



# TORM TAX POLICY

TORM is a world-leading specialist carrier of energy and clean petroleum products. Customers worldwide rely on TORM's fleet of product tankers to move the gasoline, naphtha, diesel, and jet fuel that keep businesses running every day. Efficiently, safely, and reliably. Headquartered in Denmark, TORM employs more than 3,600 people worldwide.

Our Tax Policy is our framework for a uniform approach to tax within TORM.<sup>1</sup> We subscribed to the notion that tax plays a key role in society and contributes to the development of the countries where we operate. We also believe that a responsible approach to tax is essential to the long-term sustainability of the societies where we have activities and do business across the world.

The world's governments have defined the greatest challenges for our societies towards 2030 through the UN Sustainable Development Goals (SDGs). At TORM, we are committed to running our business in a way that contributes to the SDGs. Tax payments contribute both directly and indirectly to most of the SDGs, in particular target #16.6 on the development of effective, accountable, and transparent institutions.

We urge policymakers across the globe to implement international tax reform in a coherent and coordinated way to ensure a level playing field and minimize risks of paying double tax. We support the international tax reform work by international organizations such as the OECD, and we believe the enhancement of transparency and openness towards the public can contribute towards constructive discourse on the corporate tax system. We can do our share by providing user-friendly information about our tax positions and approach to the concept of taxes in both our governance as well as our daily business.

## ACCOUNTABILITY AND GOVERNANCE

TORM's Tax Policy is approved by TORM's Board of Directors and applies to all TORM companies wherever incorporated. The Policy is reviewed by the Board of Directors annually. Tax is a core part of our corporate responsibility and governance and is overseen by the Board of Directors. The Board of

Directors is accountable for the Tax Policy, and the responsibility for tax risk management lies with the CFO and is overseen by the Audit Committee.

The principles of our Tax Policy apply to the parent company (TORM plc) and its subsidiaries (the Group). The operational management of TORM's tax affairs is handled by a centralized international tax function. The Group Tax function is involved in all significant business developments, so that we can fully assess any potential tax consequences of our decisions in advance.

We employ qualified tax professionals with high levels of expertise and understanding. We constantly monitor updates and changes to tax legislation to assess the impact on the Group. In addition, training and guidance is provided to non-tax specialist colleagues on tax matters relevant to their roles. Our tax principles extend to our relationships with employees, customers, contractors, and partners.

This means, for example, that even though our Tax Policy does not apply to joint ventures not controlled by us, our representatives in those joint ventures will act according to this Policy.

## COMPLIANCE

We have an obvious responsibility to comply with the laws in countries where we do business. In relation to statutory regulations, we do this by aiming to comply not only with the letter of the law, but also with the underlying policy intent inherent in the law. This is achieved through taking an objective view of the generally understood interpretation of the tax laws and regulations in the individual countries. The responsibility of adherence to this Tax Policy in daily operations resides with the Head of Tax; overseen by the CFO.

<sup>1</sup> The Tax Policy applies to TORM plc ('TORM') including all subsidiaries thereof in accordance with the statutory obligations of section 161 and paragraph 22(2) of Schedule 19 of Finance Act 2016 as amended.



The generally understood interpretation is the shared view across the informed tax community (taxpayers, tax advisers and the prevailing practice followed by the tax authorities) about how tax laws and regulations are interpreted and applied. Where a generally understood interpretation has yet to emerge, we form our own opinion based on all available sources, and, where appropriate, seek the advice of tax advisers and engage in discussions with tax authorities on a reasonable interpretation. When engaging with local tax authorities, we do so based on full disclosure of all the relevant facts and circumstances.

TORM follows the ‘more-likely-than-not’ standard when taking positions on tax matters. This means, for example, when assessing the tax treatment of a proposed transaction, we will not undertake it, unless we consider it more likely than not that our position would be upheld in a court of law if challenged by a tax authority. This ‘more-likely-than-not’ approach is expected to cover most situations. In certain scenarios, however, we would consider a position tenable even if it does not meet the ‘more likely-than-not’ standard. This could be the case if there is an uncertainty created by a comparison of the wording of the law, the expressed policy intent or lack thereof, or fluctuating or divergent application by tax authorities or the judicial system. In the rare instance where such a situation would arise, TORM will always assume a prudent approach and act cautiously.

We endeavor to always apply best practices and act in accordance with applicable legislation on tax computation and tax reporting to ensure that we pay the right amount of tax at the right time in the countries where value is created. This means that we will prepare and submit all tax filings required, providing complete, accurate and timely disclosures to all relevant revenue authorities.

We continuously evaluate our processes and controls to ensure that we are compliant with local and international standards relevant to our business. Complying with tax rules can be complex as the interpretation of legislation and case law may not always be clear-cut and may change over time. This may give rise to a tax risk.

We believe that our tax risk is best managed by the prevention of unnecessary disputes, which we strive to achieve through:

- Solid technical positions
- Coherent explanation of those positions
- Thorough documentation
- Strong compliance procedures ensuring accurate and complete tax reporting

#### OUR ATTITUDE TO TAX PLANNING

We only use investment and corporate structures driven by real commercial considerations, which align with business activity, and which have genuine substance. Any tax planning is based on

reasonable interpretations of applicable law and is aligned with the substance of the economic and commercial reality of our business. We will not undertake transactions whose sole purpose is to create a tax benefit which stands in contrast to what is reasonably understood to be intended by applicable tax regulations. However, as tax is a legitimate commercial consideration and TORM will avail itself of the rights and benefits afforded under the law.

We apply the arm’s length principle to all intercompany transactions, in line with applicable best practice guidelines, unless legally required to apply other pricing mechanisms.

We do not use so-called secrecy jurisdictions or tax havens to avoid taxes. If we establish an entity in low or nil-rate jurisdictions, it will be for substantive and commercial reasons, for example to enhance access to local markets or to leverage prominent financial systems.

This entails that we pay tax on profits according to where value is actually generated through the normal course of commercial activity; we do not use artificially fragmented structures or contracts to avoid establishing a taxable presence in jurisdictions where we operate.

#### RELATIONSHIP WITH TAX AUTHORITIES

We seek, wherever possible, to develop cooperative relationships with tax authorities, based on mutual respect, transparency, and trust.

We follow established procedures and channels for all dealings with tax authorities, government officials, ministers and other third parties in a professional manner. We are open and transparent with tax authorities, responding to relevant tax authority enquiries in a straightforward and timely manner. Where appropriate and possible, we will seek to enter an early discussion with tax authorities where there is significant uncertainty about how the tax rules apply to our business.

Where there are misunderstandings of fact or law, we will seek to cooperate with tax authorities, identify the issues and explore avenues to resolve any such misunderstandings or disagreements. In situations where we cannot resolve disagreements through dialogue, we will resolve our disagreements before the tax tribunals or courts to ensure the correct tax treatment.

#### USE OF TAX INCENTIVES

TORM is acutely aware of the necessity to transition shipping to less carbon intensive fuels while simultaneously ensuring the steady global supply of energy required to undertake the transition to a green economy. These developments require continuous investments for which governments sometimes provide tax incentives such as R&D credits or accelerated depreciation on machinery and equipment. We welcome such incentives, as they enable us to further green shipping at competitive



terms. We therefore make use of incentives and tax reliefs where they apply in areas where we have commercial substance and always in accordance with intention of incentives e.g., the Danish tonnage tax scheme.

#### TRANSPARENCY

We believe that by providing transparent, user-friendly information about our tax positions we contribute to rebuilding the public's trust in the corporate tax system. However, when it comes to more detailed information about tax payments and potential tax implications of our ventures, disclosure may harm our own and our partners' business. If that is the case, we will seek to balance the public's need for information and business needs for trade secrets. In line with our belief in transparency, we provide regular information to stakeholders – including investors, policy makers, employees, civil society, and the general public – about our approach to tax and taxes paid.

TORM intends to annually publish:

- An overview of our Group structure and a list of all entities, with ownership information and a brief explanation of the type and geographic scope of activities
- Annual information on taxes paid at country-level, our total tax contribution, and our effective tax rate together with information on our economic activity (country-by-country reporting)

#### SUPPORTING EFFECTIVE TAX SYSTEMS

We engage constructively in national and international dialogue with governments, business groups and civil society to support the development of effective tax systems, coherent legislation, and uniform administration.

We give constructive input to industry groups, governments and other external bodies (e.g. trade groups and the OECD) and engage with civil society on tax issues to contribute to the development of future tax legislation and practice.

We believe that more informed and sustainable outcomes are achieved where governments openly consult with industry and other affected stakeholders. We will work with governments, both directly and through industry trade bodies, to help illustrate the wider impact which tax proposals will have on the industry, the regulatory environment, and our customers. We will seek to provide pragmatic, proportionate, and constructive comments to help meet the objectives of new initiatives in the interests of all our stakeholders.

*Last approved by the Board of Directors in TORM plc on  
07 November 2023*