



**Carton Factory**  
Leichhardt, Australia  
**Insulated Panels**  
KS1000RW Trapezoidal  
insulated roof panels



As chairman of the Audit & Compliance Committee, I am pleased to present the report of the committee for the year ended 31 December 2023 to stakeholders and wider society.



This report details how the Audit & Compliance Committee has met its responsibilities under its Terms of Reference, the Irish Companies Act 2014 and under the UK Corporate Governance Code (July 2018) over the last twelve months.

The Audit & Compliance Committee focused particularly on the appropriateness of the Group's financial statements and product compliance processes.

The Audit & Compliance Committee has satisfied itself, and has advised the Board accordingly, that the 2023 Annual Report and financial statements are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's performance, business model and strategy. The significant issues that the committee considered in relation to the financial statements and how these issues were addressed are set out in this report.

The Audit & Compliance Committee has also satisfied itself in relation to the effectiveness of the controls and processes regarding product compliance and monitoring the culture of compliance across the Group.

The Audit & Compliance Committee note the requirements under section 225 of the Companies



Act 2014 and has ensured that the directors are aware of their responsibilities and comply fully with this provision.

One of the Audit & Compliance Committee's key responsibilities is to review the Group's risk management and internal controls systems, including internal financial controls. During the year, the committee carried out a robust assessment of the principal risks facing the Group and monitored the risk management and internal controls system on an ongoing basis. Further details regarding these matters are also set out later in this report.

The Audit & Compliance Committee also reviewed the effectiveness of both the external audit process and the internal audit function as part of the continuous improvement of financial reporting and risk management across the Group.

**Senan Murphy**  
Chairman, Audit & Compliance Committee

## ROLE AND RESPONSIBILITIES

The Board has established an Audit & Compliance Committee to monitor the integrity of the Group's financial statements and the effectiveness of the Group's internal financial and IT general controls. Additionally, the committee has responsibility for reviewing the effectiveness of the processes and controls associated with product certification and the marketing of the Group's products.

The committee's role and responsibilities are set out in the committee's Terms of Reference which are available from the Company and are displayed on the Group's website ([www.kingspan.com](http://www.kingspan.com)). The Terms of Reference are reviewed annually and amended where appropriate. During the year the committee worked with management, the external auditors and Group Internal Audit in fulfilling these responsibilities.

The Audit & Compliance Committee report deals with the key areas in which the Audit & Compliance Committee plays an active role and has responsibility. These areas are as follows:

1. Financial reporting and related primary areas of judgement;
2. The external audit process;
3. The Group's internal audit function and risk management controls;

4. The Group's product compliance and certification function;
5. Compliance with the Group Marketing Integrity Manual; and
6. Governance.

### Committee membership

As at 31 December 2023, the Audit & Compliance Committee comprised three independent non-executive directors, Senan Murphy (chairman), Anne Heraty and Éimear Moloney. The biographies of each can be found in the Directors' Report.

In conjunction with his retirement from the Board, Michael Cawley retired from the Audit & Compliance Committee in April 2023.

The Board considers that the committee has an appropriate and experienced blend of commercial, financial and industry expertise to enable it to fulfil its duties, and that the committee chairman, Senan Murphy B.Comm., F.C.A, has appropriate recent and relevant financial experience.

### Meetings

The committee met four times during the year ended 31 December 2023. Attendance at the meetings and matters under review by the Audit & Compliance Committee at each meeting are noted in the following tables.

Committee Member	Attended	Eligible	Appointment Date
Senan Murphy (chairman)	4	4	2022
Anne Heraty	4	4	2019
Éimear Moloney	4	4	2021
Michael Cawley (retired)	1	1	2014



**Medical Centre**  
Orly, France  
**Insulated Panels**  
JI Sonora; JI Brise;  
JI Albe

<b>Audit &amp; Compliance Committee Activities</b>	<b>FEB</b>	<b>JUN</b>	<b>AUG</b>	<b>NOV</b>
<b>FINANCIAL REPORTING</b>				
Review and approve preliminary & half-year results	●		●	
Consider key audit and accounting issues and judgements	●	●	●	●
Review correspondence with Irish Auditing and Accounting Supervisory Authority (IAASA)	●	●		
Approve going concern and viability statements	●		●	
Consider accounting policies and the impact of new accounting standards	●	●	●	●
Review management letter from auditors	●			
Review of any related party matters and intended disclosures	●		●	
Review Annual Report (including ESEF format) and confirm if fair, balanced and understandable	●			
<b>EXTERNAL AUDITOR (EY)</b>				
Ongoing assessment of auditor performance – including feedback from management	●	●	●	●
Approval of external audit plan and ongoing review	●	●	●	●
Review reports and correspondence from the auditor to the Audit & Compliance Committee	●	●	●	●
Review of digital audit findings and insights	●			
Confirm auditor independence and consider non-audit services and materiality of related fees	●		●	●
Review and consideration of audit fees	●			●
<b>INTERNAL AUDIT AND RISK MANAGEMENT CONTROLS</b>				
Ongoing performance assessment of internal audit team	●	●	●	●
Review of internal audit reports and monitor progress on open actions	●	●	●	●
Approve internal audit plan and resources, taking account of risk management	●	●	●	●
Review of financial and IT general controls	●	●	●	●
Review of internal audit reports for cybersecurity controls	●	●	●	●
Review and approve the structure of the internal audit team	●	●	●	●
Review details of global fraud and cyber-attack attempts and management response	●	●	●	●
Monitor Group whistleblowing procedures and reports	●	●	●	●
Assessment of compliance with Group Global Sanctions policy	●	●	●	●
Review of Group liquidity position	●	●	●	●
Assessment of the principal risks and effectiveness of internal control systems				●
<b>PRODUCT COMPLIANCE AND CERTIFICATION</b>				
Review and approve internal audit plan for audit of product marketing compliance with Group Marketing Integrity Manual	●	●	●	●
Review of internal audit reports relating to product marketing compliance	●	●	●	●
Review and consider the structure and expertise of the product compliance and certification team	●	●	●	●
Meetings and updates from Group Head of Compliance & Certification and divisional compliance teams		●		●
Discussions with divisional management on product compliance and certification matters as well as site visits		●		●
<b>GOVERNANCE</b>				
Formal evaluation of external and internal audit functions		●		
Review and approve Directors' Compliance Statement	●			
Update on Group treasury strategy and approve Group Treasury Policy		●		

Each committee meeting was attended by the Group Chief Financial Officer, the Head of Internal Audit & Compliance and the external auditor. The Company Secretary is the secretary of the Audit & Compliance Committee. Other directors and members of the senior management team may attend meetings as required.

The chairman of the Audit & Compliance Committee also met with both the Head of Internal Audit & Compliance and the external audit lead partner outside of committee meetings as required throughout the year.

### Committee evaluation

As outlined within the Report of the Nominations & Governance Committee, the performance of the Board also includes a review of the committees. Any recommendations raised in relation to the Audit & Compliance Committee are acted upon in a formal and structured manner. No issues were identified for the year ended 31 December 2023.

### Financial reporting

The committee is responsible for monitoring the integrity of the Group's financial statements and reviewing the financial reporting judgements contained therein. The financial statements are prepared by a finance team with the appropriate qualifications and expertise.

The committee confirmed to the Board that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

In respect of the year to 31 December 2023, the committee reviewed:

- the Group's Trading Updates issued in April, July and November 2023;
- the Group's Interim Report for the six months to 30 June 2023; and
- the Preliminary Announcement and Annual Report to 31 December 2023.

In carrying out these reviews, the committee:

- reviewed the appropriateness of Group accounting policies and monitored changes to, and compliance with, accounting standards on an ongoing basis;

- discussed with management and the external auditor the critical accounting policies and judgements that had been applied;
- compared the results with management accounts and budgets and reviewed reconciliations between these and the final results;
- discussed a report from the external auditor identifying the significant accounting and judgemental issues that arose in the course of the audit;
- considered the management representation letter, requested by the external auditor for any non-standard issues and monitored action taken by management as a result of any recommendations;
- discussed with management future accounting developments which are likely to affect the financial statements;
- reviewed the budgets and strategic plans of the Group to ensure that all forward looking statements made within the Annual Report reflect the actual position of the Group; and
- considered key areas in which estimates and judgement had been applied in preparation of the financial statements including, but not limited to, a review of fair values on acquisition, the carrying amount of goodwill, intangible assets and property, plant and equipment, litigation and warranty provisions, recoverability of trade receivables, determination of lease terms, valuation of inventory, and tax matters.

The primary areas of judgement considered by the committee in relation to the Group's 2023 financial statements, and how they were addressed by the committee are set out overleaf.

Each of these areas received particular focus from the external auditor, who provided detailed analysis and assessment of the matter in their report to the committee.

In addition, the Internal Audit team reviews the businesses covered in its annual internal audit plan, as agreed by the committee, and reports its findings to the Audit & Compliance Committee throughout the year. These internal audit reviews are focused on areas of judgement such as warranty provisions, trade receivables and inventory, and provide the committee with information on the adequacy and appropriateness of provisions in these areas.

Primary areas of judgement	Committee activity
<b>Adequacy of warranty provision</b>	The committee reviewed the judgements applied by management in assessing both specific and risk based warranty provisions at 31 December 2023. The committee reviewed and discussed with management the monthly reports presented to the Board which set out, for each of the Group's divisions, warranty provisions, warranty costs and an analysis of these costs as a percentage of divisional sales. Warranty provisions are reviewed on an ongoing basis throughout the year in conjunction with the internal audit process. The committee was satisfied that such judgements were appropriate and the risk had been adequately addressed.
<b>Recoverability of trade receivables and adequacy of provision</b>	The committee reviewed the judgements applied by management in determining the provision for expected credit loss at 31 December 2023. The committee reviewed and discussed with management the monthly board report which sets out aged analysis of gross receivables balances and associated provisions for expected credit loss and reviewed security (including credit insurance) that is in place. Expected credit loss provisions are reviewed on an ongoing basis throughout the year in conjunction with the internal audit process. The committee was satisfied that such judgements were appropriate and the risk had been adequately addressed.
<b>Accounting for acquisitions</b>	Total acquisition consideration in 2023 amounted to €226.9m. The committee discussed with management and the external auditors the accounting treatment for newly acquired businesses, and the related judgements made by management, and were satisfied that the treatment in the Group's financial statements was appropriate.
<b>Consideration of impairment of goodwill</b>	<p>The committee considered the annual impairment assessment of goodwill prepared by management for each Cash Generating Unit ("CGU") using a discounted cash flow analysis based on the strategic plans approved by the Board, including a sensitivity analysis on key assumptions. The primary judgement areas were the achievability of the long-term business plans and the key macroeconomic and business specific assumptions. In considering the matter, the committee discussed with management the judgements made and the sensitivities performed. Further detail of the methodology is set out in Note 10 to the financial statements.</p> <p>EY also provided the committee with their evaluation of the impairment review process.</p> <p>Kingspan completed nine acquisitions during the financial year. The measurement of goodwill is not yet finalised for all acquisitions but the methodology of the assessments of such items of goodwill was presented to the committee and the results were deemed appropriate.</p>
<b>Valuation of inventory and adequacy of inventory provision</b>	The committee reviewed the valuation and provisioning for inventory at 31 December 2023. The main area of judgement was the level of provisioning required for slow moving and obsolete inventory. The committee reviewed and discussed with management the monthly board report which sets out, for each of the Group's divisions, gross inventory balances and associated obsolescence provision including an analysis by inventory, category and ageing. Inventory provisions are reviewed on an ongoing basis throughout the year in conjunction with the internal audit process. The committee was satisfied that such judgements were appropriate and the risk had been adequately addressed.
<b>Taxation</b>	Provisioning for potential current tax liabilities and the level of deferred tax asset recognition in relation to accumulated tax losses are underpinned by a range of judgements. The committee addresses these issues through a range of reporting streams from senior management and a process of challenging the appropriateness of management's views including the degree to which these are supported by professional advice from external legal and other advisory firms. This assessment was conducted in line with the provisions of IFRIC 23. The Group's Accounting Manual sets out detailed policies that prescribe the methodology to be used by management in calculating the above provisions. Each division formally confirms compliance with these policies on an annual basis. The committee was satisfied that such judgements were appropriate, and the risk had been adequately addressed.



**Stitch Design Shop**  
 North Carolina, USA  
**Light, Air + Water**  
 UniQuad® Polycarbonate  
 Wall System

### External auditor

The Audit & Compliance Committee has responsibility for overseeing the Group’s relationship with the external auditor including reviewing the audit team, the quality and effectiveness of their performance, their external audit plan and process, their independence from the Group, their appointment and their audit fee proposals.

### Performance and audit plan

Following the completion of the 2022 year end audit, the committee carried out a review of the effectiveness of the external auditor and the audit process. This review involved discussions with both Group management and internal audit, in addition to feedback provided by divisional management. The committee continues to monitor the performance, independence and objectivity of the external auditors and takes this into consideration when making its recommendations to the Board on the remuneration, the terms of engagement and the re-appointment, or otherwise, of the external auditors.

Prior to commencement of the 2023 year end audit, the committee approved the external auditor’s work plan and resources and agreed

with the auditor’s key areas of focus, including accounting for acquisitions, warranty provisions and revenue recognition.

During the year, the committee met with the external auditor without management being present. This meeting provided the opportunity for direct dialogue and feedback between the committee and the auditor, where they discussed inter alia some of the key audit management letter points.

### EU audit reform

The regulatory framework for the Group’s statutory audit is governed by EU legislation under Directive 2014/56/EU and Regulation EU No. 537/2014. EU Audit reform legislation is applicable in the Member States of the European Union, including Ireland. Under this legislation, Kingspan Group plc is considered a Public Interest Entity (PIE). Key developments falling from the implementation of this legislation are:

- a requirement that the PIE changes its statutory auditor every ten years (following rotation, the statutory audit firm cannot be reappointed for four years);

- a requirement that certain procedures are followed for the selection of the new statutory auditor; and
- restrictions on the entitlement of the statutory auditing firm to provide certain non-audit services.

Kingspan Group plc has fully complied with EU Audit Reform. With regard to audit firm rotation, EY was selected as the external auditor for the financial year commencing 1 January 2020 and is therefore permitted to continue as auditor until the financial year ended 31 December 2029 should the committee consider it appropriate to do so.

#### Independence and objectivity

The committee is responsible for ensuring that the external auditor is objective and independent. EY was appointed as the Group's auditor on 1 May 2020, following a formal tender process in which several leading global firms submitted written tenders and delivered in-person presentations.

The committee received confirmation from the external auditor that they are independent of the Group under the requirements of the IAASA Ethical Standard for Auditors (Ireland)

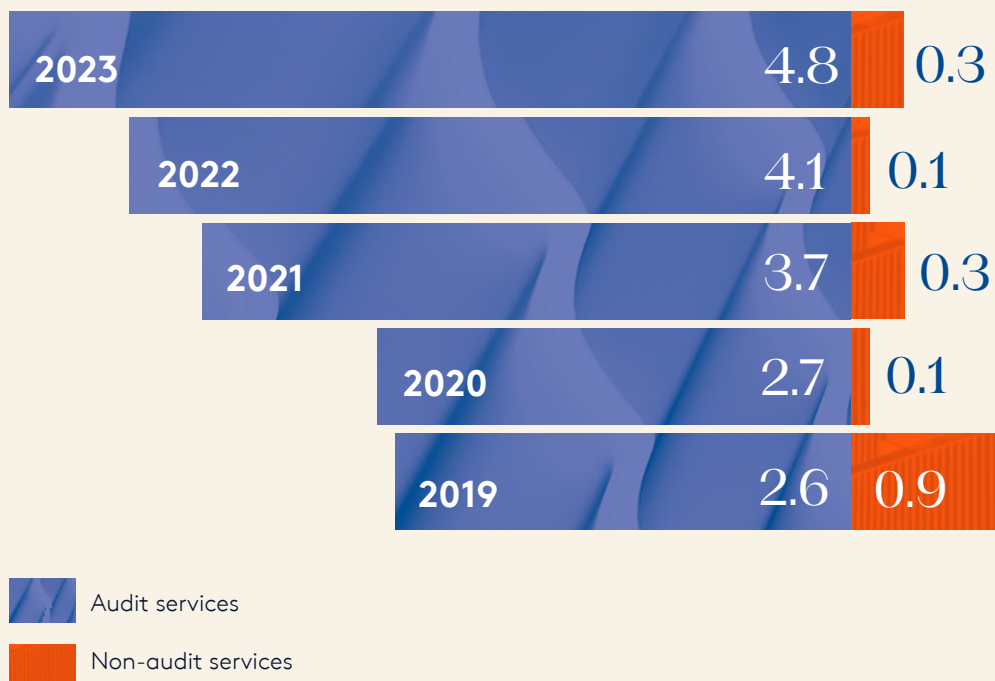
2020. The external auditor also confirmed that they were not aware of any relationships between the Group and the firm or between the firm and any persons in financial reporting oversight roles in the Group that may affect its independence.

#### Non-audit services

To further ensure independence, the committee has a policy on the provision of non-audit services by the external auditor that seeks to ensure that the services provided by the external auditor are not, or are not perceived to be, in conflict with auditor independence. The committee ensured that the independence of the external audit was not compromised by obtaining an account of all relationships between the external auditor and the Group, by reviewing the economic importance of the Group to the external auditor and by monitoring the audit fees as a percentage of total income generated from the relationship with the Group. The committee's policy on the provision of non-audit services by the Group's external auditor is fully compliant with EU audit reform legislation.

An analysis of fees paid to the external auditor, including the non-audit fees, is set out in Note 6 and below:

### Audit v Non-Audit Services (€m)





### Internal audit and compliance

The committee reviewed and agreed the annual internal audit plan, which the committee believes is appropriate to the scope and nature of the Group. The internal audit plan is risk based, with all divisions audited every year, and all new businesses audited within 12 months of acquisition.

The committee reviewed reports from the Head of Internal Audit & Compliance at its quarterly meetings. These reports enable the committee to monitor the progress of the internal audit plan, to discuss key findings and the plan to address them, and to obtain status updates of previous key findings.

The committee is responsible for reviewing the effectiveness of the internal audit function and does so based upon discussion with Group management, the Group's external auditor and feedback provided by divisional management. The committee was satisfied that the internal audit function is working effectively, improves risk management throughout the Group and that the internal audit team is sufficiently resourced in addition to having the adequate level of experience and expertise.

The terms of reference of the Audit & Compliance Committee were extended in December 2020 to include oversight of the processes around product certification and product marketing. The Head of Internal Audit & Compliance also reports to the committee in this regard.

### Risk management and internal controls

The Audit & Compliance Committee has been delegated, from the Board, the responsibility for monitoring the effectiveness of the Group's system of risk management and internal control. As part of both the year end audit and the half year review process, the Audit & Compliance Committee monitors the Group's risk management and internal control processes through detailed discussions with management and executive directors, the review and approval of the internal and external audit reports, all of which highlight the greatest areas of risk and control weakness in the Group. All weaknesses identified by either internal or external audits are discussed by the committee with Group management and an implementation plan for the targeted improvements to these systems is put in place. The implementation plan is overseen by the Group Chief Financial Officer and the committee is satisfied that this plan is being properly executed.

As part of its standing schedule of business, the committee carried out an annual risk assessment



of the business to formally identify the key risks facing the Group. Full details of this risk assessment and the key risks identified are set out in the Risks & Risk Management section of this Annual Report.

These processes, which are used by the Audit & Compliance Committee to monitor the effectiveness of the Group's system of risk management and internal control, are in place throughout the accounting period and remain in place up to the date of approval of this Annual Report.

The main features of the Group's internal control and risk management systems that specifically relate to the Group's financial reporting and accounts consolidation process are set out in the Report of the Directors.

### Product compliance and certification

The Audit & Compliance Committee has responsibility for reviewing the effectiveness of the processes and controls associated with product compliance and monitoring the culture of compliance across the Group.

The Group product compliance framework can be split into two categories:

1. Compliance of products with product specific laws and regulations, testing, certification and accreditation; and

2. The accuracy and consistency of product marketing materials.

The Group Product Compliance & Certification Team, led by the Group Head of Compliance & Certification, is independent of divisional management and performs the following functions:

- Supports compliance governance across the Group in implementing policies, processes and procedures to ensure continued improvement in management systems. This includes ownership of the Group Product Compliance Policy.
- Performs extensive audits of processes and controls associated with product compliance and the monitoring of compliance across the Group.
- Leads the design and roll-out of the Group Compliance Management System (CMS) which has achieved the international ISO 37301 standard.

The Audit & Compliance Committee meet with the Group Head of Compliance & Certification for updates on the Group's compliance and certification agenda. This includes updates on the product compliance audit schedule and the results of completed audits as well as reviewing the Group Compliance Auditing Guidelines. The Audit & Compliance Committee visit sites with the Group Product Compliance & Certification team to better understand the product compliance culture at an operational level.

The Audit & Compliance Committee also meet regularly with the Group Head of Internal Audit & Compliance in relation to product marketing compliance matters. Following the adoption of the Group Marketing Integrity Manual in September 2021, the Group Internal Audit Plan includes specific audits, performed by appropriately trained internal auditors, of product marketing compliance with the Group Marketing Integrity Manual.

The Audit & Compliance Committee noted the following product compliance highlights in 2023:

- An additional 29 sites have been accredited with the leading international compliance standard, ISO 37301. This now brings the total number of sites with this accreditation to 59 with a plan to have 85 sites certified to this standard by the end of 2024.
- Updated Group Compliance Auditing Guidelines issued.

- 109 internal product compliance audits were conducted by the Group Product Compliance and Certification team.
- 480 external product compliance audits were conducted by independent certification bodies.
- 23 business unit marketing audits were performed by the Group Internal Audit & Compliance team.
- ISO 37301 education and training systems launched.
- Incorporation of newly acquired businesses into the Compliance Management System (CMS).
- Recruitment of additional compliance experts for Group Internal Audit and Group Compliance & Certification teams.
- Divisional Compliance Managers reporting to Group Compliance & Certification team monthly.
- Product compliance registers maintained across all divisions.

### **Whistleblowing procedures**

The Group has a Code of Conduct, full details of which are available on the Group's website ([www.kingspan.com](http://www.kingspan.com)).

Based on the standards set out in this Code of Conduct, the Group employs a comprehensive, confidential and independent whistleblowing phone service to allow all employees to raise their concerns about their working environment and business practices. This service then allows management and employees to work together to address any instances of fraud or other misconduct in the workplace.

Any instances of fraud or misconduct reported on the whistleblowing phone service are reported to the Head of Internal Audit & Compliance and the Company Secretary who ensure each incident is appropriately investigated and then report to the committee details of the incident, key control failures, any financial loss and actions for improvement. All reports through the whistleblower line and all fraud attempts are presented at each Audit & Compliance Committee meeting.

During the year, the committee reviewed the Group's whistleblowing process and were satisfied with the design and operating effectiveness of the process.