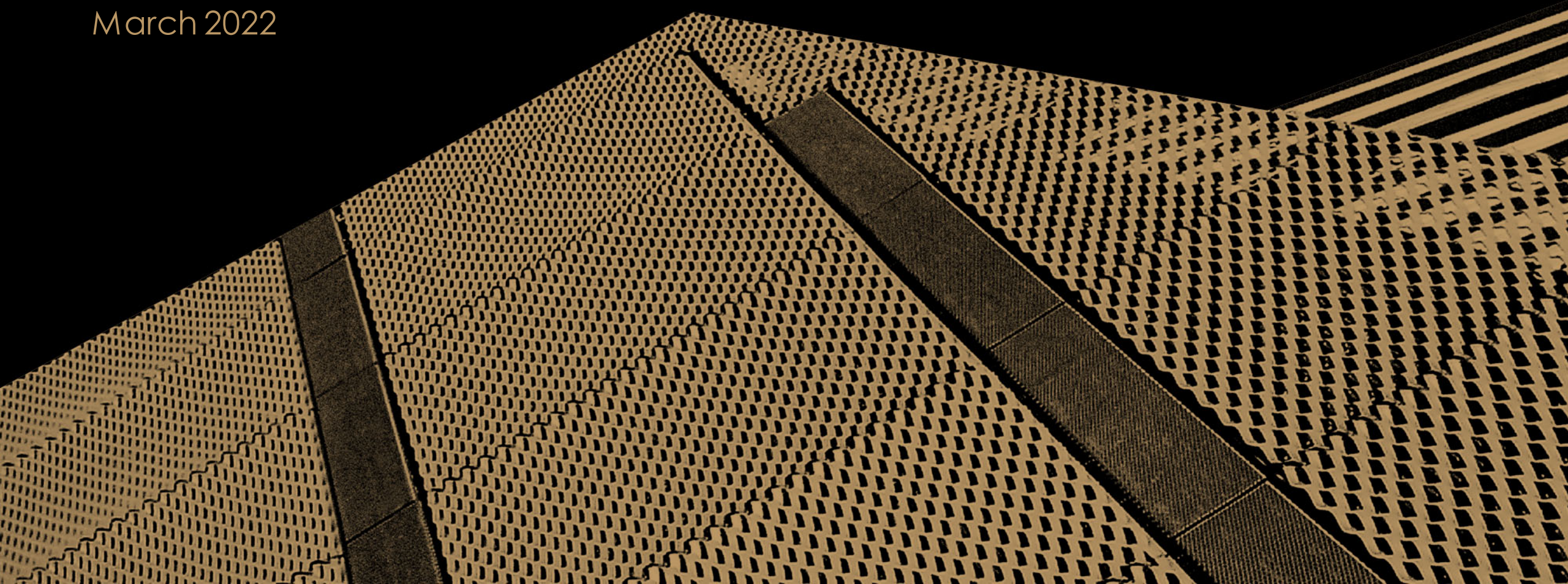


# Eversheds Sutherland's Recommendations

March 2022





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**Introduction** - As was reported in February 2021, law firm Eversheds Sutherland conducted a rigorous review of Kingspan's UK insulation boards business to ascertain how the issues identified by the Grenfell Inquiry occurred, what changes had been made by the business, and what further actions should be taken. Progress against each recommendation is set out below.

Recommendation	Delivered, by way of, amongst other things:
<i>Develop a renewed compliance and leadership strategy</i>	<ul style="list-style-type: none"><li>• Clear corporate mission statement and statement of purpose established – as published on <a href="http://www.kingspan.com">www.kingspan.com</a> and as the foreword to the Group Code of Conduct introduced in Oct 2020. Training on the Group Code of Conduct has been completed by over 90% of the total workforce – with the rollout on-going. Clear accountability for risk management in respect of testing, accreditation and marketing material (the “Three Functions”) established through the creation of:<ul style="list-style-type: none"><li>○ The Group Head of Compliance (“GHC”) role in January 2021 - reporting direct to the CEO</li><li>○ Product Compliance Officers (“PCO”) in each business – provide monthly reports to the GHC together with updates to their Divisional Boards. 17 lead PCO’s appointed, with additional 27 regional / business unit Compliance Managers supporting them</li><li>○ The Group Head of Marketing (“GHM”) role in April 2019 – reporting direct to the CEO</li><li>○ Group Compliance Manual - first published January 2021</li><li>○ Group Marketing Integrity Manual – first published June 2021</li><li>○ Data Governance Manual – first published July 2021.</li></ul></li></ul>

# Eversheds Sutherland's Recommendations

Recommendation	Delivered, by way of, amongst other things:
<i>Appoint a third party expert to audit and advise on best practice on product fire testing, accreditation and marketing material (the "Three Functions")</i>	<ul style="list-style-type: none"><li>• External consultants appointed by Insulation UK business to audit and advise on best practice regarding the Three Functions and assist with design and implementation of world class change management systems.</li><li>• Learning from these consultations helped inform Kingspan's approach to securing ISO 37301 accreditation during 2021 for its Compliance Management Systems at its Group function and at nine manufacturing locations across four of the five divisions.</li><li>• ISO 37301 is the internationally recognised standard for Compliance Management Systems. It sets out the requirements and provides guidelines for establishing, developing, implementing, evaluating, maintaining and continually improving a compliance management system. Work to secure ISO 37301 accreditation for all manufacturing locations is ongoing.</li><li>• Training and awareness of Compliance and ISO 37301 is being delivered by the GHC's team and supported by the Professional Evaluation and Certification Board ("the PECB")</li></ul>



# Eversheds Sutherland's Recommendations

Recommendation	Delivered, by way of, amongst other things:
<i>Take steps to implement consistent, well-documented and effective controls in respect of product testing. Develop failsafe systems for the Three Functions to implement the best practice procedures (the "Procedures"), as may be advised by the External Expert.</i>	<ul style="list-style-type: none"><li>• The Group Compliance Manual documents the best practice procedures and controls to be followed to secure ISO 37301 accreditation, including the use and strict adherence to;<ul style="list-style-type: none"><li>○ Register of External Certificates and Test Reports for each product</li><li>○ Product Compliance Risk Assessments</li><li>○ Product Compliance Registers</li><li>○ Group Change Control Policy to supplement existing change control processes</li><li>○ Lessons learned loops to aid continual improvement</li><li>○ Calibration and verification of equipment and the requirement to maintain records of the same</li></ul></li><li>• Implementation of a groupwide Product Information Management (PIM) infrastructure to ensure control and accuracy of all product information is ongoing.</li><li>• Training continuously provided in respect of the above controls by the GHC, the GHC's team, the PCO's and by PECB.</li></ul>

# Eversheds Sutherland's Recommendations

Recommendation	Delivered, by way of, amongst other things:
<i>Implement controls in respect of the Three Functions, ensure there is communication training to promote transparency around product capabilities in the sale process and also in respect of engagement with third party accreditation. Increase awareness in risk accountability across the organisation.</i>	<ul style="list-style-type: none"><li>• The Group Marketing Integrity Manual introduces mandatory rules to ensure the accuracy and transparency of marketing materials across the Group, including;<ul style="list-style-type: none"><li>○ Enhanced change control by the sign-off of each item of marketing material to verify its compliance with the information in the Product Compliance Register</li><li>○ Version control on documents and other marketing material</li><li>○ Creation and implementation of training modules</li></ul></li><li>• Third party accreditation organizations (such as Advanced Certification - which is auditing the processes and procedures of manufacturing facilities against the requirements of ISO 37301) are engaged on an entirely independent basis.</li><li>• Awareness in risk accountability concerning compliance with the Three Functions has been increased and is underpinned by the principles in the Group Code of Conduct, by the appointment of the GHC, the PCO's and by the implementation of ISO standards and on-going training across the Three Functions.</li></ul>



# Eversheds Sutherland's Recommendations

Recommendation	Delivered, by way of, amongst other things:
<i>Review and enhance the system and process for retaining customer observations and data</i>	<ul style="list-style-type: none"><li>• Customer observations and data concerning a complaint or non-conformance are reviewed in accordance with the process recommended in ISO 37301 and any necessary corrective action is taken to prevent reoccurrence.</li><li>• Net Promoter Score surveys undertaken annually, and the customer trends and feedback are shared with each business unit.</li></ul>
<i>Establish a subcommittee of the Kingspan Group Plc board to include Non-Executive directors, to monitor compliance and the Three Functions.</i>	<ul style="list-style-type: none"><li>• The role of the Audit Committee has been expanded into an Audit &amp; Compliance Committee, with responsibility to review the principal risks and uncertainties and monitor compliance in the Three Functions. The role of the Group Internal Auditing function has been expanded to incorporate product compliance.</li><li>• The GHC and the Head of Internal Audit &amp; Compliance report regularly to the Audit &amp; Compliance Committee. A qualified ISO 37301 Lead Auditor has been appointed to the Internal Audit function with specific responsibility to undertake internal audits focused on product marketing.</li><li>• Internal Audit carried out its first review of the Compliance Team's activities in June 2021. Further reviews will be performed twice yearly.</li></ul>

# Eversheds Sutherland's Recommendations

Recommendation	Delivered, by way of, amongst other things:
<p><i>The company should undertake a review of the composition of the boards of directors of subsidiaries and the conduct and reporting of meetings.</i></p>	<ul style="list-style-type: none"> <li>• The composition, conduct and reporting of the board of directors of subsidiaries is governed by the updated Group Accounting Manual which prescribes, amongst other things:               <ul style="list-style-type: none"> <li>○ Each business is responsible for the maintenance of the statutory books and records for each of its statutory entities, and for all company secretarial compliance and filings with the relevant commercial register</li> <li>○ Each business is responsible to make sure that all the data on the Group's entity management system ("GEMS") relating to their business' entities is correct and up to date. In particular, a copy of each entity's signed annual accounts must be uploaded and filed on GEMS</li> <li>○ Any changes to directors (in terms of a new appointment or resignation) must be sanctioned and approved by the board of Kingspan Group plc and should be notified to Group Legal.</li> <li>○ The Divisional MD and the Divisional FD should normally be appointed as statutory directors of the subsidiary company.</li> </ul> </li> <li>• The composition of the board of directors of the subsidiaries is reviewed annually.</li> </ul>
<p><i>Prepare a bespoke directors duties manual for Directors of Kingspan subsidiaries.</i></p>	<ul style="list-style-type: none"> <li>• A Global Director's Duties handbook has been developed with Allen &amp; Overy LLP and issued to all subsidiary directors. Related e-training module is being rolled out during Q1 2022.</li> <li>• Handbook and training will form part of every new statutory director's induction training on appointment.</li> </ul>



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