is recognised using the effective interest method.

2.6 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 the profit or loss during the period when it occurs.

(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 the profit or loss.

2.7 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 (Note 2.10).

(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 reclassified as vessels upon delivery from the yard.

(b) Depreciation

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 the profit or loss when the changes arise. The estimated useful lives are as follows:

Vessels	
- Tankers	25 years
- Srubbers	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.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment, including scubbers 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.

2.8 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 (Note 2.10) using the straight-line method over their estimated useful lives of 5 years.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at amortised cost and at fair value through profit or loss (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 10), "loans receivable from joint venture (Note 11)" and "cash and cash equivalents" (Note 13) 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.

(b) 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.

(c) Recognition and derecognition

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 derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, measured at amortised cost or FVTPL, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss.

(d) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at FVTPL, which are recognised at fair value. Transaction costs for financial assets at FVTPL are recognised immediately as expenses.

(e) 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.

(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 re organisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position
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 con-

siders 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.

2.10 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 the 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 payment when the floating interest rate goes above the strike rate.

The fair value changes on the effective portion of these 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 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.

2.16 Leases

(a) When a group company is the lessee:

(1) From 1 January 2019 under IFRS 16

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 rate. 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 period 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.

(2) Before 1 January 2019 under IAS 17

Finance leases

Leases of assets in which the Group assumes substantially the risks and rewards incidental to ownership of the leased asset are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the reduction of the outstanding lease liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The finance charge is taken to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Operating leases

Leases of assets in which substantially all risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(b) When a group company is the lessor:

Under IFRS 16 and IAS 17

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.

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.

2.17 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. Consumption of inventories is recognised as an expense in profit or loss when the usage occurs.

2.18 Income taxes

The tax expense for the period comprises current tax. 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.

2.19 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 current period, the Group introduced Long Term Incentive Plan 2019. 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.

2.20 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 Group'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 the profit or loss.

2.21 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.

2.22 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.

2.23 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.

2.24 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.

2.25 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.

2.26 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.

3 Revenue

	2019 USD '000	2018 USD '000
Revenue from time charter	**40,498**	25,712
Revenue from voyage charter	**787,357**	342,678
Total revenue	**827,855**	368,390

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**
2019					
Revenue	**25,452**	**299,831**	**389,777**	**112,795**	**827,855**
2018					
Revenue	-	185,354	183,036	-	368,390

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.

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.

Payments for trade receivables generally are due immediately or within 7 days from the invoice date. Information about trade receivables from contracts with customers is presented in Note 10.

4 Expenses by nature

	2019 USD '000	2018 USD '000
Fuel oil consumed (Note 9)	**194,527**	106,710
Port costs	**98,466**	50,091
Broker's commission expenses	**12,786**	4,491
Other voyage expenses	**7,646**	5,827
Voyage expenses	**313,425**	167,119
Employee benefits (Note 5)	**113,752**	59,547
Maintenance and repair expenses	**55,360**	26,677
Insurance expenses	**6,257**	3,545
Other vessel operating expenses	**9,377**	3,720
Vessel operating expenses	**184,746**	93,489
Support service fee	**4,601**	2,408
Employee benefits (Note 5)	**14,927**	4,769
Other operating expenses	**12,351**	6,160
Other expenses	**31,879**	13,337

5 Employee benefits

	2019 USD '000	2018 USD '000
Wages and salaries (Note 4)	**128,679**	64,316

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

	2019 USD '000	2018 USD '000
Tax expense attributable to profit is made up of:		
Current income tax	**1,015**	24

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	**2019 USD '000**	2018 USD '000
Profit/(Loss) before income tax	**72,749**	(19,757)
Tax calculated at a tax rate of 0% (2018: 0%)	**-**	-
Effect of:		
- Tax on non-shipping income*	**1,015**	24
Income tax expense	**1,015**	24

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/(loss) per share

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

Reconciliation of effective tax rate	**2019 USD '000**	2018 USD '000
Net profit/(loss) attributable to equity holders of the Company (USD '000)	**71,734**	(19,781)

	2019	2018
(a) Basic earnings per share		
Issued common shares at 1 January	**196,241,352**	116,514,917
Effect of shares issued in November 2018 and December 2018	**-**	5,976,553
Effect of shares issued in relation to the Merger	**146,916,627**	-
Effect of shares issued during Pre-listing Private Placement	**4,007,295**	-
Effect of treasury shares held	**(116,547)**	-
Weighted-average number of ordinary shares at 31 December	**347,048,727**	122,491,470
Basic earnings/(loss) per share (USD per share)	**0.21**	(0.16)

Diluted earnings/(loss) 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, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

	2019	2018
(b) Diluted earnings per share		
Weighted-average number of ordinary shares (basic)	**347,048,727**	122,491,470
Effect of share options on issue	**2,755,472**	-
Weighted-average number of ordinary shares at 31 December	**349,804,199**	122,491,470
Diluted earnings/(loss) per share (USD per share)	**0.21**	(0.16)

8 Property, plant and equipment

	Vessels USD '000	Dry docking and scrubbers USD '000	Vessels under Construction USD '000	Right-of-use assets USD '000	Total USD '000
Cost					
At 1 January 2019	1,766,605	48,866	117,495	-	1,932,966
Recognition of right-of-use assets on initial application of IFRS 16	-	-	-	21,170	21,170
Adjusted balance at 1 January 2019	1,766,605	48,866	117,495	21,170	1,954,136
Acquisition of vessels on merger with Hafnia Tankers	830,083	20,089	-	40,798	890,970
Additions	69,224	23,537	185,901	90,921	369,583
Cost adjustments	-	(88)	-	-	(88)
Transfer on delivery of vessel	295,131	8,265	(303,396)	-	-
Disposal of vessel	(10,973)	(190)	-	-	(11,163)
Write off on completion of dry docking cycle	-	(11,500)	-	-	(11,500)
At 31 December 2019	2,950,070	88,979	-	152,889	3,191,938
Accumulated depreciation and impairment charge					
At 1 January 2019	738,728	22,401	-	-	761,129
Depreciation charge	88,644	18,923	-	23,523	131,090
Disposal of vessel	(481)	(151)	-	-	(632)
Write off on completion of dry docking cycle	-	(11,500)	-	-	(11,500)
At 31 December 2019	826,891	29,673	-	23,523	880,087
Net book value 31 December 2019	**2,123,179**	**59,306**	**-**	**129,366**	**2,311,851**
Cost					
At 1 January 2018	1,766,604	50,815	-	-	1,817,419
Additions	1	12,533	117,495	-	130,029
Write off on completion of dry docking cycle	-	(14,482)	-	-	(14,482)
At 31 December 2018	1,766,605	48,866	117,495	-	1,932,966
Accumulated depreciation and impairment charge					
At 1 January 2018	685,481	25,865	-	-	711,346
Impairment charge	48,300	-	-	-	48,300
Write back of impairment charge	(40,900)	-	-	-	(40,900)
Depreciation charge	45,847	11,018	-	-	56,865
Write off on completion of dry docking cycle	-	(14,482)	-	-	(14,482)
At 31 December 2018	738,728	22,401	-	-	761,129
Net book value 31 December 2018	**1,027,877**	**26,465**	**117,495**	**-**	**1,171,837**

(a) Arising from the Merger and the consequential exchange of shares by shareholders of the merging entities performed on a relative net asset value basis (refer to Note 2.2), the opening carrying amount of the Group's vessel was determined after the Company (formerly known as BW Tankers Limited) and the former Hafnia Tankers Limited performed their vessel impairment test on a vessel-by-vessel basis using the fair value less costs to sell approach. For this purpose, the fair value refers to the average market valuation transacted on a willing-buyer-willing-seller basis provided by two independent shipbrokers. Under this approach, and in the comparative financial statements for 2018, which was applicable to the former BW Tanker Limited group of entities, an impairment charge of USD 7.4 million was recorded.

Post-Merger, the Group re-organised the commercial management of the combined fleet of vessels into 3 individual commercial pools: LR, MR and Handy. Each individual commercial pool constitutes a separate cash-generating unit ("CGU"). For vessels deployed on a time-charter basis outside the commercial pools, each of these vessels constitutes a separate CGU.

As at 31 December 2019, the Group assessed whether these CGUs have indicators of impairment by reference to internal and external factors according to its stated policy set out in Note 2.4(b). The market valuation of the fleet of vessels, as appraised by independent shipbrokers, is one key test performed by the Group, after the Group considered the appropriateness of the valuation methodologies and assumptions used by these shipbrokers. Based on this assessment, alongside with other industry factors, the Group concluded that there was no indication that any additional impairment loss or reversal of previously recognised impairment loss is needed for the current year ended 31 December 2019.

(b) The Group has mortgaged vessels with a total carrying amount of USD 2,120.2 million (2018: USD 1,054.3 million) as security over the Group's bank borrowings.

(c) Additions to right-of-use assets amounted to USD 90.9 million (Note 21(a)(1)).

9 Inventories

	2019 USD '000	2018 USD '000
Fuel oil	**1,889**	22,660
Lubricating oils	**5,097**	-
	6,986	22,660

The cost of inventories recognised as expenses and included in "voyage expenses" amounted to USD 194.5 million (2018: USD 106.7 million).

10 Trade and other receivables

	Note	2019 USD '000	2018 USD '000
Trade receivables			
- non-related parties		**108,539**	41,555
Less: Allowance made for trade receivables			
- non-related parties	**23(b)**	**(1,594)**	(1,594)
Trade receivables – net		**106,945**	39,961
Prepayments		**10,424**	5,487
Pool working capital		**70,200**	-
Other receivables			
- related corporations		**-**	5,361
- non-related parties		**45,920**	13,148
		233,489	63,957

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.

Prior to the settlement of other receivables from related corporations, the amount was unsecured, interest-free and repayable on demand.

Included within trade and other receivables as at 31 December 2019 are contract assets of USD 40.4 million (2018: USD 12.2 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 (2018: USD Nil).

Pool working capital is paid for vessels which are participating in commercial pools. The capital paid ranges from USD 0.6 million to USD 1.0 million per vessel and this capital is utilised by the pool manager for day to day operating activities. The amount is non-interest bearing.

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables is included in Note 24.

11 Loans receivable from joint ventures

Prior to the Merger, Hafnia Tankers and CSSC (Hong Kong) Shipping Company Limited ("CSSC Shipping") formed a joint venture, Vista Shipping Limited, to build and operate six LR1 product tanker vessels (consisting of two firm orders and four options).

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 first and second payment instalment for the first two firm orders and also for the four optional orders when necessary.

The loans receivable from the joint venture is unsecured, bears interest at three-month USD LIBOR plus 3% margin per annum and has no fixed terms of repayment. The carrying amounts of the loans receivable approximate their fair values.

	2019 USD '000	2018 USD '000
Loans receivable from joint venture	**29,584**	-

12 Associated companies and joint venture

	2019 USD '000	2018 USD '000
Interest in associates	**1,486**	-
Interest in joint venture	**232**	-
	1,718	-

(a) Interest in associates

The Group, through its wholly owned subsidiary Hafnia Tankers ApS, had a 40% interest in Hafnia Management A/S and its subsidiaries ("Hafnia Management"), and through its wholly owned subsidiary Hafnia Tankers Singapore Pte Ltd, a 20% interest in K/S Straits Tankers before acquisition transactions during May 2019. Hafnia Management A/S is incorporated in Denmark.

Hafnia Management A/S had a 100% interest in Hafnia MR Pool Management ApS that commercially operated the Hafnia MR Pool, a 100% interest in Hafnia Handy Pool Management ApS that commercially operated the Hafnia Handy Pool, a 100% interest in Hafnia Bunkers ApS that managed bunkering purchases for the above stated pools. Hafnia Management A/S also had a 60% interest in K/S Straits Tankers.

K/S Straits Tankers had a 50% interest in Straits Tankers Pte. Ltd that commercially operates the LR1 pool. The remaining 60% of Hafnia Management A/S and the remaining 20% of K/S Straits Tankers were owned by other vessel owners participating in the pools. The Group accounted for its investment in Hafnia Management and K/S Straits Tankers using the equity method.

In May 2019, the Group acquired the business of Hafnia Management (refer to Note 14(a)). Hafnia Management's 60% interest in K/S Straits Tankers was also acquired as part of the transaction. Further, the Group also acquired the remaining 20% of K/S Straits Tankers and remaining 50% of Straits Tankers Pte. Ltd. which were owned by other vessel owners participating in the pools. As a result, K/S Straits Tankers and Straits Tankers Pte. Ltd became wholly owned subsidiaries thereafter.

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	**2019 USD '000**	2018 USD '000
Percentage ownership interest	**40%**	-
Current assets	**14,422**	-
Current liabilities	**(10,707)**	-
Net assets (100%)	**3,715**	-
Group's share of net assets (40%)	**1,486**	-

Hafnia Management	**2019 USD '000**	2018 USD '000
Revenue	**10,298**	-
Other income	**3,962**	-
Expenses	**(10,176)**	-
Profit and total comprehensive income (100%)	**4,084**	-
Profit and total comprehensive income (40%)	**1,634**	
Other adjustments	**(1,054)**	
Group's share of total comprehensive income (40%)	**580**	-

In addition to the associates disclosed above, the Group also had interests in individually immaterial associates that are accounted for using the equity method. This includes K/S Straits Tankers and Straits Tankers Pte. Ltd which were accounted for using the equity method up to May 2019.

	2019 USD '000	2018 USD '000
Aggregate carrying amount of individually immaterial associates	**-**	-
Share of total comprehensive income	**44**	-

(b) Interest in joint venture

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 incorporated in 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 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 11.

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.

	2019 USD '000	2018 USD '000
Percentage ownership interest	**50%**	-
Non-current assets	**154,350**	-
Current assets	**11,928**	-
Non-current liabilities	**(97,896)**	-
Current liabilities	**(67,918)**	-
Net assets (100%)	**464**	-
Group's share of net assets (50%)	**232**	-
Revenue	**18,339**	-
Other income	**497**	-
Expenses	**(17,574)**	-
Profit and total comprehensive income (100%)	**1,262**	-
Profit and total comprehensive income (50%)	**631**	-
Prior year share of losses not recognised*	**(399)**	-
Group's share of total comprehensive income (50%)	**232**	-

* Prior year share of losses not recognised as the share of losses had exceeded the interest in the joint venture.

13 Cash and cash equivalents

	2019 USD '000	2018 USD '000
Cash at bank and on hand	**91,612**	52,463

14 Business combination

(a) Acquisition of the business of Hafnia Management A/S and subsidiaries

In May 2019, the Group acquired the businesses of its associated companies which comprised commercial contracts, employees and assets except cash and certain liabilities, of Hafnia Management A/S, Hafnia Handy Pool Management ApS, Hafnia MR Pool Management ApS and Hafnia Bunker ApS. The acquired net identifiable assets were transferred to an existing subsidiary within the Group.

Fair values measured on a provisional basis

The fair values of IT infrastructure and customer contracts acquired are subject to completion of a valuation exercise. Provisionally, the Group has deemed the excess of purchase consideration over the net assets acquired to be ascribed to the recorded intangible assets – IT infrastructure and customer contracts. Accordingly, the provisional goodwill, if any, is inconsequential.

The following table summarises the consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	USD '000
Fair value of identifiable net assets acquired	
Plant and equipment	**95**
Trade and other receivables	**1,687**
Trade and other payables	**(1,313)**
Loans	**(270)**
Intangible assets (IT infrastructure)	**612**
Intangible assets (Customer contracts)	**2,468**
Total identifiable net assets acquired	**3,279**
Total purchase consideration	**3,279**

(b) Acquisition of K/S Straits Tankers and Straits Tankers Pte. Ltd.

The purchase consideration for K/S Straits Tankers and Straits Tankers Pte. Ltd. was USD 0.4 million (USD 0.2 million net of acquired cash balances) bringing equity interest in K/S Straits Tankers from 44% to 100% and equity interest in Straits Tankers Pte. Ltd. from 22% to 100%. The effect on deemed disposal of these associates is not material to financial statements. The fair value of the identifiable net assets acquired is also not material.

15 Share capital and contributed surplus

	Number of Shares	Share capital USD '000	Share premium USD '000	Total USD'000
At 1 January 2019	196,241,352	1,962	221,220	223,182
Shares issued for merger	146,916,627	1,470	411,872	413,342
New shares issued	27,086,346	271	71,742	72,013
At 31 December 2019	**370,244,325**	**3,703**	**704,834**	**708,537**

	Number of Shares	Share capital USD '000	Share premium USD '000	Total USD'000
At 1 January 2018	116,514,917	1,165	26,761	27,926
New shares issued	79,726,435	797	194,459	195,256
At 31 December 2018	196,241,352	1,962	221,220	223,182

(a) Authorised share capital

The total authorised number of shares is 600,000,000 (2018: 400,000,000) common shares at par value of USD 0.01 per share.

In October 2019, the total authorised number of shares was increased by 200,000,000 shares with a par value of USD 0.01 per share.

(b) Issued and fully paid share capital

On 16 January 2019, the Company issued 146,916,627 shares in a share swap arrangement, where newly issued shares of the Company were exchanged for all outstanding shares of Hafnia Tankers during the Merger.

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 15 November 2018, the Company issued 18,782,594 new common shares at USD 2.45 per share for cash, amounting to a total of USD 46.0 million. Additionally, 14,893,819 common shares were issued by way of capitalising an amount due to a wholly-owned subsidiary of the holding corporation of USD 36.5 million.

On 19 December 2018, 46,050,022 common shares were also issued as consideration for six LR2 product tankers which are currently under construction. These were sold by a wholly-owned subsidiary of the holding corporation at a sale consideration of USD 112.8 million.

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 after the Listing.

(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.

16 Other reserves

(a) Composition:

	2019 USD '000	2018 USD '000
Capital reserve – effects of group restructuring	**-**	50,011
Share-based payment reserve	**823**	-
Hedging reserve	**(6,514)**	3,158
Translation reserve	**(34)**	-
	(5,725)	53,169

Previously, the capital reserve related to the net difference arising from the share capital and retained earnings of the Group before and after a group restructuring conducted in 2014.

During the year, the Group decided to transfer such capital reserve arising from the previous restructuring of entities to the opening accumulated losses.

(b) Movements of the reserves are as follows:

	2019 USD '000	2018 USD '000
Capital reserve		
At beginning of the financial year	**50,011**	50,011
Transfer to accumulated losses	**(50,011)**	-
At the end of the financial year	**-**	50,011
Hedging reserve		
At the biginning of the financial year	**3,158**	505
Adjustment of reserve on Merger	**(2,816)**	-
Fair value (losses)/gains on cash flow hedges	**(7,266)**	2,815
Reclassification to profit or loss	**410**	(162)
At end of the financial year	**(6,514)**	3,158

17 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 June 2019 and 1 July 2019, 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")	2,041	3 years' service condition from grant date of Tranche 1	16 January 2025
Option Grant to key management personnel on 1 June 2019 ("Tranche 2")	1,183	3 years' service condition from grant date of Tranche 1	16 January 2025
Option Grant to key management personnel on 1 July 2019 ("Tranche 3")	207	3 years' service condition from grant date of Tranche 1	16 January 2025

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
Grant date	16 January 2019	1 June 2019	1 July 2019
Share price (USD)	2.813	2.780	2.780
Exercise price (USD)	3.256	3.256	3.256
Time to maturity (years)	4.5	4.1	4.0
Risk free rate	2.54%	1.93%	1.78%
Volatility	50.00%	50.00%	50.00%
Dividends	-	-	-
Annual tenure risk	7.50%	7.50%	7.50%
Share options granted (USD)	2,041,236	1,183,063	207,278

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

18 Borrowings

	2019 USD '000	2018 USD '000
Current		
Loan from a related corporation	**8,500**	7
Loan from non-related parties	**106**	-
Bank borrowings	**167,659**	76,933
Finance lease liabilities	**7,244**	-
Other lease liabilities	**29,821**	-
	213,330	76,940
Non-current		
Loan from a related corporation	**-**	44,524
Loan from non-related parties	**5,066**	-
Bank borrowings	**1,043,389**	568,520
Finance lease liabilities	**82,128**	-
Other lease liabilities	**104,213**	-
	1,234,796	613,044
Total borrowings	**1,448,126**	689,984

As at 31 December 2019, bank borrowings consist of six credit facilities from external financial institutions, amounting to USD 676 million, USD 266 million, USD 216 million, USD 128 million, USD 30 million and USD 473 million respectively (2018: USD 676 million, USD 266 million and USD 128 million respectively). These facilities are secured by the Group's fleet of vessels. The table below summarises key information of the bank borrowings:

Facility amount	**Maturity date**
USD 676 million facility	
- Tranche A USD 576 million	2022
- Tranche A USD 100 million revolving credit facility	2022
USD 473 million facility	2026
USD 266 million facility	2028
USD 128 million facility	2023
USD 216 million facility	2027
USD 30 million facility	2019

As at 31 December 2019, the loan from a related corporation for pool working capital funding has an average of the DANSKE BOR plus a 3.5% margin per annum and is unsecured and repayable on demand.

The USD 45 million loan from a related corporation was an unsecured revolving credit facility and bore interest at 5.77% before it was fully repaid in November 2019.

On 15 January 2020, the Group extended the USD 30 million facility by 15 months, with the revised maturity date being in April 2021. Two vessels have been mortgaged as security to this facility.

Interest rates

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

	2019	2018
	USD '000	USD '000
Bank borrowings	**3.6%**	4.3%

The exposure of borrowings to interest rate risk is disclosed in Note 24.

Maturity of borrowings

The non-current borrowings have the following maturity:

	2019	2018
	USD '000	USD '000
Later than one year and not later than five years	**809,872**	530,247
Later than five years	**424,924**	82,797
	1,234,796	613,044

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 carrying value of loan from related corporation approximates its fair value since the contractual interest rate continues to approximate the market interest rate.

19 Derivative financial instruments

	2019 USD '000		2018 USD '000	
	Assets	**Liabilities**	Assets	Liabilities
Cash flow hedges				
- Interest rate swaps and caps	**-**	**6,514**	3,162	-
Non-hedging instruments				
- Forward freight agreements	**2,620**	**-**	-	-
- Forward foreign exchange contracts	**117**	**-**	-	34
	2,737	**6,514**	3,162	34
Analysed as:				
Non-current	**-**	**6,514**	3,158	-
Current	**2,737**	**-**	4	34
	2,737	**6,514**	3,162	34

Cash flow hedges

The Group has entered into interest rate swap contracts that qualify for hedge accounting. The Group will pay interest at fixed rates varying from 1.66% to 2.26% (2018: 2.01% 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 2019 amounted to USD 391.6 million (2018: USD 229.6 million) and the amounts mature in more than one year from the balance sheet date.

The Group also has entered into 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.

Forward foreign exchange contracts

The Group has entered into forward foreign exchange contracts to swap United States Dollars for Singapore Dollars with the holding corporation. The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2019 and 31 December 2018 comprise the following:

	2019 USD '000		2018 USD '000	
	Notional amounts in local currency	**USD equivalent**	Notional amounts in local currency	USD equivalent
Singapore Dollars	**6,400**	**4,649**	4,000	2,970

As at 31 December 2019, these forward foreign exchange contracts will mature within 8 (2018: 5) 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.

20 Trade and other payables

	2019 USD '000	2018 USD '000
Trade payables		
- related corporations	**144**	278
- non-related parties	**21,728**	8,048
Deferred gain on sale and operating leaseback	**-**	3,849
Provision for reinstatement costs of leased vessels	**1,238**	1,987
Accrued operating expenses	**72,156**	29,839
Other payables	**-**	164
- holding corporation	**4,532**	5,715
- related corporations	**6,914**	3,075
- non-related parties	**106,712**	52,955
Analysed as:		
Non-current	**1,238**	4,436
Current	**105,474**	48,519
	106,712	52,955

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 the holding corporation and 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 24.

21 Leases – as Lessee

(a) 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 option to extend and option to purchase.

In 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	
Adjustment on initial application at IFRS 16 (Note 2)	65,817
Deferred gain on previous sale and lease back arrangements	(3,849)
At 1 January 2019 (adjusted)	61,968
Additions	90,921
At 31 December 2019	152,889
Accumulated depreciation	
Depreciation charge	23,523
At 31 December 2019	23,523
Net book value	
At 31 December 2019	129,366

(2) Amounts recognised in profit or loss

	2019 USD '000
From 1 January 2019 under IFRS 16	
Interest expense on lease liabilities	**4,579**
Expenses relating to short-term leases for vessels, included in charter hire expenses	**4,303**
Expenses relating to short-term leases for offices, included in rental expenses	**1,138**

	2018 USD '000
Before 1 January 2019 under IAS 17	
Charter hire expenses	8,659

(3) Amounts recognised in statement of cash flows

	2019 USD '000
From 1 January 2019 under IFRS 16	
Total cash outflow for leases	**27,283**

	2018 USD '000
Before 1 January 2019 under IAS 17	
Total cash outflow for leases	8,659

(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 105.9 million.

(5) Operating lease commitments under IFRS 16

The Group leases vessels and office space from non-related parties under non-cancellable operating lease agreements. These leases have varying terms including option to extend and option 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.

(b) Operating lease commitments under IAS 17

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

The future minimum lease payments under non-cancellable operating leases committed at the reporting date but not recognised as liabilities, are as follows:

	2018 USD '000
Not later than one year	27,360
Later than one year but not later than five years	162,824
Later than five years	21,429
	211,613

22 Commitments

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the consolidated financial statements are as follows:

	2019 **USD '000**	2018 USD '000
Vessels under construction	**-**	181,220

(b) 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 2019, the Group recognised revenue from time charters of USD 40.4 million (2018: USD 25.7 million) as part of revenue (Note 3).

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

(1) From 1 January 2019 under IFRS 16

	2019 USD '000
Less than one year	**50,724**
One to two years	**36,425**
Two to three years	**23,536**
	110,685

(2) Before 1 January 2019 under IAS 17

	2018 USD '000
Not later than one year	4,394

23 Financial guarantee contracts

The Group's policy is to provide financial guarantees only to the wholly-owned subsidiaries or joint venture. At 31 December 2019, the Group has issued financial guarantees to certain banks in respect of credit facilities granted to subsidiaries (see Note 18). These bank borrowings amount to USD 1,211.0 million (2018: USD 645.5 million) at the balance sheet date.

In addition, the Group and CSSC Shipping has issued a joint financial guarantee to certain banks in respect of credit facilities granted to the joint venture. Bank borrowings provided to joint venture amounts to USD 105.0 million at the balance sheet date. Corporate guarantee given by the Group will become due and payable on demand if an event of default occurs.

24 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 and interest rate risk); credit risk; liquidity risk; cash flow and fair value interest rate 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 BW Group's 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. There is significant uncertainty over the timing and the methods of transition across the jurisdictions that the Group operates in. 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 extend beyond the anticipated cessation dates for US Dollar LIBOR. The Group expects that US dollar LIBOR will be replaced by SOFR, but there is uncertainty over the timing and amount of the replacement rate cash flows. Such 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 in the second half of 2020. 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 2019, approximately 5% (2018: 7%) 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, bunker fuel expenses have been the most significant expense. Under a time charter, the charterer is responsible for bunker fuel costs, therefore, fixed income charters also reduce exposure to fuel price fluctuations.

In 2019, fuel oil costs comprised 35% (2018: 36%) of the Group's operating expenses (excluding depreciation). If price of fuel oil has increased/decreased by USD 1 (2018: USD 1) per metric ton with all other variables including tax rate being held constant, the net results will be lower/higher by USD 391,402 (2018: USD 246,000) 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 19.

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 secondhand market.

The Group is exposed to foreign currency exchange risks for administrative expenses incurred by offices or agents globally, predominantly in 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.

Details of the Group's outstanding forward exchange contracts are disclosed in Note 19.

At 31 December 2019 and 31 December 2018, 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 40% 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, and also by entering into interest rate caps to receive payments when the agreed floating interest rate goes above the strike price. 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 and also by ensuring that the floating interest rate on a portion of its floating rate interest payments is limited to 3% (Note 19).

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 3,230,000 (2018: USD 2,298,000) 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 6,428,132 (2018: USD 3,972,000) mainly as a result of fair value gain/loss from the interest rate swaps assuming these swaps remain effective.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, cash and cash equivalents and loan receivable from joint venture. 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 except for trade and other receivables (Note 10).

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.

The age analysis of trade receivables and contracts assets past due and/or impaired is as follows:

	2019 USD '000	2018 USD '000
Past due 0 to 3 months	**77,833**	7,860
Past due 3 to 6 months	**19,243**	1,872
Past due for more than 6 months	**11,463**	421
Less: Allowance for impairment	**(1,594)**	(1,594)
	106,945	8,559

The movement in the allowance for impairment in respect of trade and other receivables and contracts assets during the year was as follow:

	2019 USD '000	2018 USD '000
Beginning of financial year	**1,594**	774
Allowance made	**-**	820
End of financial year	**1,594**	1,594

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. Except for this credit-impaired receivable as described above, 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 2019 and 31 December 2018 to be insignificant.

Credit risk is concentrated on a several charterers. The Group adopts the policy of dealing only with customers with an 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.

Other receivables and loans receivable from joint venture

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. As a result of the assessment performed, no ECL provision has been recognised.

(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 and has access to the unutilised portions of revolving credit facilities provided by 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 2019				
Trade and other payables[1]	105,474	-	-	-
Derivative financial instruments	881	983	495	181
Interest payments	50,130	43,379	79,560	25,179
Borrowings	169,996	139,996	571,640	341,785
Lease Liability	46,482	50,394	107,762	33,608
	372,963	**234,752**	**759,457**	**400,753**

[1] *Excludes provision for reinstatement costs of leased vessels.*

	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 2018				
Trade and other payables[1]	47,119	-	-	-
Derivative financial instruments	(1,179)	(655)	(734)	(402)
Interest payments	28,444	23,966	46,553	10,410
Borrowings	78,124	122,648	412,026	84,634
	152,508	**145,959**	**457,845**	**94,642**

[1] *Excludes deferred gain on sale and operating leaseback and provision for reinstatement costs of leased vessels.*

(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) Fair value measurements

The following tables presents 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			
		Mandatorily at FVTPL - others	Financial assets at amortised cost	Total	Level 1	Level 2	Level 3	Total
		USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
At 31 December 2019								
Financial assets measured at fair value								
Forward freight agreements	19	2,620	-	2,620	-	2,620	-	2,620
Forward foreign exchange contracts	19	117	-	117	-	117	-	117
		2,737	-	2,737				
Financial assets not measured at fair value								
Loans receivable from joint venture	11	-	29,584	29,584				
Trade and other receivables[1]	10	-	223,065	223,065				
Cash and cash equivalents	13	-	91,612	91,612				
		-	344,261	344,261				

[1] *Excluding prepayments*

	Note	Carrying amount			Fair value			
		Fair value - hedging instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
At 31 December 2019								
Financial liabilities measured at fair value		-	-	-				
Interest rate swaps and caps used for hedging	19	(6,514)	-	(6,514)	-	(6,514)	-	(6,514)
Financial liabilities not measured at fair value								
Bank borrowings	18	-	(1,211,048)	(1,211,048)	-	(1,211,048)	-	(1,211,048)
Loan from a related corporation	18	-	(8,500)	(8,500)	-	(8,500)	-	(8,500)
Loan from non-related parties	18	-	(5,172)	(5,172)	-	(5,172)	-	(5,172)
Trade payables[1]	20	-	(105,474)	(105,474)				
		-	(1,330,194)	(1,330,194)				

1 Excluding provision for reinstatement costs of leased vessels

		Carrying amount					Fair value			
	Note	Fair value – hedging instruments USD '000	Mandatorily at FVTPL - others USD '000	Financial assets at amortised cost USD '000	Other financial liabilities USD '000	Total USD '000	Level 1 USD '000	Level 2 USD '000	Level 3 USD '000	Total USD '000
At 31 December 2018										
Financial assets measured at fair value										
Interest rate swaps used for hedging	19	3,162	-	-	-	3,162	-	3,162	-	3,162
Financial assets not measured at fair value										
Trade and other receivables[1]	10	-	-	58,470	-	58,470				
Cash and cash equivalents	13	-	-	52,463	-	52,463				
		-	-	110,933		110,933				
Financial liabilities measured at fair value										
Forward foreign exchange contracts	19	-	(34)	-	-	(34)	-	(34)	-	(34)
Financial liabilities not measured at fair value										
Bank borrowings	18	-	-	-	(645,453)	(645,453)	-	(645,453)	-	(645,453)
Loan from a related corporation	18	-	-	-	(44,531)	(44,531)	-	(44,531)	-	(44,531)
Trade payables[2]	20	-	-	-	(47,119)	(47,119)				
		-	-	-	(737,103)	(737,103)				

[1] *Excluding prepayments*

[2] *Excluding provision for reinstatement costs of leased vessels and deferred gain on sale and operating lease back*

The Group has no Level 1 and Level 3 financial assets or liabilities as at 31 December 2019 and 2018.

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.

25 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.

26 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:.

	2019 **USD '000**	2018 USD '000
Sales and purchase of services		
Support service fees paid/payable to a related corporation	**7,705**	8,303
Interest paid/payable to a related corporation	**1,894**	2,052
Rental paid/payable to a related corporation	**634**	626
Share capital contribution		
Subscription of shares by the immediate and ultimate holding corporation	**50,000**	-

Key management remuneration for the financial year ended 31 December 2019 amounted to USD 2,187,826 (2018: USD 1,628,000).

Related corporations refer to corporations controlled by Sohmen family interests.

27 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
2019					
Revenue	25,452	299,831	389,777	112,795	827,855
Voyage expenses	(719)	(123,424)	(140,606)	(48,676)	(313,425)
TCE Income	24,733	176,407	249,171	64,119	514,430
Other operating income	**-**	**6,128**	**2,412**	**1,822**	**10,362**
Vessel operating expenses	**(6,643)**	**(63,906)**	**(88,023)**	**(26,174)**	**(184,746)**
Technical management expenses	**(727)**	**(5,132)**	**(7,477)**	**(2,097)**	**(15,433)**
Charter hire expenses	**-**	**(4,846)**	**(12,021)**	**-**	**(16,867)**
Operating EBITDA	**17,363**	**108,651**	**144,062**	**37,670**	**307,746**
Depreciation charge	**(6,902)**	**(42,901)**	**(66,382)**	**(14,905)**	**(131,090)**
Unallocated	**10,461**	**65,750**	**77,680**	**22,765**	**176,656**
					(103,907)
Profit before income tax					**72,749**

	LR2 USD '000	LR1 USD '000	MR USD '000	Handy USD '000	Total USD '000
2019					
Segment assets	305,122	623,205	1,334,235	272,231	2,534,793
Segments include					
Additions/adjustments to:					
- vessels/vessels under construction	177,635	2,056	54,308	1,888	235,887
- dry docking	16,496	(350)	751	3,127	20,024
- right-of-use-assets	-	39,576	51,345	-	90,921
Segment liabillities	5,084	35,830	33,539	7,847	82,300

	LR2 USD '000	LR1 USD '000	MR USD '000	Total USD '000
2018				
Revenue	-	185,354	183,036	368,390
Voyage expenses	-	(84,045)	(83,074)	(167,119)
TCE Income	-	101,309	99,962	201,271
Other operating income	-	1,549	-	1,549
Vessel operating expenses	-	(48,288)	(45,201)	(93,489)
Technical management expenses	-	(5,095)	(5,815)	(10,910)
Charter hire expenses	-	(7,264)	(1,395)	(8,659)
Operating EBITDA	-	42,211	47,551	89,762
Depreciation charge	-	(26,304)	(30,561)	(56,865)
Impairment charge on vessels – net		(36,200)	28,800	(7,400)
	-	(20,293)	45,790	25,497
Unallocated				(45,254)
Profit before income tax				(19,757)
Segment assets	117,495	459,690	682,430	1,259,615
Segments assets include:				
Additions/adjustments to:				
- vessels/vessels under construction	117,495	1	-	117,496
- dry docking	-	7,815	4,718	12,533
Segment liabilities	12	25,859	18,517	44,388

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

	2019 USD '000	2018 USD '000
Segment assets	**2,534,793**	1,259,615
Unallocated items:		
Cash and cash equivalents	**91,612**	52,463
Trade and other receivables	**46,161**	6,239
Derivative financial instruments	**2,737**	3,162
Inventory	**992**	-
Property, plant and equipment	**100**	-
Intangible assets	**3,159**	-
Associated companies and joint venture	**1,718**	-
Total assets	**2,681,272**	1,321,479

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.

	2019 USD '000	2018 USD '000
Segment liabilities	**82,300**	44,388
Unallocated items:		
Borrowings	**1,448,126**	689,984
Current income tax liabilities	**1,416**	27
Trade and other payables	**24,412**	8,567
Derivative financial instruments	**6,514**	34
Total liabilities	**1,562,768**	743,000

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 284.4 million (2018: USD 141.3 million) of the Group's total revenues.

28 Dividends

The Directors recommend a dividend of USD 21.2 million (USD 0.0573 per qualifying common share) for the financial year ended 31 December 2019 (2018: USD Nil).

29 Events occurring after balance sheet date

On 15 January 2020, the Group extended the USD 30 million facility by 15 months, with the revised maturity date being in April 2021. Two vessels have been mortgaged as security to this facility.

30 Authorisation of financial statements

These financial statements were authorised to be issued by a resolution of the Board of Directors of Hafnia Limited passed on 24 February 2020.

31 Listing of companies in the group

Name of companies		Principal activities	Country of incorporation	Equity holding 2019 %	Equity holding 2018 %
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.		Shipowning	Singapore	100	100
Komplementaranpartsselskabet Straits Tankers	b	Investment	Denmark	100	-
K/S Straits Tankers	e	Investment	Denmark	100	-
Straits Tankers Pte. Ltd.	e	Ship-management	Denmark	100	-
BW Silvermine Pte. Ltd.		Dormant	Singapore	100	100
BW Magellan Limited		Dormant	Bermuda	100	100
BW Pacific Management Pte. Ltd.		Agency office	Singapore	100	100
Hafnia Pte. Ltd.		Chartering	Singapore	100	100
BW Tankers Corporation	a	Dormant	Marshall Islands	100	100
Hafnia Tankers LLC	b	Investment	Marshall Islands	100	-
Hafnia Tankers Marshall Islands LLC	b	Investment	Marshall Islands	100	-
Hafnia Tankers Singapore Holding Pte Ltd	b	Investment	Singapore	100	-
Hafnia Tankers Singapore Sub-Holding Pte Ltd	b	Investment	Singapore	100	-
Hafnia Tankers ApS	b	Shipowning	Denmark	100	-
Hafnia Tankers Shipholding Denmark 1 ApS	c	Shipowning	Denmark	-	-
Hafnia Tankers Shipholding Beta Pte. Ltd.	b	Dormant	Singapore	100	-
Hafnia Tankers Shipholding Alpha Pte Ltd	b	Shipowning	Singapore	100	-
Hafnia One Pte. Ltd.	d	Shipowning	Singapore	100	-
Hafnia Tankers Malta Limited (under liquidation)	b	Dormant	Malta	100	-
Hafnia Tankers Shipholding Malta Ltd. (under liquidation)	b	Dormant	Malta	100	-
Hafnia Tankers Singapore Pte Ltd	b	Investment	Singapore	100	-
Hafnia Tankers Shipholding Singapore Pte. Ltd.	b	Shipowning	Singapore	100	-
Hafnia Tankers Shipholding 2 Singapore Pte. Ltd.	b	Shipowning	Singapore	100	-
Hafnia Tankers Chartering Singapore Pte. Ltd.	b	Chartering	Singapore	100	-
Hafnia Tankers International Chartering Inc.	b	Chartering	Marshall Islands	100	-
Hafnia Tankers Services Singapore Pte Ltd	b	Ship-management	Singapore	100	-

Name of companies		Principal activities	Country of incorporation	Equity holding 2019 %	Equity holding 2018 %
Hafnia Management A/S	f	Ship-management	Denmark	40	-
Hafnia Bunkers ApS	f	Ship-management	Denmark	40	-
Hafnia Handy Pool Management ApS	f	Ship-management	Denmark	40	-
Hafnia MR Pool Management ApS	f	Ship-management	Denmark	40	-
Vista Shipping Limited	f	Investment	Marshall Islands	50	-
Vista Shipholding I Limited	f	Shipowning	Marshall Islands	50	-
Vista Shipholding II Limited	f	Shipowning	Marshall Islands	50	-
Vista Shipholding III Limited	f	Shipowning	Marshall Islands	50	-
Vista Shipholding IV Limited	f	Shipowning	Marshall Islands	50	-
Vista Shipholding V Limited	f	Shipowning	Marshall Islands	50	-
Vista Shipholding VI Limited	f	Shipowning	Marshall Islands	50	-

(a) This company was merged with BW Tankers Limited on 21 January 2019.
(b) This company became a subsidiary following the merger with Hafnia Tankers.
(c) This company became a subsidiary following the merger with Hafnia Tankers. It was merged with Hafnia Tankers ApS effective from 1 January 2019.
(d) This company was incorporated in 2019.
(e) This company was 100% acquired in May 2019 (Note 12).
(f) This company became an associated company/joint venture following the merger with Hafnia Tankers.

32 Comparative information

Pursuant to Note 2.2 Scheme of reorganisation and merger of entities, the Group has not restated the comparative information to include the financial information of the former Hafnia Tankers Limited. Accordingly, the comparative information applies only to Hafnia Limited (formerly known as BW Tankers Limited) and is not comparable to the reported financial information reported in the current year

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