

English translation of the original in Danish; the Danish version takes precedence

Danish Business Authority
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ROCKWOOL A/S' activities in Russia, case number 2023-3672

Thank you for your letter of 28 February 2023, in which you state that the Danish Business Authority has received notification that ROCKWOOL A/S has activities in Russia and has supplied products to the Russian military.

We have answered your questions ('a' to 'f') in the letter below and add that we are of course available to the Danish Business Authority if further information is needed.

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At the outset, it is important for us to state that ROCKWOOL A/S has complied, and of course will continue to comply, with any Russian related sanctions; both post-2014 annexation of the Crimean Peninsula and post-2022 invasion of Ukraine. As you will also be able to see from our answers below, ROCKWOOL A/S works with both comprehensive and strict guidelines and control measures in this area; an area which also has the management's strong focus on a daily basis.

It is also important to state here that EU sanctions – following Russia's illegal annexation of the Crimean Peninsula in 2014 – prohibited the import and export of certain products between the EU and Russia. Stone wool products were not among the products on this sanctions list.

At the same time, it must be emphasised that the EU – after Russia's illegal invasion of Ukraine in 2022 – adopted a series of **sanctions** that prohibit the import and export of multiple products between the EU and Russia. Since the fifth sanctions package, adopted on April 9, stone wool products cannot be exported to Russia. As stated above, ROCKWOOL A/S complies with all applicable sanctions, and has of course stopped exporting stone wool products to Russia.

Finally, the EU operates with a **catalogue** of so-called dual-use products. Stone wool products are not categorised as dual-use (for more information on dual-use products, see the answer to question 'f' below).

There is thus no basis for assuming that ROCKWOOL A/S should have acted in violation of applicable legislation.

In this connection, we allow ourselves to express some surprise that the Danish Business Authority – without having informed ROCKWOOL A/S's management – chose to inform several media that the Authority had launched an investigation into the company. It is important for us to say that we find this approach quite remarkable, since the Danish Business Authority, cf. the Public Administration Act, is subject to confidentiality regarding information of significant importance to companies such as ROCKWOOL.

It must therefore have been clear to the Danish Business Authority that the information about an intended investigation of ROCKWOOL is of such a nature that it should be kept confidential between the parties until



ROCKWOOL A/S, as a listed company, had itself had the opportunity to assess whether the investigation would entail an obligation for the company to immediately inform the market in the form of a company announcement, cf. the stock exchange ethical rules.

That we emphasise this is because the Danish Business Authority having made this announcement without prior notification led to a drop in ROCKWOOL A/S' market capitalisation of more than 11 percent. (In addition, we note the consequences for the Group's reputation as a result of the – given the above background, completely understandable – critical media coverage).

As you will understand, we take this matter very seriously. With reference to the above, we will therefore publish both your letter of 28 February and ROCKWOOL's response to it.

At the same time, we anticipate the Danish Business Authority will process the case swiftly, such that ROCKWOOL A/S has the opportunity to inform the capital market in a timely manner, should the result of the Authority's investigation contain information that necessitates a company announcement.

As can be seen below, we have allocated all necessary resources to deliver the requested information both quickly and well in advance of the Danish Business Authority's deadline (March 14 at 12:00).

We expect that the Danish Business Authority can complete its investigation by Monday 20 March 2023 at the latest.

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In our answer to the six questions ('a'-f') you ask in your letter, we have assumed that the Danish Business Authority refers to the period between Russia's illegal annexation of the Crimean Peninsula and up to today:

a) ROCKWOOL A/S' activities in Russia, including companies in the Group located in Russia as well as ownership and control relationships with ROCKWOOL A/S.

The publicly-listed legal entity ROCKWOOL A/S does not conduct direct activities in Russia. Since June 2022, ROCKWOOL A/S has exclusively been a shareholder in – and thus exercised passive ownership of – the four Russian companies mentioned below. ROCKWOOL A/S is thus not involved in any way in the operations of the Russian subsidiaries, which operate independently and thus not relying on the rest of ROCKWOOL Group.

- ROCKWOOL A/S is the sole owner of its Russian subsidiary LLC ROCKWOOL;
- The subsidiary LLC ROCKWOOL is the sole owner of the Russian companies LLC ROCKWOOL-NORTH and LLC ROCKWOOL URAL;
- ROCKWOOL A/S and LLC ROCKWOOL jointly own the company LLC ROCKWOOL-VOLGA (in the ratio of 32 percent and 68 percent)

– together hereafter referred to as the “Russian Subsidiaries”.

The Russian Subsidiaries produce, market and sell stone wool products on the Russian market. The company structure reflects the distribution of the Group's Russian factories, as each of the Russian companies owns its own factory.

b) To the extent that there are companies in ROCKWOOL Group in Russia, you are also encouraged to provide information on whether the Russian entities have business activities in the EU.

Historically, the Russian Subsidiaries have sold a few products to a limited number of ROCKWOOL Group subsidiaries located in the EU. However, such sales into the EU have never included products subject to import restrictions in accordance with the EU sanctions in force at any given time. This notwithstanding, the Group has chosen to stop all imports into the EU.

c) How ROCKWOOL Group sells products in Russia, including where these products are produced.

ROCKWOOL A/S does not sell products in Russia.

All sales to the Russian market are made solely by the Russian Subsidiaries. And, as previously mentioned, these operate today independently of ROCKWOOL A/S.

We have highlighted this in our communication from the start, as it is important to understand that none of the Russian Subsidiaries are dependent on either finished goods or raw materials from countries outside Russia – nor on personnel, know-how, etc. – which is why they both can, and will continue to be able to, operate without any kind of involvement, support, etc. from ROCKWOOL A/S.

Products for the Russian market are produced at the factories in Russia. Historically there have been some products that the Russian Subsidiaries have bought from other ROCKWOOL companies with a view to resale in Russia. In accordance with the EU sanctions, ROCKWOOL Group has stopped all deliveries of stone wool products to Russia.

For decades, all sales from the Russian Subsidiaries have taken place via external, Russian distributors. Neither ROCKWOOL A/S nor the Russian subsidiaries sell directly to Russian end users.

d) Whether ROCKWOOL Group has sold products for use by the Russian military, including whether ROCKWOOL A/S or other European companies in ROCKWOOL Group have sold products for use by the Russian military.

We also refer here to the answer to question 'f' about dual-use products as well as to our initial remarks about this on page 1 and to the mentions while reviewing our compliance programme under questions 'e' and 'f'.

The Russian Subsidiaries are operationally separate from ROCKWOOL A/S, and ROCKWOOL A/S is in no way involved in sales in Russia.

Neither ROCKWOOL A/S itself, nor European or overseas/other companies in ROCKWOOL Group have sold products directly to the Russian military. Nor have the Russian Subsidiaries sold products directly to the Russian military, as the Russian Subsidiaries' sales on the Russian market, as mentioned above, only take place through external distributors.

ROCKWOOL A/S is aware that general insulation products – as well as insulation products for use in civilian applications for shipping sold via the Russian Subsidiaries' external distributors – have in certain cases been used in Russian naval vessels, similar to how these products are used on all types of ships worldwide.

Production and sales in Russia of insulation products for use in marine applications ceased in March 2022.

e) How ROCKWOOL A/S has ensured that their products are not sold to or made available to parties subject to sanctions.

As described above under question 'a', ROCKWOOL A/S has operationally separated the Russian Subsidiaries from the rest of ROCKWOOL Group, and today ROCKWOOL A/S acts alone as a shareholder; i.e. it exercises passive ownership.

The result is, as previously stated, that ROCKWOOL A/S is no longer involved in the Russian Subsidiaries' operations. And as also mentioned above, neither ROCKWOOL A/S nor its Group companies are any longer selling products to the Russian Subsidiaries.

No employees with EU citizenship are employed in the Russian Subsidiaries.

ROCKWOOL A/S complies with all applicable sanctions and trade restrictions issued by the EU, USA, UN and relevant national authorities.

To ensure compliance with sanctions and trade restrictions in force at any time, ROCKWOOL Group has established a comprehensive compliance programme, which includes both sanctions and export controls.

Internal policies, guidelines and instructions have been drawn up for this use. At the same time, ROCKWOOL A/S has prepared a manual on export control and sanctions. It describes what compliance with export control and sanctions entails in practice for the Group. The guide (with the associated so-called 'Standard Operating Procedure') deals with the process for sanction screening in ROCKWOOL Group.

Executive Management has also set up an internal steering group. This is responsible for both export control and sanctions. The steering group continuously develops and implements the necessary tools to ensure compliance and at the same time to monitor that the rules are continuously upheld.

The steering group is staffed with senior employees, including the Group's Chief Financial Officer, Legal Counsel, and Group Integrity Officer. If necessary, the steering group is supplemented with other relevant managers.

In addition, it must be emphasised that we at ROCKWOOL A/S have introduced an internal ban on both direct and indirect sales to, purchases from, or other business activities with countries covered by far-reaching sanctions. Furthermore, ROCKWOOL A/S carries out a comprehensive screening of e.g. potential customers and suppliers from a number of other countries.

In addition, ROCKWOOL A/S uses software for automatic sanction screening. As a precaution, this screening is supplemented with a manual screening in the form of a third-party screening tool.

ROCKWOOL A/S also makes use of several contractual tools. This is done to further ensure compliance with all sanctions. An example of this is that external distributors that export to countries subject to export controls and sanctions undertake signed commitments to comply with all applicable sanctions regulations; that is, EU, American and national export control regulation.

In addition to the requirements in the various sanctions, ROCKWOOL A/S itself has introduced a number of additional measures. These are designed to protect against sanctions being circumvented. There are e.g. introduced special rules for sales to customers in Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Turkey and Uzbekistan. The purpose is to reduce the risk that sales to these countries are used to circumvent EU sanctions. The rules are designed according to the EU Commission's best practice guidelines regarding circumvention, due diligence, and implementation of compliance programmes.

The compliance programme also includes handling requirements for export authorisation in accordance with the dual-use regulation. ROCKWOOL Group does not sell dual-use products, just as dual-use products have never been exported to Russia; nor to the Russian Subsidiaries.

In addition to continually updating the compliance programme, which is carried out by ROCKWOOL A/S's internal compliance organisation, ROCKWOOL A/S regularly consults with external lawyers with expertise in sanctions – again to ensure that the Group at all times complies with all applicable sanction rules.

Finally, these many measures have led to an upgrading of our internal education and training, where all relevant employees are continuously introduced to and trained in the Group's internal policies, guidelines and instructions regarding sanctions and export control.

f) Whether ROCKWOOL A/S has exported dual-use or sanctioned products or technology to Russia.

With the exception of metal grids for hanging ceiling tiles and acoustic wall coverings, all ROCKWOOL products are based on stone wool.



The products in ROCKWOOL Group's product range are mainly building materials, and – as previously stated (see the introduction, on page 1, and the answer to question 'd') – not dual-use products according to the [EU's comprehensive catalogue](#).

ROCKWOOL's products can neither be transformed into weapons nor used for military purposes in general.

No stone wool products are classified as dual-use. We therefore emphasise again that dual-use products are not included in ROCKWOOL Group's product range, and ROCKWOOL A/S has thus at no time (including before 2022) exported dual-use products to Russia.

All in all, these are harmless products, where the main use is to insulate houses and buildings to improve energy efficiency. The products are therefore not categorised as dual-use, and ROCKWOOL complies with all sanctions.

A few new types of production technology were categorised as dual-use technology in 2022. None of these have ever been exported to Russia.

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We look forward to receiving the Danish Business Authority's written response as soon as possible, and at the latest on Monday 20 March 2023. And we repeat that we are of course available with further information if the Danish Business Authority so wishes.

Best regards,

A handwritten signature in blue ink, appearing to be 'KJA'.

Kim Junge Andersen
Chief Financial Officer

A handwritten signature in blue ink, appearing to be 'HFN'.

Henrik Frank Nielsen
Senior Vice President