

TORM Risk Committee – Terms of Reference

Purpose and Authority

The purpose of the Risk Committee (the “Committee”) is to assist the Board of Directors in fulfilling its responsibilities relating to the oversight of the quality and effectiveness of the company-wide risk management program including strategic, operational, compliance, HSSE-related, financial, credit, market, reputational and other risks.

The Committee shall oversee the risk management reporting and processes of the Company, discuss relevant risk management policies, capital structure targets and planned funding initiatives. The Committee is responsible for providing a recommendation to the Board of Directors, which the Board may use as a basis for its recommendation to the Annual General Meeting.

The Committee is responsible for reviewing enterprise and financial risk reports prior to their release, while the approval hereof is the responsibility of the Board of Directors.

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

The Committee may engage and compensate outside counsel or other experts or consultants, as it deems appropriate to carry out its duties. Such engagement and compensation shall be made through management or the Head of Group Treasury. The Company shall provide appropriate funding, as the Committee determines, for the payment of compensation to any outside counsel and other advisors retained by the Committee and for the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Membership and Appointment

The Committee shall at any time consist of at least two independent members of the Board of Directors, as determined by the Board, each of whom shall meet the independence requirements established by the Board and applicable laws, regulations and listing requirements. At least one Committee member shall, in the judgment of the Board, have sufficient qualifications within risk management and capital market knowledge, in order to have the ability to make an independent assessment of the appropriateness of the Company’s risk management and control environment, as well as the planning and execution of the risk management policies and funding activities.

The Committee members are appointed and the Chairman of the Committee is nominated among these by the Board. With reference to the Danish Corporate Governance recommendations from 2013, the Chairman of the Committee should not also be Chairman of the Board. 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 three times a year, and a meeting calendar shall be established annually corresponding to the Company's financial reporting cycle. Additional meetings may occur as the Committee, its chair or management deem advisable. The management and the Head of Group Treasury will normally participate in the meetings. The Committee may invite other persons to its meetings, including the independent auditors, as it deems appropriate. The management and the Head of Group Treasury are not members of 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 Risk Committee Terms of Reference, relevant laws and provisions. Any changes to these Term of Reference shall be pre-approved by the Board of Directors.

Roles and Responsibilities

To fulfill its responsibilities and duties, the Risk Committee will carry out the following tasks:

Company responsibilities

- Help to set the tone and develop a culture of the Company vis-à-vis risk, promote open discussion regarding risk, integrate risk management into the organization's goals and compensation structure and create a corporate culture so that people at all levels manage risks rather than reflexively avoid or heedlessly take them
- Provide input to management regarding the Company's risk appetite and tolerance and, ultimately, approve risk appetite and the statement of risk appetite and tolerance messaged throughout the Company and by line of business
- Monitor the organization's risk profile - its ongoing and potential exposure to risks of various types
- Approve key risk management policies including standards and methodologies adapted – this refers to the measurable milestones such as tolerances, intervals, frequencies, etc.

The Enterprise Risk Management Report should set the tone for risk management in the Company and should indicate how risk management will support the Company's strategy. The Enterprise Risk Management Report should include the Company's definitions of risk and risk management, the risk management objectives, the risk approach and philosophy as well as the various responsibilities and ownership for risk management within the Company.

The Committee should:

- Review the Enterprise Risk Management Report at least once a year
- Discuss with the management team the Company's major risk exposures and review the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies
- Define risk review activities regarding the decisions (e.g. acquisitions), initiatives (e.g. new segments) and transactions and exposures (e.g. by amount) and prioritize them prior to being sent to the Board's attention

- Review and confirm that all responsibilities outlined in these Terms of Reference have been carried out
- Monitor all enterprise risks; in doing so, the Committee recognizes the responsibilities delegated to other committees by the Board and understands that the other committees may emphasize specific risk monitoring through their respective activities
- Conduct an annual performance assessment relative to the Risk Committee's purpose, duties and responsibilities and consider a mix of self- and peer-evaluation, which could be supplemented by evaluations facilitated by external experts
- Review and approve the risk management infrastructure and the critical risk management policies adopted by the organization
- Continually, as well as at specific intervals, monitor risks and risk management capabilities within the organization, including communication about escalating risk and crisis preparedness and recovery plans
- Continually obtain reasonable assurance from management that all known and emerging risks have been identified and mitigated or managed
- Communicate formally and informally with the management team and risk management regarding risk governance and oversight
- Review and assess the effectiveness of the Company's enterprise-wide risk assessment processes and recommend improvements, where appropriate
- Review and address, as appropriate, management's corrective actions for deficiencies that arise with respect to the effectiveness of such programs
- Monitor governance rating agencies and their assessments of the Company's risk and proxy advisory services policies and make recommendations as appropriate to the Board
- In coordination with the Audit Committee, understand how the Company's internal audit work plan is aligned with the risks that have been identified and with risk governance (and risk management) information needs

Reporting

- Understand and approve management's definition of the risk-related reports that the Committee could receive regarding the full range of risks that the organization faces as well as their form and frequency
- Respond to reports from management so that management understands the importance placed on such reports by the Committee and how the Committee views their content
- Read and provide input to the Board and Audit Committee regarding risk disclosures in financial statements and other public statements regarding risk
- Keep risk on both the full Board's and management's agenda on a regular basis
- Coordinate (via meetings or overlap of membership), along with the full Board, relations and communications with regard to risk among the various committees, particularly between the Audit and Risk Committees
- Disclose in the Company's Annual Report how it has satisfied itself that risk assessments, responses and interventions are effective

Terms of Reference review

- Review the Terms of Reference at least annually and update them as required to respond to new risk-oversight needs and any changes in regulatory or other requirements
- Review and approve the management-level Risk Committee Terms of Reference, if applicable
- Perform any other activities consistent with the Terms of Reference, the Company's bylaws and governing laws that the Board or Risk Committee deems necessary or appropriate
- Submit the Terms of Reference to the Board of Directors for approval

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



Christopher Boehringer, Chairman