

## **Audit Committee Terms of Reference for TORM plc (the "Company")**

### ***Purpose and Authority***

The purpose of the Audit Committee (the "**Committee**") is to assist the Board of Directors (the "**Board**") in fulfilling its responsibilities relating to the oversight of the quality and integrity of the accounting, auditing, financial reporting and risk management of the Company and such other duties as may from time to time be assigned to the Committee by the Board and are required by the rules and regulations of the Securities and Exchange Commission (the "**SEC**") or any other securities exchange on which the Company's securities are traded. The Committee shall review and reassess the adequacy of these Terms of Reference on an annual basis and, if appropriate, propose changes to the Board.

The Committee's function is one of oversight only and does not relieve Management of its responsibilities for preparing financial statements that accurately and fairly present the Company's financial results and condition, nor the auditors of their responsibilities relating to the audit or review of financial statements. The Committee shall oversee the accounting, financial reporting, risk management processes related to the financial reporting of the Company and the audits of the Company's financial statements. The Committee shall oversee and monitor the qualifications, independence and performance of the appointed independent auditors.

The Committee is directly responsible for the compensation and oversight of the work of the independent auditors (including the resolution of disagreement between the Company's Management and the independent auditor regarding financial reporting). The Committee is responsible for providing a recommendation for the appointment of the independent auditor to the Board. The Board must use this as a basis for its recommendation which is to be submitted to the Company's Annual General Meeting (the "**AGM**") for ratification by the Company's shareholders. If the recommendation is following a tender process, the Committee should recommend at least two audit firms with a clear and explained preference for one of those. The independent auditors shall report directly to the Committee. The Committee may engage and compensate outside counsel or other advisors, experts or consultants, as it deems appropriate to carry out its duties. Such engagement and compensation shall be made through the Company's Senior Management Team ("**Management**") or the Head of Group Finance. The Company shall provide appropriate funding, as the Committee determines, for the payment of compensation to any outside counsel and other advisors, experts or consultants retained by the Committee and for the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee is responsible for reviewing financial reports prior to their release, while the approval hereof is the responsibility of the Board. At the Board meeting where the Board reviews and approves the annual report, the chairperson of the Committee shall inform the Board of the following:

- Outcome of the work performed by the independent auditors, and
- The Committee's assessment of the evaluation of the process for preparing the annual report.

The Committee shall have all authority necessary to fulfill the duties and responsibilities assigned to the Committee in these Terms of Reference or otherwise assigned to it by the Board. In discharging its duties, the Committee is empowered to investigate any matter brought to its attention and shall have unrestricted access to Management and the Head of Group Finance and to information deemed relevant for the investigation. The Committee may have access to other employees.

### ***Membership and Appointment***

The Committee shall at any time consist of at least three members of the Board, as determined by the Board, each of whom shall meet the independence requirements established by the Board and applicable laws, regulations and listing requirements, including the UK Corporate Governance Code, Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) and the applicable listing rules of any securities exchange on which the Company’s securities are traded and subject to any applicable compliance phase-in allowances thereunder. At least one Committee member shall in the judgment of the Board have recent and relevant financial experience in order to have the ability to make an independent assessment of the appropriateness of the Company’s financial statements and internal controls as well as the planning and execution of the external audit. The Committee as a whole shall have competences relevant to the sector in which the Company operates. The Committee members are appointed, and the chairperson of the Committee is nominated among these by the Board. The chair of the Board should not be a member. The Board may remove any member from the Committee at any time with or without cause. Appointments are for a period of up to three years, extendable by no more than two additional three-year periods. At least annually, the Board will assess whether the Committee’s expertise in accounting and auditing and knowledge of the Company and the sector it operates in is appropriately updated to reflect any changes in circumstances. The Board of Directors suggests, and the AGM determines the fees for the work of the Committee members.

### ***Meetings of the Committee***

The Committee shall meet not less than four times a year, and a meeting calendar shall be established annually corresponding with the Company’s financial reporting cycle. Additional meetings may occur as the Committee or its chair, Management or the auditors deem advisable. The Management and the Head of Group Finance will normally participate in the meetings. The Committee may invite such other persons to its meetings, including the independent auditors, as it deems appropriate. The Management and the Head of Group Finance are not members of the Committee.

A quorum of any meeting will be two members (including, whenever possible, at least one member with recent and relevant financial experience), but members of the Committee should attend all meetings. The Committee shall keep adequate minutes of all its proceedings and will report on its activities to the Board. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with these Audit Committee Terms of Reference, relevant laws and provisions. Any changes to these Terms of Reference shall be pre-approved by the Board.

### ***Roles and Responsibilities***

The following are the principal recurring duties of the Committee:

#### **Independent auditors**

- 1) Directly appoint, retain, oversee and discharge the independent auditor and submit the appointment of the independent auditor for ratification by the AGM.
- 2) Approve fees payable to the appointed independent auditing firms.
- 3) Review and evaluate the independence, qualifications and performance of the independent auditors, including
  - i. reviewing the formal written statement submitted periodically by the independent auditors delineating all relationships between them and this corporation and its subsidiaries and affiliates
  - ii. discussing with the independent auditors any disclosed relationships or services that may impact their objectivity and independence
  - iii. reviewing, at least annually, the independent auditor's reports regarding quality control procedures, including any material issues raised by internal quality control or peer reviews or by inquiries or investigations by governmental or professional authorities during the past five years with respect to independent audits performed by the independent auditors, as well as any steps taken to address such issues
  - iv. developing and implementing a policy on the engagement of the external auditor to supply non-audit services and ensure pre-approval hereof
  - v. reviewing and evaluating the lead partners of the independent auditors
  - vi. assuring regular rotation of the lead audit partners and the audit firm as required by law
  - vii. approving audit engagement letter
- 4) Discussion with the external auditor without participation of Management regarding internal controls, financial reporting, etc.
- 5) Gain an understanding of the significant financial reporting judgements and/or significant issues affecting financial reporting and how these are being managed.
- 6) Oversee the periodic financial reporting process implemented by Management and submit recommendations or proposals to ensure its integrity.

Action Audit Com.	Action Board
Review	Approve & submit for ratification
Approve	None
Review and report non-conformities to the Board	Review report
Review	None
Detailed review	Review
Detailed review	Review

- 7) Meet periodically with Management and, if necessary, the independent auditors to review the audited annual report, quarterly financial statements, the key accounting policies and significant reporting judgements and provide advice to the Board as to whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- 8) Review and discuss with the independent auditors, as the Committee deems appropriate:
  - i. the audit planning
  - ii. the result of the audit, incl. review of auditor reports
  - iii. changes to accounting policies
  - iv. significant adjustments
  - v. unadjusted differences
  - vi. disagreements with Management
  - vii. any Management Letters issued or proposed issued by the auditors
  - viii. any announcements relating to the Company's financial performance
- 9) Update on impact of corporate legislation and recent announcements from the FCA (the Financial Conduct Authority"), etc.
- 10) Assess the going concern principle and the viability statement as well as the disclosures in the financial reporting

### Internal control and risk management

- 11) Discuss principles for risk assessment and risk management related to the financial reporting and review the Company's significant and emerging risks, specifically incl. fraud, and the impact on the financial reporting including stress testing.
- 12) Monitor the Company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.
- 13) Discuss with Management and, if necessary, the independent auditors the need for and the effectiveness of an internal audit function, the adequacy and effectiveness of the Company's internal controls over financial reporting and the quality of the accounting personnel and other personnel relevant for the internal control framework, for consideration in the Company's annual report. Where there is no internal audit function, have a discussion of how internal assurance is achieved, and how this affects the work of the external audit.

Action Audit Com.	Action Board
Review	Approve
Review all	Review auditor's reports
Review	None
Review	Approve
Review	Approve
Detailed review	Approve
Review	Review auditor's reports

- 14) Consider whether Management has appropriately dealt with recommendations made by the independent auditors.
- 15) Review all related-party transactions, including transactions between the Company and its directors or affiliates of directors.
- 16) Establish and oversee the effectiveness of procedures for the receipt, retention and proper treatment of confidential, anonymous submissions by employees and external parties of complaints and concerns regarding accounting, internal control or auditing matters.
- 17) Review updated authorization matrix.
- 18) Training of AC in internal controls and financial reporting.
- 19) Discussion with Group Internal Controls without participation of Management regarding internal controls.
- 20) Review controls to mitigate the risk of Management override of controls/fraud.
- 21) Review scoping and materiality.

**Compliance with laws and regulations**

- 22) Review and discuss with Management the effectiveness of the systems for monitoring compliance with laws and regulations.
- 23) Review Management’s investigations and follow-up of any fraudulent acts or non-compliance and be satisfied that all relevant regulatory compliance matters have been considered in the preparation of the financial statements.
- 24) Review Business Principles and discuss with Management any significant breaches observed.
- 25) Discuss corporate governance disclosures.
- 26) Periodically update the Board during Board meetings about Committee activities.
- 27) Report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and make appropriate recommendations as to the steps to be taken.
- 28) Review the Company’s tax strategy.

Action Audit Com.	Action Board
Review	None
Review	Approve
Review	Approve
Approve	None
Review	None
Review	None
Review	Approve
Approve	None
Review	Approve
Review	Approve
Review and rep. to Board	None
Review	Approve
Report to Board	Review report
Report to Board	Review report
Review and report to Board	Approve

### Reporting responsibilities

- 29) Describe the work of the Committee in the Annual Report including:
- the significant issues that the Committee has considered relating to the financial statements, and how these issues were addressed
  - an explanation of how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans
  - in the case of a Board not accepting the Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the Committee explaining its recommendation and the reasons why the Board has taken a different position (this should also be supplied in any papers recommending appointment or reappointment)
  - where there is no internal audit function, an explanation for the absence, how internal assurance is achieved, and how this affects the work of external audit
  - an explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services
  - disclosing how the Committee carries out its functions and how it is composed
- 30) Review the whistleblower function and the reports from the Whistleblower Service Provider

Action Audit Com	Action Board
Approve	None
Review and rep. to Board	Approve
Review and rep. to Board Review and rep. to Board Evaluate	Approve Approve Review
Review and rep. to Board	Approve

### Review and evaluation

- 31) Review and reassess annually the adequacy of the Terms of Reference and, if appropriate, propose changes to the Board.
- 32) Establish meeting calendar and planner
- 33) Ensure that the Terms of Reference are approved or re-approved by the Board.
- 34) Perform an annual evaluation of the Committee's performance.

These Terms of Reference were approved by the Board on 6 November 2019.



Christopher Boehringer, Chairman