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Anti-Fraud Policy
for
the TORM Group

TORM's Compliance Officer for Anti-Fraud rules and regulations is:
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1. Policy Statement

The following policy on anti-fraud is aligned with the COSO framework, and the policy supports and underlines "TORM's Business Principles". The policy on anti-fraud can be found on www.torm.com and on the TORM intranet. All employees are required to accept and comply with the Anti-Fraud Policy as part of their employment terms and on an annual basis as part of their competence assessment.

It is TORM's policy to conduct all aspects of our business in an honest and ethical manner. We are committed to acting professionally, fairly and with integrity in our business dealings and relationships, wherever we operate, and to implement and enforce effective systems to counter and prevent fraud.

TORM will ensure to keep all directors, other officers and employees fully informed about the content of the applicable Anti-Fraud Policy and guidelines and assist them in complying with the policy at all times. The compliance system is intended to enable TORM to act in all relevant markets, without being exposed to business interruption or losses due to legal investigations or litigation which may affect TORM negatively. TORM believes that long-term business success requires a transparent business conduct.

The Anti-Fraud Policy is intended to explain how TORM addresses all relevant risks of fraud and to raise the awareness of TORM employees on shore and at sea.

The Anti-Fraud Policy describes the most important parts of TORM's initiatives and arrangements to protect against fraud and should serve as a guideline for all TORM employees and stakeholders.

2. Background

Fraud represents a risk to all companies, and the threat of being the target of fraud is continuously increasing. The risk of fraud includes risks of financial loss as well as reputational damage. Companies are continuously experiencing new types of attempted fraud, hence a high level of awareness is critical to preventing fraud attempts from affecting TORM.

Corporations worldwide are facing a significant risk in relation to fraud. Recent studies suggest that fraud causes an average organization to lose 5% of its annual revenues. A study from 2016 examined 2,410 occupational fraud cases, and the estimated loss reached a total of 6.3 billion USD. The median loss due to single cases of occupational fraud was 150,000 USD.

The study also revealed that organizations without anti-fraud controls suffer double median losses compared to other companies.

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3. TORM’s Response to Fraud:

3.1 Control Environment

Entity-wide controls set “the tone at the top” with respect to integrity and ethics. The controls support management’s top-down approach throughout the organization. The measures to prevent fraud focus on the misuse of assets and fraudulent financial reporting. The control environment is intended to be strong and includes controls at all levels in the organization from management oversight and background checks on new employees to a detailed review of financial performance on a monthly basis.

TORM’s fraud prevention efforts take into account differences and changes in internal factors such as the nature of the company’s activities, different employees’ access to assets, the responsibilities and qualifications of employees, the levels of training provided, changes in information systems and organizational changes.[1]

3.2 Risk Assessments

TORM conducts risk assessments throughout the organization to ensure that all employees are trained and well-educated within fraud risks and scenarios.

In alignment with the COSO principles on risk assessment processes, TORM has implemented the following measures:

- TORM has clearly defined its business objectives to enable the identification and assessment of relevant risks
- TORM has identified significant risks to the achievement of its objectives across all entities and has analyzed the various risks to determine how these risks should be managed
- TORM has considered the potential for fraud when assessing the risks to achieving its business objectives

The risk assessments involve key personnel and are based on mapping of high risk areas and likely types of fraud in TORM. The assessment process ensures that all employees are aware of the risk factors relating to fraud and are able to identify where in the organization the different risks could materialize.

3.3 Control Activities

In addition to the entity-wide controls, TORM has established different transaction level controls. These controls highlight the relevant risks related to transactions within TORM. TORM has mapped the relevant transaction controls to handle the controls correctly. These controls are designed to ensure compliance within the financial reporting.

3.4 Information and Communication

[1] COSO: Internal Control – Integrated Framework May 2013

All employees in TORM are requested to perform an Anti-Fraud E-Learning Course once a year. The course is focused on giving employees the skills needed to detect potential red flags and moreover prepare employees for different kinds of fraud scenarios.

TORM also conducts controller visits to relevant Group Finance departments in TORM's offices around the world. The controller visits include workshops with key employees and stakeholders.

Moreover, TORM has established a whistleblower function for employees, which can be used as a hotline to communicate concerns, instances of perceived misconduct, matters relating to external financial reporting or other matters affecting the internal control. TORM uses several communication channels such as intranet and the internet to ensure awareness of the whistleblower function. The whistleblower function is available for all employees and other stakeholders (vendors, service providers, etc.) The hotline is anonymous, and all communication is completely confidential. Reported matters are evaluated by a neutral party and communicated to the Audit Committee or, when appropriate, to a specified delegate. Depending on the nature of the fraud, the whistleblower will have the opportunity to express any concern to the relevant delegate.