

## **TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE OF TORM PLC (THE "COMPANY")**

### **Purpose and Authority**

The purpose of the Remuneration Committee (the "**Committee**") is to assist the Board of Directors (the "**Board**") in reviewing the performance and development of the Company's Executive Management team ("**Executive Management**")<sup>1</sup> in achieving corporate goals and objectives. In addition, to review and have regard to pay and employment conditions across the Company, taking these into account when setting the policy for Executive Management remuneration and to assure that the Executive Management is compensated effectively, including all salaries, bonuses and stock compensation and other benefit programs.

The Company's Remuneration Policies and plans are to be designed to attract and retain the best employees in a manner consistent with the strategy of the Company and to maintain its competitive posture.

### **Membership and Appointment**

The Committee shall consist of at least three members of the Board, as determined by the Board, the majority of whom shall meet the independence requirements established by the Board and applicable laws, regulations and listing requirements.

The Committee members shall be appointed and the Chairperson of the Committee shall be nominated among these by the Board. Before appointment as Chairman of the Committee, the appointee should have served on a Remuneration Committee for at least 12 months. The Board may remove any member from the Committee at any time with or without cause.

### **Meetings of the Committee**

The Committee shall meet not less than twice 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 or Management deem advisable. The Committee may invite any officer or employee of the Company to attend meetings of the Committee to meet with members of, or consultants to, the Committee.

A quorum of any meeting will be two members 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 Remuneration Committee Terms of Reference, relevant laws and provisions. Any changes to the Terms of Reference shall be pre-approved by the Board.

### **Roles and Responsibilities**

The Committee shall have the following responsibilities and duties:

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<sup>1</sup> The definition of 'Executive Management' for this purpose is the Executive Director /Chief Executive Officer.

## **Executive Management**

Review and approve the Remuneration Policy for the Company's Executive Management appointed from time to time and recommend the annual remuneration, including benefits, and report such determinations and actions to the Board. In determining the Remuneration Policy and practices related to the Executive Management, the Committee should address:

- Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce
- Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand
- Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioral risks that can arise from target-based incentive plans are identified and mitigated
- Predictability – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy
- Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance
- Alignment to culture – incentive schemes should drive behaviors consistent with Company purpose, values and strategy.

## **General**

- Review and have regard to pay and employment conditions across the Company together with the Executive Management
- Approve stock option grants and plans to all persons who are Board members and Officers, provided that in designing any such incentive plans, the Committee shall follow the provisions of Schedule A to the Terms of Reference
- Ensure that incentive remuneration plans are administered in a manner consistent with the Company's Remuneration Policy and the terms of such plans
- Monitor summary data on the Company's employee population (e.g. remuneration costs, benefit plans, remuneration benchmark, turnover levels, etc.)
- Carefully consider what compensation commitments (including pension contributions) a Director's terms of appointment would entail in the event of early termination
- Review and discuss – at least once annually matters related to the Executive Management's performance, remuneration, succession planning and development
- Select, appoint and set compensation and retention terms for any remuneration consultants or advisors whom the Committee believes are necessary to assist in carrying out its duties

- Perform such other functions and activities as required by law or the Company's Articles of Association or assigned to it by the Board or as the Committee deems appropriate for it to carry out its purpose
- Arrange for periodic reviews of its own performance at least annually. Review its Terms of Reference to ensure the Committee is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval
- Give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of Directors of listed/non-listed companies and formation and operation of share schemes

### **Reports**

- The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed
- Produce a report on the Company's Remuneration Policy and practices to be included in the Company's Annual Report and ensure each year that it is put to shareholders for approval at the Annual General Meeting.
- Submit the Directors' Remuneration Policy for approval on a binding basis by the Board and shareholders (i) every three years, (ii) in any year in which there is a change to the policy, (iii) if shareholder approval was not obtained when last submitted, and (iv) if majority shareholder approval was not achieved on the last submitted annual Remuneration Report

The Committee was constituted as a Committee of the Board of the Company at a full meeting of the Board held on 14 March 2016 in accordance with the Articles of Association of the Company.

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

  
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Christopher Boehringer, Chairman

## **Schedule A**

### **The design of performance-related remuneration for Executive Directors**

#### **Balance**

The Remuneration Committee should determine an appropriate balance between fixed and performance-related, immediate and deferred remuneration. Performance conditions, including non-financial metrics where appropriate, should be relevant, stretching and designed to promote the long-term success of the Company. Remuneration incentives should be compatible with risk policies and systems. Upper limits should be set and disclosed. Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes. They should include provisions that enable the Company to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so.

The Remuneration Committee should consider whether the Directors should be eligible for annual bonuses and/or benefits under long-term incentive schemes.

#### **Share-based remuneration**

Traditional share option schemes should be weighed against other kinds of long-term incentive scheme. Executive share options should not be offered at a discount save as permitted by the rules of any applicable stock exchange.

Any new long-term incentive schemes which are proposed should be approved by the shareholders and should preferably replace any existing schemes or, at least, form part of a well-considered overall plan incorporating existing schemes. The total rewards potentially available should not be excessive.

For share-based remuneration, the Committee should promote long-term shareholdings by Executive Directors that support alignment with long-term shareholder interests. The Committee should consider requiring Directors to hold a minimum number of shares and to hold shares for a further period after vesting or exercise, and should develop a formal policy for post-employment shareholding requirements, subject to the need to finance any costs of acquisition and associated tax liabilities. In normal circumstances, shares granted or other forms of deferred remuneration should not vest or be paid, and options should not be exercisable, in less than three years. Longer periods may be appropriate. Grants under executive share option and other long-term incentive schemes, should normally be phased rather than awarded in one large block.

#### **Pensions**

In general, only basic salary should be pensionable. The Remuneration Committee should consider the pension consequences and associated costs to the Company of basic salary increases and any other changes in pensionable remuneration, especially for Directors close to retirement.