

**Form for reporting on the recommendations on corporate governance,
November 2017**

This form is meant as a tool for Danish companies with shares admitted to trading on a regulated market who wish to report on the company's compliance with the recommendations on corporate governance in a standard reporting format.

The recommendation text of this form does not replace the recommendations; reference is made to the recommendations on corporate governance with regard to preface, introduction and comments. The Committee's comments on the recommendations may be included as guidelines and inspiration for companies in their work on the recommendations. In this connection the comments are meant as a tool. The reporting on corporate governance itself should only be carried out in compliance with the specific recommendations of the Committee, and not according to the comments or guidelines.

The report must be composed in Danish and must be provided in a corporate governance report published as either part of the management commentary on the annual report or on the company's website with exact reference to the management commentary. The Committee believes that publication of the corporate governance report on the company's website - with exact reference to the report in the management commentary - creates the highest degree of transparency. Publication of the report on the company's website provides easier access for investors and other stakeholders.

Under the Financial Statements Act a publication on the company's website requires that the URL address – where the corporate governance report is published – is stated in the management commentary in the annual report. The URL address must be the internet address which can be used to access the report **directly**.

There are further requirements to the preparation of the report on corporate governance and how it is to be published. The detailed requirements are described in Executive order no. 558 of 1 June 2016 on Publication of Reports pursuant to the Financial Statements Act.

Notice: The form below contains the recommendations of the Committee on Corporate Governance of November 23, 2017. The recommendations are available on the website of the Committee on Corporate Governance www.corporategovernance.dk. Nasdaq Copenhagen A/S has decided to include the recommendations in the Rules for issuers of shares by January 3, 2018. **This form may be used for the preparation of the report on corporate governance in annual reports concerning financial years commencing January 1, 2018 or later.**

“Comply or explain”

If a company deviates from parts of the recommendations, the company has to explain the reasons for the deviations, cf. section 107 b (1) (iii) of the Financial Statements Act. The company has to explain why it has chosen not to comply with a recommendation and what it has chosen to do instead. Failure to comply with a recommendation is not considered a breach of rules, but merely implies that the board of directors of the company has chosen a different approach. The market must decide whether deviations are justified and whether the explanation is satisfactory. A good explanation provides specific insight for stakeholders to be able to decide on any investments. In order to create the transparency necessary for investors, companies must respond to each recommendation and provide information on whether or not they will comply with the recommendation in question.

Note that the reporting must reflect the current style of management at the time of the reporting. In the event of significant changes during the year, or after the balance sheet date, descriptions of the changes should be included in the corporate governance report. Companies must consider each of the recommendations.

If the company complies partially with a recommendation the company must specify which parts it is complying with, why it is deviating from the remaining part of the recommendation and what it has chosen to do instead.

The Committee has observed that many companies choose to provide supplementary information even in cases where the company complies with a recommendation. The Committee encourages companies to provide supplementary information where this increases transparency.

Reporting regarding the recommendations from the Danish Committee on Corporate Governance
(Statutory Corporate Governance Report for 2015, cf. art. 107b of the Danish Financial Statements Act)

This report entails an outline of how ROCKWOOL International A/S (RI) responds to the Danish Recommendations on Corporate Governance issued by the Danish Committee on Corporate Governance in November 2017, an introduction to its management structure description of the main elements of the company's internal control and risk procedures in connection with the financial reporting process.

RI is subject to the Danish Recommendations on Corporate Governance. The recommendations are available on the website of the Danish Committee on Corporate Governance, www.corporategovernance.dk.

The recommendations are not mandatory, but companies listed on the Nasdaq Copenhagen stock exchange must adopt the "comply-or-explain" principle. The principle implies that companies must apply the recommendations issued by the Committee for Corporate Governance or explain why they refrain from doing so. As a listed company, RI has addressed the recommendations below. RI is generally in compliance with the recommendations, but has in some cases chosen to differ. RI has addressed the reasons hereto below, in accordance with the comply-or-explain principle.

GOVERNANCE BODIES AND COMMITTEES AND THEIR FUNCTION

RI has a management structure with a Board of Directors and an executive board referred to as the Group Management. The Board of Directors is responsible for the overall and strategic management and shall ensure proper organisation of the company whereas the Group Management undertakes the day-to-day management of the company.

Board of Directors

The Board of Directors currently consists of nine members, six of which are elected by the shareholders at general meetings. Of these, four members, including the chairman, are deemed independent according to the Danish Recommendations on Corporate Governance. The remaining three members are elected by the employees pursuant to the Danish Companies Act. The roles and responsibilities of the Board of Directors are defined in the Business Procedure for the Board of Directors. The members of the Board of Directors are elected by the general meeting for a period of one year and may be re-elected.

The Board of Directors evaluates its performance every year. Further, the Board of Directors evaluates the work and performance of the Group Management annually.

The Board of Directors has established a chairmanship consisting of the chairman and the two deputy chairmen.

The Board of Directors has set up an audit committee and a remuneration committee. The committees report to the Board of Directors. The majority of the members of the committees are independent members of the Board of Directors. The Board of Directors has decided not to formally establish a nomination committee but the chairmanship will perform a number of the duties recommended for a nomination committee.

Audit Committee

The Board of Directors has appointed an audit committee consisting of three members of the Board of Directors. The majority of the members of the audit committee are independent.

The audit committee monitors accounting and audit policies and conditions, which, if determined by the Board of Directors or the audit committee, should be subject to a thorough evaluation. Further, the audit committee evaluates the company's internal control and risk systems.

Remuneration Committee

The Board of Directors has appointed a remuneration committee consisting of three members of the Board of Directors. The majority of the members of the remuneration committee are independent.

The remuneration committee prepares the remuneration policy for the members of the Board of Directors and Group Management and ensures that the guidelines for Group level variable pay schemes support the strategy. The remuneration policy and the incentive guidelines, and all changes thereto, are approved by the Board of Directors, as well as the general meeting. The remuneration committee evaluates and brings forward recommendations for the remuneration of the Board of Directors. The remuneration committee is authorized by the Board of Directors to approve remuneration for senior executives. The remuneration committee assists with the preparation of the annual remuneration report.

Group Management

Group Management is responsible for the day-to-day management of the company and the compliance with the guidelines and recommendations set forth by the Board of Directors. The responsibility of the Group Management covers organization of the company as well as allocation of resources, producing and implementing strategies and policies and ensuring timely reporting to the Board of Directors. The Group Management consists of the president and CEO and eight other executive positions. Two executives, including the CEO, are registered as directors with the Danish Business Authority.

Risk Management

The Board of Directors continuously evaluates the overall and specific risks associated with the company's activities and operations and the risks associated with the financial reporting process. The aim is to ensure that these risks are addressed in a proactive and efficient manner. As part of the general risk management, the company has established different internal control systems that are continuously examined by the Board of Directors to ensure that they are appropriate and adequate considering the company's current activities and operation.

Auditing

To safeguard the interests of shareholders and the general public, an independent auditor is appointed at the general meeting following a recommendation from the Board of Directors. Before making its recommendation the Board of Directors undertakes a critical evaluation of the auditor's independence and competence.

The auditor submits a written report to the assembled Board of Directors once a year but also immediately after identifying any issues of which the Board of Directors should be informed. The auditor's report is discussed in detail in the audit committee.

The Group works closely with the auditor in relation to procedures and internal controls by exchanging controller reports and audit reports, and by generally sharing all relevant information.

Internal control

The Group considers strong internal controls to be an essential management tool.

Group Management sets out general requirements for business processes and internal controls in the financial area of subsidiaries. The internal control system includes clearly defined organizational roles and responsibilities, reporting requirements and authorities. The local management teams are responsible for ensuring that the control environment in each company is sufficient to meet local and Group requirements.

Each month the Group's companies report financial data and each quarter comment on financial and commercial developments to head office in Hedehusene. This information is used to prepare consolidated financial statements and reports for Group Management. As part of this process the accounting information reported by all companies in the Group is reviewed both by controllers with regional links and in-depth knowledge of the individual companies, and by Group controlling.

Twice a year, the financial directors of the Group's companies meet with Group controlling to align financial procedures and reporting, and suggest possible improvements. Commercial and financial development, and the associated risks, is also discussed by Group

Management, regional management teams and the individual companies' supervisory committees and management teams during regular management meetings.

Group Internal Audit

The Audit Committee annually assesses the need for an internal audit function as outlined in recommendation 3.4.5. The Audit Committee finds that the present set-up, where Management has established an internal control function, is adequate.

The report concerns the financial year **1/1-1/12 2019**.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
1. Communication and interaction by the company with its investors and other stakeholders				
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>				
1.1.1. The Committee recommends that the board of directors ensure ongoing dialogue between the company and its shareholders, so that the shareholders gain relevant insight into the company and in order for the board of directors to be aware of the shareholders' views, interests and opinions in relation to the company.	x			
1.1.2. The Committee recommends that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and that the board of directors ensure that the interests of the stakeholders are respected in accordance with company policies.	x			
1.1.3. The Committee recommends that the company publish quarterly reports	x			
<i>1.2. General meeting</i>				

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
1.2.1. The Committee recommends that in organising the company's general meeting, the board of directors plans the meeting to support active ownership.	x			
1.2.2. The Committee recommends that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.	x			
<i>1.3. Takeover bids</i>				
1.3.1. The Committee recommends that the company set up contingency procedures in the event of takeover bids, from the time that the board of directors has reason to believe that a takeover bid will be made. The contingency procedures should establish that the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which, in reality, prevent the shareholders from deciding on the takeover bid themselves.	x			
2. Tasks and responsibilities of the board of directors				
<i>2.1. Overall tasks and responsibilities</i>				
2.1.1. The Committee recommends that at least once annually the board of directors consider the matters that should be included in the board's performance of its work.	x			

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
2.1.2. The Committee recommends that at least once annually the board of directors consider the overall strategy of the company with a view to ensuring value creation in the company.	x			
2.1.3. The Committee recommends that the board of directors ensure that the company has a capital and share structure which supports that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors explain this in the management commentary and/or on the company's website.	x			
2.1.4. The Committee recommends that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board's reporting to the board of directors.	x			
2.1.5. The Committee recommends that at least once annually, the board of directors discuss the composition, developments, risks and succession plans of the executive board.	x			
<i>2.2. Corporate social responsibility</i>				
2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.	x			
<i>2.3. Chairman and vice-chairman of the board of directors</i>				
2.3.1. The Committee recommends appointing a vice chairman of the board of directors, who will assume the responsibilities of the chairman in	x			

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the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.				
2.3.2. The Committee recommends that, if the board of directors, in exceptional cases, asks the chairman of the board of directors or other board members to perform special activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect should be passed to ensure that the board of directors maintains its independent, general management and control function. Resolutions on the chairman's or other board members' participation in day-to-day management and the expected duration hereof should be publicly announced.	x			
3. Composition and organisation of the board of directors				
<i>3.1. Composition</i>				
3.1.1. The Committee recommends that the board of directors annually evaluate and in the management commentary account for <ul style="list-style-type: none"> • the competencies that it must have to best perform its tasks, • the composition of the board of directors, and • the special competencies of each member. 	x			
3.1.2. The Committee recommends that the board of directors annually discuss the company's activities to ensure relevant diversity at management levels and prepare and adopt a policy on diversity. The policy should be published on the company's website.	x			

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<p>3.1.3. The Committee recommends that the selection and nomination of candidates for the board of directors be carried out through a careful and transparent process approved by the board of directors. When assessing its composition and nominating new candidates, the board of directors should, in addition to the need for competencies and qualifications, take into consideration the need for integration of new talent and diversity.</p>	x			<p>The Board of Directors has authorized the chairmanship to nominate qualified candidates to the Board of Directors. The Board of Directors will then evaluate the candidates before it recommends them for election at the annual general meeting. The Board of Directors will a.o. focus on diversity when evaluating the candidates just as the Board of Directors will ensure that the candidates will enable the Board of Directors to perform its duties best possible.</p>
<p>3.1.4. The Committee recommends that the notice convening a general meeting where the agenda includes the election of members to the board of directors, include (in addition to the statutory requirements) a description of the qualifications of nominated candidates, including information about the candidates'</p> <ul style="list-style-type: none"> • other executive functions, including positions on executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises, and • demanding organisational tasks. 	x			

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Furthermore, it should be indicated if the candidates to the board of directors are considered independent.				
3.1.5. The Committee recommends that members of the company's executive board be not members of the board of directors and that a resigning chief executive officer be not directly elected as chairman or vice chairman for the same company.	x			The Board of Directors will not exclude situations, where it potentially would constitute itself with a former management board member as chairman or deputy chairman.
3.1.6. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.	x			
3.2. Independence of the board of directors				
<p>3.2.1. The Committee recommends that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> • be or within the past five years have been a member of the executive board, or senior staff member in the company, a subsidiary or an associated company, • within the last five years, have received significant remuneration from the company/group, a subsidiary or an associated company in a different capacity than as member of the board of directors, 	x			

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<ul style="list-style-type: none"> • represent or be associated with a controlling shareholder, • within the past year, have had significant business relations (e.g. personally or indirectly as partner or employee, shareholder, customer, supplier or member of management in companies with corresponding connection) with the company, a subsidiary or an associated company. • be or within the past three years have been employed or been a partner in the same company as the auditor elected by the general meeting, • be part of the executive management in a company with cross-management representation in the company, • have been a member of the board of directors for more than 12 years, or • be a close relative with persons who are not considered independent. <p>Even if a member of the board of directors is not covered by the above criteria, certain conditions may exist that will lead the board of directors to decide that one or more members cannot be regarded as independent.</p>				
<i>3.3. Members of the board of directors and the number of other management functions</i>				
3.3.1. The Committee recommends that each member of the board of directors assess the expected time commitment for each function so that the member does not take on more functions than he/she can complete at a satisfactory level for the company.	x			
3.3.2. The Committee recommends that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors: <ul style="list-style-type: none"> • the position of the relevant person, • the age and gender of the person in question, 		x		The company complies with this recommendation except for the last item. The company considers the portfolio, and changes in the portfolio during the financial

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<ul style="list-style-type: none"> the person's competencies and qualifications that are relevant to the company whether the member is considered independent, the member's date of appointment to the board of directors, expiry of the current election term, the member's participation in the meetings on the board of directors and committee meetings, other management functions, including memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises and demanding organisational tasks, and the number of shares, options, warrants and similar owned by the member in the company and other group companies, as well as changes to the member's portfolio of the mentioned securities which have occurred during the financial year. 				<p>year, of shares, options warrants and similar in the company of each member of the Board of Directors to be a private matter and it is the company's judgment that disclosure of such information will not add additional value for shareholders and other stakeholders. Information about major shareholders can be found in the company's annual report, on the company's website and on the website of the Danish Business Authority.</p>
<p>3.3.3. The Committee recommends that the annual evaluation procedure, cf. section 3.5, include an evaluation of what is regarded as a reasonable level for the number of other management functions, where the number, level and complexity of the other individual management functions are taken into account.</p>	x			
<p>3.4. Board committees</p>				
<p>3.4.1. The Committee recommends that the company publish the following on the company's website:</p> <ul style="list-style-type: none"> the terms of reference of the board committees, 	x			

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<ul style="list-style-type: none"> the most important activities of the committees during the year and the number of meetings held by each committee, and the names of the members of each committee, including the chairmen of the committees, as well as information regarding which members are independent members and which members have special competencies. 				
3.4.2. The Committee recommends that a majority of the members of a board committee be independent.	X			
3.4.3. The Committee recommends that the members of the board of directors set up an <u>audit committee</u> and that a chairman is appointed who is not the chairman of the board of directors.	X			
3.4.4. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the board of directors about: <ul style="list-style-type: none"> significant accounting policies, significant accounting estimates, related party transactions, and uncertainties and risks, including in relation to the outlook for the current year. 	X			
3.4.5. The Committee recommends that the audit committee: <ul style="list-style-type: none"> annually assesses the need for an internal audit function and, in such a case, presents mandates and recommendations on selecting, appointing and removing the head of any internal audit function and on the budget of the internal audit function, 	X			

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<ul style="list-style-type: none"> ensure that if an internal audit has been established, a description of its functions is available and approved by the board of directors, ensure that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work, and monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function. 				
<p>3.4.6. The Committee recommends that the board of directors establish a <u>nomination committee</u>, which <i>is</i> at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> describing the qualifications required by the board of directors and the executive board and for a given position, indicating the time expected to be spent carrying out a specific position, as well as assessing the competencies, knowledge and experience found in the two governing bodies, annually assessing the structure, size, composition and results of the board of directors and the executive board and recommend any changes to the board of directors, annually assessing the competencies, knowledge, experience and succession of the individual members of management and report to the board of directors in this respect, recommending candidates for the board of directors and the executive board, and proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes. 		x		<p>The Board of Directors has not established a nomination committee. Instead the chairmanship performs the duties recommended concerning the candidates for the Board of Directors.</p> <p>The Board of Directors selects candidates to the positions as CEO and other Registered Directors on the basis of their qualifications.</p>

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<p>3.4.7. The Committee recommends that the board of directors establish a <u>remuneration committee</u>, which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> • recommending the remuneration policy (including the "General Guidelines for incentive-based Remuneration") to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting, • making proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensuring that the remuneration is in compliance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should have information on the total remuneration that members of the board of directors and the executive board receive from other companies in the group, • recommending a remuneration policy applicable for the company in general and • assisting with the preparation of the annual remuneration report. 	x			
<p>3.4.8. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>	x			
<i>3.5. Evaluation of the performance of the board of directors and the executive board</i>				
<p>3.5.1. The Committee recommends that the board of directors establish an evaluation procedure for an annual evaluation of the board of directors and the individual members. External assistance should be obtained at least every third year. The evaluation should inter alia include:</p> <ul style="list-style-type: none"> • contribution and results, 	x			

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<ul style="list-style-type: none"> • cooperation with the executive board, • the chairman’s leadership of the board of directors, • the composition of the board of directors (including competencies, diversity and the number of members), • the work in the committees and the committee structure, and • the organisation and quality of the material that is submitted to the board of directors. <p>The evaluation procedure and the general conclusions should be described in the management commentary and on the company’s website. The chairman should account for the evaluation of the board of directors, including the process and general conclusions on the general meeting prior to the election of the board of directors.</p>				
<p>3.5.2. The Committee recommends that at least once annually, the board of directors evaluate the work and performance of the executive board in accordance with pre-defined criteria. Furthermore, the board of directors should evaluate the need for changes to the structure and composition of the executive board, in light of the company’s strategy.</p>	x			
<p>3.5.3. The Committee recommends that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer, and that the outcome of the evaluation be presented to the board of directors.</p>	x			
4. Remuneration of management				
<i>4.1. Form and content of the remuneration policy</i>				

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>4.1.1. The Committee recommends that the board of directors prepare a remuneration policy for the board of directors and the executive board, which includes</p> <ul style="list-style-type: none"> • a detailed description of the components of the remuneration for members of the board of directors and the executive board, • the reasons for choosing the individual components of the remuneration, • a description of the criteria that form the basis for the balance between the individual components of the remuneration, and • an explanation for the correlation between the remuneration policy and the company's long-term value creation and relevant related goals. <p>The remuneration policy should be approved by the general meeting at least every fourth year and upon any material amendments and it should be published on the company's website.</p>	x			
<p>4.1.2. The Committee recommends that if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> • limits be set on the variable components of the total remuneration package, • a reasonable and balanced composition be ensured between remuneration for members of management and the value creation for shareholders in the short and long term, • clarity be established about performance criteria and measurability for the award of variable components, • it is ensured that variable remuneration not only consists of short-term remuneration components, and that long-term remuneration 	x			

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<p>components must have a vesting or maturity period of at least three years, and</p> <ul style="list-style-type: none"> it be ensured that the company has the ability to reclaim, in full or in part, variable components of remuneration that were paid on the basis of information, which subsequently are found to be incorrect. 				
4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options or warrants.	x			
4.1.4. The Committee recommends that if, in relation to long-term incentive programmes, a share-based remuneration is used, the programmes should have a vesting or maturity period of at least three years after being allocated and should be roll-over programmes, i.e. the options should be granted periodically.	x			
4.1.5. The Committee recommends that the total value of the remuneration relating to the notice period, including severance pay, do not exceed two years of remuneration, including all components of the remuneration.	x			
<i>4.2. Disclosure of remuneration</i>				
4.2.1. The Committee recommends that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.	x			

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4.2.2. The Committee recommends that shareholders at the general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.	x			
<p>4.2.3. The Committee recommends that the company prepares a remuneration report that includes information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associated companies for the last three years, including information on the most important content of retention and resignation arrangements and that the correlation between the remuneration and company strategy and relevant related goals be explained.</p> <p>The remuneration report should be published on the company's website.</p>		x		<p>The remuneration of the members of the Board of Directors and committees is available at the company's website.</p> <p>The remuneration of each member of the Group Management is seen to be a private matter and it is the company's judgment that disclosure of the remuneration paid to each individual member of the Group Management will not add additional value for shareholders and other stakeholders.</p>
5. Financial reporting, risk management and audits				
<i>5.1. Identification of risks and transparency about other relevant information</i>				

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5.1.1. The Committee recommends that the board of directors consider and in the management commentary account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.	x			
<i>5.2. Whistleblower scheme</i>				
5.2.1. The Committee recommends that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicions thereof.	x			
<i>5.3. Contact to auditor</i>				
5.3.1. The Committee recommends that the board of directors ensure regular dialogue and exchange of information between the auditor elected by the general meeting and the board of directors, including that the board of directors and the audit committee meet with the auditor elected by the general meeting at least once annually without the executive board present. This also applies to the internal auditor, if any.	x			
5.3.2. The Committee recommends that the audit agreement and auditor's fee be agreed by the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.	x			