

# Charter of the Audit Committee

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## Establishment and legal framework

In accordance with the *Business Procedures for the Board of Directors for ROCKWOOL International A/S*, the Board of Directors has decided to set up an Audit Committee (*Committee*) whose task is to prepare decisions to be taken by the Board of Directors.

The mandate of the *Committee* is aligned with regulation from EU regarding statutory audit of Public Interest Entities (PIEs)<sup>i</sup>, the *Danish Act On Approved Auditors and Auditing Firms (Revisorloven)*<sup>ii</sup> and the recommendation of the "*Committee on Corporate Governance*"<sup>iii</sup>.

## Purpose

The *Committee* shall assist the Board of Directors in:

1. Overseeing the outcome of the statutory audit and explain its contribution to the integrity of the financial statements for the ROCKWOOL Group.
2. Monitoring the financial reporting process of the ROCKWOOL Group and submit recommendations to ensure its integrity.
3. Monitoring the effectiveness of internal control and risk management systems, regarding the financial reporting of the ROCKWOOL Group.
4. Monitoring the statutory audit consolidated financial statements for the ROCKWOOL Group.
5. Monitoring the progress on ROCKWOOL's sustainability projects and targets as well as the non-financial reporting process
6. Reviewing and monitoring the independence of the audit firm, and the appropriateness for the provision of permissible non-audit services used by the ROCKWOOL Group.
7. Recommending the appointment of an audit firm.
8. Assessing the need for an internal audit function.
9. Overseeing the ROCKWOOL Group's whistleblower policy and other related integrity cases.
10. Performance responsibilities.

The responsibilities of the *Committee* are described in more detail below.

## Members

The *Committee* consists of at least three members, among others the Chairman of the *Committee*, who are all appointed by the Board of Directors. The Chairman of the Board of Directors may not serve as Chairman of the *Committee*.

Members may be removed by the Board of Directors at any time. Any member of the *Committee* who resigns from the Board of Directors must also resign from the *Committee*. In the event that a member resigns from the Board of Directors or from the *Committee* in the middle of a term of office, a new member shall be appointed as a replacement for the resigning member at the next Board meeting.

The majority of the *Committee* members, among others the Chairman, shall be independent<sup>iv</sup> of the ROCKWOOL Group. Moreover, at least one *Committee* member shall be an expert on financial, accounting and audit aspects. The *Committee* as a whole shall have the competences relevant to operate within the construction industry, preferably the insulation industry and the ROCKWOOL Group's other businesses.



## Meetings

Normally, the CFO of ROCKWOOL International A/S and the auditors of the company shall participate in the meetings of the *Committee* together with other persons according to the *Committee's* discretion.

The *Committee* shall plan the *Committee's* meetings for a year at a time taking into account the meetings of the Board of Directors. At each *Committee* meeting, the date and time of the next meeting shall be confirmed. The *Committee* shall hold meetings at least once every quarter.

*Committee* meetings shall be convened by the Chairman by letter to the members with at least seven days' notice, however, notice can be shortened by the Chairman in the event a case requires a quick decision.

The Chairman has a duty to convene a *Committee* meeting when necessary, or when such a meeting has been requested in writing by one of the members, the auditors of the company or a Registered Director. A *Committee* meeting shall be scheduled no later than three days after receipt of the request and with a notice period not exceeding three weeks.

Meetings shall normally be held at the ROCKWOOL Group's offices in Hedehusene. An alternate meeting location may only be used upon approval by all members who are known to be able to participate in the meeting

## Quorum

The *Committee* forms a quorum when more than half – including the Chairman - of all members are present. However, no decision may be taken without, whenever possible, all members having had an opportunity to participate in the consideration of the matter.

## Rules and decisions

The matters considered by the *Committee* shall be decided by a simple majority vote. In case of parity of votes, the Chairman, shall have the decisive vote.

Any member is entitled to demand postponement of the decision on proposals submitted outside the agenda or in connection with 'Any other business' to a later meeting, unless it is an urgent matter and postponement could negatively impact the company.

The Chairman shall see to it that another member or a person appointed by the *Committee* keeps minutes of the proceedings and the decisions made. Members not present have a duty, at a later time, to acquaint themselves with the minutes made during their absence and to acknowledge that they have read the minutes.

If a member, the auditor of the company or the CFO does not agree with a decision made by the *Committee*, the person in opposition has the right to have his or her opinion recorded in the minutes.

As soon as possible after each *Committee* meeting, an extract of the minutes shall be sent to all members, the auditor of the company and to the CFO.

Upon decision by the Chairman, a *Committee* meeting can be held as a telephone or video conference to the extent that such a meeting does not compromise the *Committee's* ability to conduct the meeting. A member of the *Committee* has up until 2 days before the *Committee* meeting is scheduled to inform the Chairman that the *Committee* member opposes such a remote meeting. Decisions and proceeding in such conferences shall be entered into the minutes.

In urgent cases, the Chairman may ask the *Committee* to make a decision without holding of a *Committee* meeting, if all directors consent to it.



The Board of Directors shall receive the minutes from the *Committee* meetings. All material presented to and prepared by the *Committee* shall be available to all the members of the Board of Directors upon request.

## Responsibilities

The *Committee* shall have the following responsibilities:

1. Overseeing the outcome of the statutory audit and explaining its contribution to the integrity of the financial statements for the ROCKWOOL Group

The *Committee* shall;

- Review and discuss the auditors audit strategy & scope, materiality level, key audit matters, manning and timeline.
- Review and discuss the auditors reports (summary of management letters, long-form reports etc.) with management and the auditors. The result of the audit must be communicated to the Board of Directors.
- Review significant auditing matters including their impact on the quarterly and annual financial statements.
- Review other financial information that is required by relevant legislation.

2. Monitoring the financial reporting process for the ROCKWOOL Group and submitting recommendations to ensure its integrity

The *Committee* shall monitor and submit recommendation on the;

- Quality and reliability of the processes used by the Group for Group reporting and financial control.
- Compliance with legislation.
- Overall safeguarding that financial statements give a true and fair view, including consideration of significant uncertainties and risks.
- Choice of significant accounting policies and their use, including the impact of significant changes to accounting policies and how to disclose these.
- Transactions with related parties.
- Evaluation of significant accounting estimates made by the Registered Directors and how to disclose them.
- Tax policies and tax matters.

3. Monitoring the effectiveness of internal quality control and risk management systems, regarding the financial reporting of the ROCKWOOL Group

Without breaching its independence, the *Committee* shall:

- Review the adequacy and effectiveness of the systems of internal controls and significant changes therein.
- The Audit Committee should have a special focus on actions taken to strengthen the internal controls aimed at mitigating cyber risks.
- The Audit Committee shall annually assess and ensure that the business and the assets of the Company are sufficiently insured and according to industry practice. This is done by reviewing the Group insurance policy and manual, the Letter of Comfort issued by the Group insurance broker together with the insurance policy overview.
- At least twice a year review and assess the main risks of the ROCKWOOL Group as well as mitigation measures. -

- Prepare the risk discussion for the Board of Directors meeting following the Audit Committee meeting.
4. Monitoring the statutory audit of consolidated financial statements of the ROCKWOOL Group
- The *Committee* shall:
- Evaluate the auditing strategy for the current year’s financial statements and advice on the required scope and quality level.
  - Review and evaluate the results of the audit firms’ latest quality control taking into account any findings or conclusions by the competent authority.
  - Meet with the auditors should extraordinary events occur.
  - Oversee the statutory auditor’s compliance with additional reporting requirements in the financial statements.
5. Monitoring the progress on ROCKWOOL’s sustainability projects and targets as well as the non-financial reporting process
- The *Committee* shall once a year review and discuss:
- The integrity of the companies’ sustainability reporting processes.
  - Status and performance of current sustainability initiatives.
6. Reviewing and monitoring the independence of the audit firm, and the appropriateness for the provision of permissible non-audit services
- The *Committee* shall;
- On a periodic basis discuss potential threats and applicable safeguards to the independence of the audit firm and auditors of the ROCKWOOL Group.
  - Provide a pre-approval of permissible non-audit services (NAS) for the provision of services to the ROCKWOOL Group, after having properly assessed the threats to independence and the applied safeguards. The *Committee* may give approvals to certain types of NAS in advance.
  - Shall develop and monitor compliance of an appropriate policy regarding the provision of tax services and valuation services.
  - Shall at least once a year meet with the external auditors without the presence of management. This also applies to the internal auditor, if any.
  - Evaluate the relationship between the auditors and the management in ROCKWOOL International A/S and other Group companies to ensure that the auditors are not influenced by managers.
7. Recommending the appointment of an audit firm
- The *Committee*;
- Shall once a year submit a recommendation to the Board of Directors for the appointment or reappointment of an audit firm. When the existing audit firm is up for reappointed, the recommendation from the *Committee* must state that it is free from influence by third parties and that the recommendation is not impacted by any agreements with third parties which limit the AGM’s choice to certain auditors or auditing firms.
  - Shall ensure that together with the Board of Directors it plays a major part in the annual selection of auditors and in the wording of the contracts with the auditors.
  - Is responsible for the selection procedure and negotiations with interested tenderers, when an audit tender is conducted. When a new audit firm is to be appointed or reappointed following an audit tender, the recommendation from the *Committee* must also contain at least two options and include the *Committee*’s preferred choice and reasoning for its choice. The *Committee* is free to select any

audit firm to submit proposals, provided that the selection of the audit firm complies with current tender regulation and the requirements of the Danish Act On Approved Auditors and Auditing Firms (Revisorloven).

8. Assessing the need for an internal audit function
9. Overseeing the ROCKWOOL Group's whistleblower policy and other related integrity cases

The *Committee* shall;

- Be kept informed of fraud cases, claims as well as all relevant issues coming through the whistleblower system.
- Propose relevant changes in related policies and procedures and ensure the ROCKWOOL Group's internal control functions work accordingly.

10. Performance responsibilities

The *Committee* shall once a year;

- Conduct a performance review of the *Committee*.
- The performance review shall include:
  - a review of the requirements to the members of the *Committee* regarding independence and financial, audit and accounting expertise as well as the requirement that the *Committee*, as a whole, shall have competencies to operate within the construction industry and the ROCKWOOL Group's other business areas.
  - review the adequacy of this charter.

The outcome of the performance review shall be reported to the Board of Directors including any proposed changes.

Any member of the *Committee* shall, when he or she is elected by the Board of Directors, make himself acquainted with the present Charter for the Audit Committee. The same shall apply to other persons participating in *Committee* meetings on a permanent or temporary basis.

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<sup>i</sup> DIRECTIVE 2014/56/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts and REGULATION (EU) No 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, with effect for the first financial year starting on or after June 17th 2016.

<sup>ii</sup> Adopted by the Danish parliament on September 9th 2016 and the Updated guidance on Audit Committees from May 2018.

<sup>iii</sup> Recommendations for corporate governance as of November 2017.

<sup>iv</sup> On top of the obligation that all members of the committee should be non-executive, the majority should also have no interests or relationships with the ROCKWOOL Group that can limit their independence while also being independent from the ROCKWOOL Group's major shareholders.