

The general meeting approves the remuneration policy. The current remuneration policy was approved by the Annual General Meeting on 1 April 2020

REMUNERATION POLICY FOR THE BOARD OF DIRECTORS AND REGISTERED DIRECTORS OF ROCKWOOL A/S

This Remuneration Policy for the Board of Directors and Registered Directors of ROCKWOOL A/S (the “Policy”) has been prepared by the Board of Directors of ROCKWOOL A/S (“ROCKWOOL Group” or the “Company”) and is submitted for a binding vote at the Company’s annual general meeting on April 1, 2020.

Based on the approval of the Policy by a majority of votes cast, it will replace the Remuneration Policy approved at the annual general meeting on April 6, 2016 and is applicable for agreements on remuneration entered into after the annual general meeting on April 1, 2020.

After approval, the Policy will, every fourth year, be re-submitted for shareholder approval at the Company’s annual general meeting or earlier in case a material change is proposed. The Policy applies to the Board of Directors and Registered Directors of ROCKWOOL A/S. The Policy is available on the Company’s website along with the date for and result of the vote by the general meeting.

Purpose of the Policy

This Policy is designed to enable the Company to attract and retain members to the Board of Directors and Registered Directors that are competent, engaged and committed to realise our strategy.

The remuneration provided in accordance with this Policy, as well as complementing internal policies, shall promote and support our business success and value creation both on the short- and long-term, and thus encourage performance which is aligned with our shareholders’ interests and supporting our sustainability agenda.

The remuneration philosophy of the ROCKWOOL Group is aligned to our heritage and long standing culture and remuneration schemes shall be designed to drive performance with structures easy to understand and communicate. These principles apply to the Board of Directors and Registered Directors as well as the Company’s broader employee population.

General principles of the Policy

Individual remuneration elements of the Board of Directors and Registered Directors will be set in accordance with this Policy. In addition to the primary purpose of attracting and retaining impactful contributors in a competitive environment, the Policy has been prepared with consideration of well-established remuneration processes covering the executives, and as relevant also the general employee population e.g. the annual salary review process. The Company has a balanced approach to fixed and variable remuneration to discourage excessive risk taking and to continue being a stable and well-performing company with a long-term perspective. Any new remuneration schemes or changes to existing schemes applicable for the Board of Directors and Registered Directors will be in accordance with this Policy.

Remuneration of the Board of Directors

Remuneration of the Board of Directors comprises of a base fee and supplementary fees for the Chairman, Deputy Chairmen and members of board committees. Furthermore, reimbursement of expenses and, in very rare cases, fees for ad hoc tasks may apply.

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Board Fees

Board members, both shareholder and employee elected members, receive a fixed annual base fee which is the same for all.

Supplementary fees

The Chairman, Deputy Chairmen and members of the board committees are entitled to supplementary fees for the extended duties implied by those positions. Chairmen of committees are entitled to a higher supplementary fee than ordinary committee members.

Other remuneration components

The Company reimburses reasonable expenses for Board members such as travel, accommodation or other expenses related to board meetings as well as relevant education.

Individual Board members may take on specific ad hoc tasks outside their normal duties assigned by the Board. In each case, the Board shall determine a fixed fee for the work carried out in respect to these tasks which will be disclosed in the annual Remuneration Report and presented for approval by the shareholders at the general meeting.

Members of the Board of Directors are not offered pension arrangements or any type of incentive-based remuneration, neither in the form of short nor long term incentive schemes in their capacity as non-executive Board members.

Review of fees

The Remuneration Committee monitors the remuneration paid to Board members and provides a recommendation for adjustment, if any, based on relevant benchmark for comparable Danish and European companies. Such adjustment is subject to the approval by the shareholders at the Company's general meeting and covers the period until the next annual general meeting.

In the event a Board member resigns prior to expiry of an election term, only a proportionate amount of the fees will be paid.

Remuneration to members of the Board of Directors is paid in cash.

The individual fees for each member of the Board of Directors are disclosed in the annual Remuneration Report.

Remuneration of Registered Directors

The remuneration package of Registered Directors includes fixed base salary and variable pay elements linked to company performance which may include both short- and long-term incentives. The allocation between fixed and variable remuneration is determined within the boundary conditions set in this Policy, where the variable portion of the Registered Director's remuneration package, measured as short-term incentive maximum and annual long-term incentive grant, can be maximum 50% of the aggregate amount of base salary and incentive value as defined above. In addition, Registered Directors are offered pension and other benefits in line with market practise with a total value not exceeding 20% of base salary.

The individual remuneration elements of each Registered Director are disclosed in the annual Remuneration Report.

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Base Salary

The fixed base salary for Registered Directors is set based on the individual's experience, contribution and in the context of the external market benchmark relevant for the position and the location. The base salary is subject to an annual review by the Remuneration Committee taking into consideration the forecasted salary movement, the individual Registered Director's contribution to the business success and referencing remuneration of external comparable executives. This approach is aligned with the general practice in the Company for other employees eligible for discretionary salary reviews. The Remuneration Committee is informed about the general annual increase forecasts and outcome of the base salary review process in the Company as supporting background information.

Short-term incentives

Registered Directors are eligible to receive short-term incentives on an annual basis in the form of a cash bonus following the short-term incentive programme established by the ROCKWOOL Group. The programme is designed to incentivise Registered Directors to contribute to the Company's strategic priorities for the year by focusing on selected key performance measures.

In the beginning of each year, the Remuneration Committee sets bonus targets for Registered Directors including expected performance levels, each with a minimum and maximum threshold. The performance targets must be clear and measurable, and linked to the performance of the ROCKWOOL Group. The bonus goals may also include targets related to the responsibility area of the particular executive or to the occurrence of certain strategic developments or events.

Bonus pay-outs are made after the annual general meeting to ensure that business results are approved by the shareholders. Any short-term incentive pay-out is excluding pension contributions.

Long-term Incentives

Registered Directors are eligible to receive annual grants of restricted share units and/or stock options as per the ROCKWOOL Group's long-term incentive programme which is designed for attraction and retention of executives, as well as to drive the executives' contribution and long term commitment to the strategy and stability of the Company. Long-term incentives are share-based and thus aligned to the long-term value creation and financial sustainability of the Company.

In the beginning of every year, the Remuneration Committee proposes individual allocations of long-term incentives to each Registered Director, which are approved by the Board of Directors.

Stock options

Stock options will be subject to vesting and exercise periods as determined by the Board of Directors for each grant. The vesting period will be no less than three years and the exercise period will be no less than three and no more than eight years from time of grant.

The exercise price is defined based on an average calculated over a period of three weeks prior to grant. The terms of the stock options may allow for options to be settled in cash in which case, the exercise price shall be the same as where actual shares are delivered.

Restricted Shares

Restricted shares will be subject to a vesting period of no less than three years. The terms of the share incentives may allow for shares to be settled in cash in which case, the gross value shall be the same as the share price at the time of vesting.

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Adjustments to incentive based remuneration

The incentive based remuneration may contain provisions for adjustment in case of dividends and other changes in the capital structure of the Company. Further, the incentive based remuneration may include terms governing the lapse of an incentive scheme, or terms governing accelerated vesting, exercise or adjustment in case of a take-over, divestment of activities or other business combination involving the Company.

Clawback

The incentive based remuneration agreements contains provisions on clawback of incentive based remuneration based on data which subsequently prove to be materially and manifestly misstated.

Pension

Pension schemes for Registered Directors are offered with due regard to local practices. Registered Directors will generally participate in the same defined contribution pension scheme as other salaried employees in the location.

Other benefits

Registered Directors may receive ordinary non-monetary benefits such as but not limited to company car, health and insurance benefits, paid phone etc. in line with local practice.

Registered Directors may in relocation situations be offered time limited benefits such as, but not limited to, housing and school support in accordance with the Company's global mobility policy.

One-Time Awards

The Board of Directors may in individual cases decide to grant a one-time award or other additional incentive remuneration to a Registered Director. Such one-time award may be granted for attainment of certain performance and/or strategic objectives and/or milestones, such as but not limited to retention bonus, sign-on bonus or other schemes in connection with organisational changes or appointments.

The one-time award may be cash and/or share-based remuneration in accordance with this Policy. The value of such award cannot at the time of grant exceed an amount corresponding to 100% of the Registered Director's annual base salary in the year of grant exclusive of pension and other accessory payments. Any such one-time award including its justification will be reported in the Remuneration Report presented at the first proceeding annual general meeting.

General guidelines for contractual terms

Registered Directors have contracts based on Group practice aligned and adapted to national legislation. Contracts are generally without time limitation, but might in certain cases, such as but not limited to global mobility contracts, include fixed term elements. Retirement and early retirement terms generally follow local market practice.

The termination schemes for Registered Directors are designed with due regard to national practice. The aggregate notice period and severance pay cannot exceed 24 months.

The Company generally seeks to secure customary non-compete restrictions to protect its interests.

Unless otherwise defined by legislation, short term incentives are paid if the Registered Director has contributed to the business performance during a full bonus period. If a Registered Director resigns during a short time incentive period, there will be no pay-out. If legislation dictates a pro-rated payment, such will be provided.

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For long term incentives, the Registered Director will in general forfeit the right to any unvested programmes if a resignation is initiated by the Registered Director rather than the Company. If the Company initiates the termination for other reasons than breach, the Registered Director will keep any unvested long term incentives.

Governance

The Remuneration Committee ensures that the Company's Remuneration Policy is updated, market-conform and aligned to the Company's strategy and overall remuneration philosophy. The Remuneration Committee prepares and revises the Policy for the Board's adoption prior to a vote for approval at the general meeting.

The Remuneration Committee reviews and submits proposals for remuneration incl. adjustments and ensures that all remuneration granted to the Board of Directors and Registered Directors are compliant with and promoting the purpose of the Policy, as well as is market-conform to relevant practice. To ensure the best observations of market practice, the Company periodically engages with leading external advisors both for Policy development and review of individual remuneration packages. The Remuneration Committee does not engage the same external advisors as the Registered Directors.

In case of conflict of interest, the relevant member of the Remuneration Committee will abstain from participating in the committee's deliberations.

Deviations to the policy

In extraordinary circumstances, such as for instance take over in whole or in part, significant divestiture of activities, demerger, merger or other amalgamation of the Company, the Board of Directors may deviate from the individual elements of this Policy when necessary for the Company's growth and stability. These elements include the vesting, exercise periods and exercise price of stock options, the overall maximums for incentive based remuneration and the restrictions on simultaneous grant of stock options and restricted stock units. The deviations must in each case be consistent with the overall objective of this policy. Any such deviation will be fully disclosed in the first proceeding annual Remuneration Report.