



Appendix 2 – New proposed remuneration policy, including overall guidelines for incentive pay, for the Board of Directors and Executive Management

TORM A/S, CVR no. 22 46 02 18

Remuneration Policy, including Overall Guidelines for Incentive Pay, for the Board of Directors and Executive Management

1. Introduction

The board of directors (the “Board of Directors”) of TORM A/S, CVR no. 22 46 02 18 (“TORM” or the “Company”), has adopted this remuneration policy (the “Remuneration Policy”), including overall guidelines on incentive pay pursuant to section 139 of the Danish Companies Act (the “Incentive Guidelines”; the Remuneration Policy and the Incentive Guidelines jointly referred to as the “Policies”).

The Policies provide the framework for remuneration paid to members of the Board of Directors and TORM’s executive management registered as such with the Danish Business Authority (the “Executive Management”; the Board of Directors and the Executive Management jointly referred to as the “Management”).

The Policies replace the overall guidelines for A/S Dampskibsselskabet TORM’s incentive schemes for members of the Board of Directors and Management as last approved at the annual general meeting on 22 April 2009.

2. Background and General Objectives

The growth and future success of the Company depend upon the efforts of the members of Management. Therefore, it is the overall objective of the Policies to attract, motivate and retain qualified Management members.

Remuneration of members of Management, including its size and composition, shall be determined with a view to promote value-creation within the Company, to implement its short-term as well as long-term strategic goals and to create common interests between members of Management and TORM’s shareholders.

Furthermore, these Policies seek to ensure that the combined remuneration to members of Management for work performed in and for the Company is market comparable not only in comparison to other industry groups, but also in comparison with peer companies within the global shipping industry.

3. Remuneration of the Board of Directors

Members of the Board of Directors receive a fixed annual fee.

Members of the Board of Directors are not offered any participation in any incentive schemes.



The Chairman and the Deputy Chairman of the Board of Directors as well as the Chairman and members of committees established by the Board of Directors may receive an additional fee.

If a member of the Board of Directors is instructed to take on a specific ad hoc task that falls outside the scope of that member's ordinary duties, such member may be offered an additional fee for the work carried out related to such task subject to the approval of the Board of Directors.

The remuneration of the Board of Directors shall be approved at the annual general meeting of the Company each year for the current financial year.

TORM may reimburse relevant reasonable expenses, such as travel and accommodation in connection with meetings of the Board of Directors.

The remuneration principles applicable to members of the Board of Directors also apply to any board observer appointed in accordance to article 14.7 of the articles of association of the Company.

Any fees payable to the members of the Board of Directors and any board observer may be paid in cash or as a share based payment.

4. Remuneration of the Executive Management

4.1 Composition

Members of the Executive Management receive a fixed annual base salary based on assessment of the overall objectives of these Policies, market practice, scope and nature of the work performed, qualifications required and the performance of each member.

The terms of employment of the Executive Management, including salary, pension and resignation are determined by the Board of Directors. An ordinary termination notice cannot exceed 24 months. Termination by a member of the Executive Management shall be subject to a minimum of six months' notice. Any severance pay cannot exceed an amount corresponding to the remuneration paid for the preceding two years.

In addition, members of the Executive Management may be offered to participate in Management Incentive Plan(s) (a "Plan" or "Plans"), or be offered extraordinary bonuses as well as ordinary benefits, *inter alia* company car, telephone, internet access and newspapers.

4.2 TORM's Management Incentive Plans

The Plans are to be established by the Board of Directors who will determine the terms and conditions of each Plan subject to the framework of these Policies.

When determining the composition of a Plan, including the elements of incentive-pay as well as the ratio between fixed salary and incentive-pay under the Plan, due consideration must be given to the overall objectives of these Policies to avoid undesirable incentives. The Plan should combine an



effective means of attracting and retaining qualified candidates with a long-term focus on maximizing shareholder value.

Purpose of the Plans

Under the Incentive Guidelines, a Plan may comprise a Short-Term Incentive Plan (“STIP”) and/or a Long-Term Incentive Plan (“LTIP”), both as described below.

TORM believes that providing the members of Executive Management with a proprietary interest in the growth and performance of TORM stimulates individual performance and enhances shareholder value. TORM also believes that a significant portion of a named executive’s compensation should be directly linked to TORM’s performance.

The Policies have several provisions designed to protect shareholder interests and promote effective corporate governance in respect of the Plans, including the following:

- limitations on grants to Executive Management and individual participants in a given calendar year
- awards under the Plans are administered by the Remuneration Committee, an independent committee of the Board of Directors

Estimated Present Value. The estimated present value of the Plans will be disclosed in the annual report of TORM.

Terms of the Plans

Administration. The Board of Directors will based on recommendations from the Remuneration Committee generally administer a Plan and has the authority to grant incentives under the Plan and to set the terms of the awards, amend any outstanding incentives or accelerate the time at which any outstanding incentives may vest, correct any defect in the Plan or any incentive as it deems necessary and establish rules or regulations relating to administration of the Plan. See further below under 4.4 Adjustments. All provisions of the Plan and any actions taken thereunder will be subject to applicable law.

Principal Conditions for Granting Incentive Pay. The attainment of performance targets based on TORM’s strategic and operational initiatives, including *inter alia* total shareholder return and cash flow metrics, may be used to determine allocations under the Plans, in addition to discretionary allocations.

Eligibility. Members of Executive Management will be eligible to receive incentives under a Plan when designated as participants.

Requirements. The Board of Directors has discretion to determine the times at which such incentives are to be made, the size of such incentives, the form of payment and all other conditions of such incentives, including any restrictions, deferral periods or performance requirements.

Amendments or Discontinuation. The general meeting must approve any amendments to, or discontinuation of, the Policies which provide the framework for the Plans. No amendment to, or discontinuance of, the Policies may materially impair any previously granted award under the Plans without the consent of the recipient.



Term. No incentives may be granted under a Plan more than ten years after the date on which the Policies were approved by the general meeting.

Incentive Agreements. Grants of incentives will be subject to the terms and conditions of the Plan and may also be subject to individual restrictions imposed by the Board of Directors and detailed in an incentive agreement between TORM and the participant.

STIP. The STIP primarily supports fulfillment of short-term objectives and goals. The Board of Directors may based on recommendations from the Remuneration Committee decide to declare annual cash bonuses to members of Executive Management in order to meet the overall objectives of the Policies. Such bonuses may be subject to the attainment of certain performance or other targets.

LTIP. Incentives under the LTIP may be granted in any one or a combination of the following forms:

- share options
- restricted share units
- other share-based awards

Each type of award is discussed in greater detail in “Types of Incentives” below.

The LTIP primarily supports fulfillment of long-term objectives and goals.

Maximum Threshold. The maximum threshold for the share-based LTIP grants applicable to Executive Management as a group is expected to be approximately 7% of the Company’s share capital from time to time.

Minimum Vesting Requirements. Incentives granted under the LTIP are generally subject to minimum vesting requirements of three years and must generally have a vesting period of five years for members of Executive Management (with incremental vesting permitted over the vesting period).

Types of Incentives. Each type of award that may be granted under the LTIP is described below.

- *Share Options.* A share option is a right to purchase A shares from TORM. The Board of Directors will determine the number and exercise price of the options and when the options become exercisable. The term of an option may not exceed ten years. The Board of Directors may not decrease the exercise price for any outstanding option after the date of grant other than as provided for in the Plans or in accordance with the adjustment principles set out in 4.4 Adjustments below. In addition, an outstanding option may not, as of any date that the option has a per share exercise price that is greater than the then current fair market value of a share, be surrendered to TORM as consideration for the grant of a new option with a lower exercise price, another award, a cash payment or A shares unless provided for in the Plans or in accordance with the adjustment principles set out in 4.4 Adjustments below.

The option exercise price may be paid in cash, by check, in A shares, through a “cashless” exercise arrangement, through a net exercise procedure (if approved by the Board of Directors) or in any other manner authorized by the Board of Directors.



TORM intends to provide the A shares for share options by transfer of treasury shares.

- *Restricted Share Units.* A restricted share unit, or RSU, represents the right to receive from TORM one share on a respective vesting or settlement date. Subject to the restrictions provided in the applicable incentive agreement and the LTIP, a participant receiving RSUs has no rights as a shareholder as to such units until the RSUs vest and A shares are issued to the participant. RSUs may be granted with dividend equivalent rights; however, unless determined by the Board of Directors to be paid currently, TORM shall establish a bookkeeping account for the participant and reflect in that account any securities, cash or other property comprising any dividend or property distribution with respect to each share underlying each RSU.
- *Other Share-Based Awards.* The LTIP also permits the Board of Directors to grant to eligible participants awards of A shares and other awards that are denominated or payable in, valued in whole or in part by reference to, or are otherwise based on or related to, A shares of, or the appreciation in value of, A shares.

Termination of Employment or Service. Each incentive agreement may, subject to Danish law, include provisions requiring the forfeiture of outstanding incentives in the event of the participant's termination of employment, if such participant is considered a bad leaver (as defined by the Board of Directors in the individual agreement) or, in the case of performance-based grants, if applicable goals or targets are not met.

Change of Control. If determined by the Board of Directors and if so provided in the incentive agreement, a change of control of TORM (as defined by the Board of Directors in the individual agreement) may entail that:

- all outstanding incentives will become fully vested and exercisable
- all restrictions or limitations on any outstanding incentives will lapse
- all performance criteria and other conditions relating to the payment of incentives will be deemed to have been achieved or waived by TORM
- all outstanding options are required to be exercised by a certain date
- requirement to surrender to TORM some or all outstanding options in exchange for a share or cash payment for each option equal in value to the per share change of control value, calculated as described in the LTIP, over the exercise price
- any equitable adjustment be made to outstanding incentives as deemed necessary to reflect TORM's corporate changes
- an option will become an option relating to the number of A shares or other securities or property (including cash) to which the participant would have been entitled in connection with the change of control transaction if the participant had been a shareholder

See further under 4.4 Adjustments below.



Transferability of Incentives. The Board of Directors may determine that the incentives granted under the LTIP may not be transferred except (a) by will, (b) by the laws of descent and distribution, (c) pursuant to any court order in connection with separation of domestic property or (d) as to options only, if permitted by the Board of Directors and so provided in the applicable incentive agreement, to immediate family members or to a partnership, limited liability company or trust for which the sole owners, members or beneficiaries are the participant or immediate family members.

Awards to Be Granted

Grants of incentives to members of Executive Management will be made by the Board of Directors as deemed necessary or appropriate considering the overall objectives of the Policies.

4.3 Extraordinary Bonus

The Board of Directors may in individual cases grant a one-off bonus or other extraordinary incentive-based pay, e.g. retention bonus, severance payment, sign-on bonus or other schemes in connection with appointment, provided that it is deemed necessary by the Board of Directors in order to meet the overall objectives of the Policies. A grant of extraordinary bonus may consist of cash and/or be share-based and may be subject to the attainment of certain performance targets.

4.4 Adjustments

For the various types of incentive-based pay, the Board of Directors may lay down specific terms governing the lapse of the scheme or repayment of the incentive-based pay.

In exceptional cases or in extraordinary circumstances, TORM may reclaim in full or in part incentive pay paid to members of Executive Management (claw back), e.g. in the event of manifest errors in the accounting figures or other basis for award or vesting.

Furthermore, the Board of Directors may lay down provisions on accelerated vesting or exercise and adjustment of the incentive-based pay, exercise price, performance targets, etc., in the event of changes to the capital structure or other material events, which would otherwise adversely influence the value or effect of the incentive-based pay in contravention with the general objectives of these Policies.

In respect of the share limitations provided in the LTIP, including the number of A shares subject to the LTIP, proportionate adjustments may be made by the Board of Directors in the event of any recapitalization, reclassification, share dividend, share split, combination of A shares or other similar change in the A shares. In addition, the exercise price of any outstanding options and any performance goals will be adjusted downwards for dividends and will also be subject to other adjustments if necessary to provide participants with the same relative rights before and after the occurrence of any such event.

5. Adoption and Publication

The Board of Directors reviews the Policies at least once a year. Any changes to the Policies are to be adopted by the Board of Directors and approved by a general meeting.

TORM's annual reports contain information on remuneration paid to the Board of Directors and Executive Management.



The Policies are available on TORM's website, www.torm.com.

The Incentive Guidelines are applicable to Plans and agreements on incentive-pay entered into from and including the date following their publication on TORM's website.

The Policies have been adopted by the Board of Directors and approved by the extraordinary general meeting of TORM held on 25 August 2015.

These Policies have been prepared in both a Danish and an English version. In the event of a conflict between them or in case of difficulty of interpretation, the English version shall prevail.