



## **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 May 2013 (updated November 2014), 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](http://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.

### **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..



Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
<b>1. Communication and interaction by the company with its investors and other shareholders</b>				
<i>1.1. Dialogue between the company, shareholders and other stakeholders</i>				
1.1.1. The Committee <b>recommends</b> that the board of directors ensure on-going dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company's potential and policies, and in order for the board of directors to be aware of the shareholders' views, interests and opinions on the company.	X			
1.1.2. The Committee <b>recommends</b> that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and other investors, and that the board ensures that the interests of the shareholders are respected in accordance with company policies.	X			
1.1.3. The Committee <b>recommends</b> that the company publish quarterly reports.	X			
<i>1.2. General Meeting</i>				
1.2.1. The Committee <b>recommends</b> that, when	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
organising the company's general meeting, the board of directors plans the meeting to support active ownership.				
1.2.2. The Committee <b>recommends</b> that proxies granted 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 <b>recommends</b> 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. According to such contingency procedures, 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			
<b>2. Tasks and responsibilities of the board of directors</b>				
<i>2.1. Overall tasks and responsibilities</i>				

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
2.1.1. The Committee <b>recommends</b> that at least once a year the board of directors take a position on the matters related to the board's performance of its responsibilities.	X			
2.1.2. The Committee <b>recommends</b> that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.	X			
2.1.3. The Committee <b>recommends</b> that the board of directors ensure that the company has a capital and share structure ensuring 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 presents this in the management report in the company's annual report and/or on the company's website.	X			
2.1.4. The Committee <b>recommends</b> that the board of directors annually review and approve guidelines for the management; this includes establishing requirements for the management on timely, accurate and adequate reporting to the board of directors.	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
2.1.5. The Committee <b>recommends</b> that at least once a year the board of directors discuss the composition of the management, as well as developments, risks and succession plans.	X			
2.1.6. The Committee <b>recommends</b> that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management report in the company's annual report and/or on the website of the company.	X			
<i>2.2. Corporate Social Responsibility</i>				
2.2.1. The Committee <b>recommends</b> that the board of directors adopts policies on corporate social responsibility.	X			
<i>2.3. Chairman and vice-chairman of the board of directors</i>				
2.3.1. The Committee <b>recommends</b> appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
who will also act as effective sparring partner for the chairman.				
2.3.2. The Committee <b>recommends</b> ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman's participation in day-to-day management and the expected duration hereof should be published in a company announcement.	X			
<b>3. Composition and organisation of the board of directors</b>				
<i>3.1. Composition</i>				
3.1.1. The Committee <b>recommends</b> that the board of directors annually accounts for <ul style="list-style-type: none"> <li>• the skills it must have to best perform its tasks,</li> <li>• the composition of the board of directors, and</li> </ul>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
<ul style="list-style-type: none"> <li>the special skills of each member.</li> </ul>				
<p>3.1.2. The Committee <b>recommends</b> that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the overall board of directors. When assessing its composition and nominating new candidates, the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.</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>3.1.3. The Committee <b>recommends</b> that a description of the nominated candidates' qualifications, including information about the candidates'</p> <ul style="list-style-type: none"> <li>other executive functions, e.g. memberships in managements, boards of directors, and supervisory boards, including board committees in foreign enterprises, be accompanied by the notice convening the general meeting when election of members to the board of directors is on the agenda.</li> <li>demanding organisational tasks, and information</li> </ul>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
<ul style="list-style-type: none"> <li>about whether candidates to the board of directors are considered independent.</li> </ul>				
3.1.4. The Committee <b>recommends</b> that the company's articles of association stipulate a retirement age for members of the board of directors.	X			
3.1.5. The Committee <b>recommends</b> that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.	X			
<i>3.2 Independence of the board of directors</i>				
3.2.1. The Committee <b>recommends</b> 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.  To be considered independent, this person may not: <ul style="list-style-type: none"> <li>be or within the past five years have been member of the management, or</li> </ul>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
<p>senior staff member in the company, a subsidiary undertaking or an associate,</p> <ul style="list-style-type: none"> <li>• within the past five years, have received larger emoluments from the company/group, a subsidiary undertaking or an associate in another capacity than as member of the board of directors,</li> <li>• represent the interests of a controlling shareholder,</li> <li>• within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate.</li> <li>• be or within the past three years have been employed or partner at the external auditor,</li> <li>• have been chief executive in a company holding cross-memberships with the company,</li> <li>• have been member of the board of</li> </ul>				

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
directors for more than 12 years, or <ul style="list-style-type: none"> <li>• have been close relatives with persons who are not considered independent.</li> </ul>				
3.3. <i>Members of the board of directors and the number of other executive functions</i>				
3.3.1. The Committee <b>recommends</b> that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.	X			
3.3.2. The Committee <b>recommends</b> that the management report, 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"> <li>• the position of the relevant person,</li> <li>• the age and gender of the relevant person,</li> <li>• whether the member is considered independent,</li> <li>• the date of appointment to the board of directors of the member,</li> <li>• expiry of the current election period,</li> <li>• other executive functions, e.g.</li> </ul>		X		The company complies with the first seven items of this recommendation. The company considers the portfolio, and changes in the portfolio during the financial 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.

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
<p>memberships in managements, boards of directors, and supervisory boards, including management committees in foreign enterprises and</p> <ul style="list-style-type: none"> <li>• demanding organisational tasks, and</li> <li>• the number of shares, options, warrants and similar in the company, and other group companies, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year.</li> </ul>				
<b>3.4. Board committees</b>				
<p>3.4.1. The Committee <b>recommends</b> that the company publish the following on the company's website:</p> <ul style="list-style-type: none"> <li>• The terms of reference for the board committees,</li> <li>• the most important activities of the committees during the year, and the number of meetings held by each committee, and</li> <li>• the names of the members of each committee, including the chairmen of the committees, as well as information</li> </ul>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
on which members are independent members and which members have special qualifications.				
3.4.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent.	X			
3.4.3. The Committee <b>recommends</b> that the board of directors set up a formal <u>audit committee</u> composed such that <ul style="list-style-type: none"> <li>• the chairman of the board of directors is not chairman of the audit committee, and</li> <li>• between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market.</li> </ul>	X			
3.4.4. The Committee <b>recommends</b> that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about: <ul style="list-style-type: none"> <li>• significant accounting policies,</li> </ul>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
<ul style="list-style-type: none"> <li>significant accounting estimates,</li> <li>related party transactions, and</li> <li>uncertainties and risks, including in relation to the outlook for the current year.</li> </ul>				
<p>3.4.5. The Committee <b>recommends</b> that the audit committee:</p> <ul style="list-style-type: none"> <li>annually assesses the need for an internal audit, and in such case, makes</li> <li>recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and</li> <li>monitor the management's follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>	X			
<p>3.4.6. The Committee <b>recommends</b> that the board of directors establish a <u>nomination committee</u> chaired by the chairman of the board of directors with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>describe the qualifications required by the board of directors and the management, and for a specific</li> </ul>		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>

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
<p>membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined,</p> <ul style="list-style-type: none"> <li>• annually assess the structure, size, composition and results of the board of directors and the management, as well as recommend any changes to the board of directors,</li> <li>• annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect,</li> <li>• consider proposals from relevant persons, including shareholders and members of the board of directors and the management for candidates for the board of directors and the management, and</li> <li>• propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul>				

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
<p>3.4.7. The Committee <b>recommends</b> that the board of directors establish a remuneration committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• to recommend the remuneration policy (including the general guidelines for incentive-based remuneration) to the board of directors and the management for approval by the board of directors prior to approval by the general meeting,</li> <li>• make proposals to the board of directors on remuneration for members of the board of directors and the management, as well as ensure 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 about the total amount of remuneration that members of the board of directors and the management receive from other companies in the group, and</li> <li>• recommend a remuneration policy applicable for the company in general.</li> </ul>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
3.4.8. The Committee <b>recommends</b> that the remuneration committee do not consult with the same external advisers as the management of the company.	X			
<i>3.5. Evaluation of the performance of the board of directors and the management</i>				
3.5.1. The Committee <b>recommends</b> that the board of directors establish an evaluation procedure where contributions and results of the board of directors and the individual members, as well as collaboration with the management are annually evaluated. Significant changes deriving from the evaluation should be included in the management report or on the company's website.	X			
3.5.2. The Committee <b>recommends</b> that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
3.5.3. The Committee <b>recommends</b> that at least once every year the board of directors evaluate the work and performance of the management in accordance with predefined clear criteria.	X			
3.5.4. The Committee <b>recommends</b> that the management and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalized 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.	X			
<b>4. Remuneration of management</b>				
<i>4.1. Form and content of the remuneration policy</i>				
4.1.1. The Committee <b>recommends</b> that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the management, including <ul style="list-style-type: none"> <li>• a detailed description of the components of the remuneration for members of the board of directors and</li> </ul>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
<p>the management,</p> <ul style="list-style-type: none"> <li>the reasons for choosing the individual components of the remuneration, and</li> <li>a description of the criteria on which the balance between the individual components of the remuneration is based.</li> </ul> <p>The remuneration policy should be approved by the general meeting and published on the company's website.</p>				
<p>4.1.2. The Committee <b>recommends</b> that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> <li>limits be set on the variable components of the total remuneration package,</li> <li>a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long terms,</li> <li>there be clarity about performance criteria and measurability for award of variable components,</li> <li>there be criteria ensuring that qualifying</li> </ul>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
<ul style="list-style-type: none"> <li>• periods for variable components in remuneration agreements are longer than one calendar year, and</li> <li>• an agreement is made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated.</li> </ul>				
4.1.3. The Committee <b>recommends</b> that remuneration of members of the board of directors does not include share options.	X			
4.1.4. The Committee <b>recommends</b> that if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.	X			
4.1.5. The Committee <b>recommends</b> that agreements on termination payments should not amount to more than two years' annual remuneration.	X			
<i>4.2. Disclosure of the remuneration policy</i>				

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
4.2.1. The Committee <b>recommends</b> that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's report at the company's general meeting.	X			
4.2.2. The Committee <b>recommends</b> that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.	X			
4.2.3. The Committee <b>recommends</b> that the total remuneration granted to each member of the board of directors and the management by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.		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>
<b>5. Financial reporting, risk management and audits</b>				
<i>5.1. Identification of risks and transparency about other relevant information</i>				
5.1.1. The Committee <b>recommends</b> that the	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
board of directors in the management report review and 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.				
<i>5.2. Whistleblower scheme</i>				
5.2.1. The Committee <b>recommends</b> that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.	X			
<i>5.3. Contact to auditor</i>				
5.3.1. The Committee <b>recommends</b> that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the management present. This also applies to the internal auditor, if any.	X			
5.3.2. The Committee <b>recommends</b> that the audit agreement and auditors' fee be agreed	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The company complies partially/does not comply with the recommendation due to the following reason:
between the board of directors and the auditor on the basis of a recommendation from the audit committee.				