

This S&P Global Ratings Second Party Opinion (SPO) represents our opinion on whether the documentation of a sustainable finance framework or program and whether the documentation of a sustainable finance transaction aligns with certain third-party published sustainable finance principles, guidelines, and standards ("Principles"). For more details please refer to the Analytical Approach and Analytical Supplement, available at [spglobal.com](https://www.spglobal.com) under [Sustainable Financing Opinions](#). An SPO provides a point-in-time opinion, reflecting the information provided to us at the time the SPO was created and published, and is not surveilled. We assume no obligation to update or supplement the SPO to reflect any facts or circumstances that may come to our attention in the future. An SPO is not a credit rating, and does not consider credit quality or factor into our credit ratings.

Second Party Opinion

Borregaard ASA's Green Financing Framework

June 12, 2023

Borregaard ASA is a publicly listed company that primarily operates a biorefinery and is headquartered in Sarpsborg, Norway. The company uses renewable resources, such as wood, as a feedstock to produce biochemicals, which can be used as alternatives to oil-based products. These products are used in a variety of sectors including agriculture, aquaculture, construction, pharmaceuticals, cosmetics, food, batteries, and biofuels. Beyond the biorefinery in Sarpsborg, the company has manufacturing and sales offices throughout Europe, Asia, and the Americas, reflecting its customer base.

In our view, Borregaard's Green Financing Framework, published June 2023, is aligned with:

- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2023

Primary Analyst

Catherine Baddeley
London
+44 20 7176 0459
catherine.baddeley@spglobal.com

Secondary Analyst

Irina Veliava
Stockholm
+46 70 957 07 31
irina.veliava@spglobal.com

Research Contributor

Sreenidhi Hegde
Pune

Issuer's Sustainability Objectives

Borregaard produced its green financing framework to finance projects in line with its sustainability objectives. The company's main sustainability objective is to provide its customers with sustainable products and solutions produced from renewable raw materials, primarily wood. Many of the company's products have a positive environmental impact on its customers' value chains. For example, through lower energy consumption, extended lifetimes for process equipment, and reduced exposure to hazardous chemicals.

The key raw material for Borregaard's products is wood. Although this could expose the company to biodiversity risks in its supply chain, we view positively that 98% of wood suppliers are certified with either the Programme for the Endorsement of Forest Certification (PEFC) or the Forest Stewardship Council (FSC).

Borregaard's targets to reduce greenhouse gas emissions have been verified by the Science Based Targets initiative (SBTi). We view positively that the company has a clear transition plan to achieve them, outlining where various planned emissions savings can be made such as from heat recovery, energy efficiency, and the transition to renewable energy. Projects financed by Borregaard's green financing framework focus predominantly on financing the production of its bio-based products (eco-efficient and/or circular economy adapted products, production technologies, and processes), reducing its greenhouse gas emissions (energy efficiency and renewable energy), and reducing water effluents (sustainable water and wastewater management).

Second Party Opinion Summary

Use of proceeds

Alignment  Borregaard's Green Financing Framework is aligned with this component of the Principles.

Score Not aligned **Aligned** Strong Advanced

Borregaard will allocate the net proceeds from financing instruments issued under the framework to finance or refinance eligible project categories related to its products, which have a lower environmental footprint compared to fossil-based products, as well as for renewable energy, energy efficiency, pollution prevention and control, and sustainable water and wastewater management. In our view, all eligible projects outlined in the framework contribute to environmental objectives, with the organization linking them to specific targets under the U.N. Sustainable Development Goals (SDGs).

Process for project evaluation and selection

Alignment  Borregaard's Green Financing Framework is aligned with this component of the Principles.

Score Not aligned **Aligned** Strong Advanced

Borregaard has established a sustainable finance committee (SFC) comprising representatives from its operations, finance, and sustainability functions. The SFC is responsible for evaluating whether the proposed projects are in line with the eligibility criteria of the categories outlined in the framework. It is also responsible for identifying social and environmental risks associated with the projects and their mitigants.

Management of proceeds

Alignment  Borregaard's Green Financing Framework is aligned with this component of the Principles.

Borregaard uses a green financing register to track and monitor the allocation of funds across eligible projects financed under the framework. Unallocated proceeds will be invested in cash deposits or money market instruments.

Reporting

Alignment  Borregaard's Green Financing Framework is aligned with this component of the Principles.


Score Not aligned **Aligned** Strong Advanced

Borregaard commits to annual reporting on the allocation of proceeds and the impact of the green financing instruments issued under the framework for as long as these instruments are outstanding. It will also conduct an impact assessment. Where feasible, the issuer will report on the environmental impacts of the projects through key performance indicators, with examples of such impact indicators outlined in the framework.

Framework Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

 Borregaard's Green Financing Framework is aligned with this component of the Principles.

Commitments score

Not aligned

Aligned

Strong

Advanced

We consider Borregaard's overall use of proceeds commitments to be aligned.

Borregaard commits to allocating the net proceeds of instruments issued under its green financing framework to finance or refinance eligible projects. Eligible project categories are explicitly outlined in the framework as:

- Eco-efficient and/or circular economy adapted products, production technologies, and processes;
- Renewable energy;
- Energy efficiency;
- Pollution prevention and control; and
- Sustainable water and wastewater management.

Some project categories have relatively strong environmental benefits, such as those related to energy efficiency and treatment and reuse of wastewater, which have a clear direct impact on improving Borregaard's environmental footprint. However, others may have a relatively lower benefit, limiting our assessment. For example, proceeds may be used to finance projects that could result in a reduction in the company's water use.


Proceeds under "eco-efficient and/or circular economy adapted products, production technologies and processes" may be used to purchase FSC or PEFC certified wood as feedstock to produce Borregaard's products. FSC and PEFC are often used as guidelines to ensure responsible management by covering both environmental and social impacts, such as biodiversity, water and soil, pollution, waste and GHG emissions, as well as community relations and workers' rights. Although we note there are general concerns around the stringency of forest certifications, Borregaard sources all its wood from Norway and Sweden where standards are high, and the risk of deforestation is limited, in our view.

Borregaard may allocate proceeds from instruments issued under the framework to finance acquisitions of other companies with activities in line with the eligible project categories outlined in the framework. To ensure such companies are in line with the eligible project categories outlined in the framework, they will need to be "pure play", defined as 90% of total assets or turnover meeting the project eligibility criteria specified in the framework. This threshold is in line with market standards.

Borregaard also communicates its sustainability objectives by outlining the specific SDG targets that each eligible project category aims to meet. Furthermore, we view favorably that Borregaard outlines the look-back periods for capital expenditure and operating expenditure, at five years and one year, respectively. Moreover, the company will report the proportion of funds used for financing versus refinancing in its annual sustainable financing investor report.

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

 Borregaard's Green Financing Framework is aligned with this component of the Principles.

Commitments score

Not aligned

Aligned

Strong

Advanced

We consider Borregaard's overall process for project selection and evaluation commitments to be aligned.

Borregaard has established a sustainable finance committee (SFC), which is responsible for evaluating whether proposed projects comply with the eligibility criteria of the categories outlined in the framework. We view favorably that Borregaard outlines the composition of this committee, which includes representatives from its operations, finance, and sustainability functions. The framework states that these sustainability representatives can veto projects from being financed.

Although projects are screened for environmental or social risks prior to the SFC process, the SFC also remains responsible for identifying potential environmental and social risks associated with the projects. Furthermore, the framework outlines that environmental and social considerations are integrated into Borregaard's risk management systems in accordance with the company's policies regarding the environment, climate, and health and safety. Moreover, at the project innovation stage, the entire proposal is evaluated in terms of sustainability, with each project subject to the company's sustainability criteria throughout its lifetime, which helps manage sustainability risks. This assessment considers use of raw materials, emissions to air and water, and health and safety impacts, among other aspects. Projects that do not undergo this assessment instead go through an energy and environmental evaluation.

The framework outlines that projects may be assessed based on the alignment with relevant criteria under the EU taxonomy, with new products being subject to a lifecycle analysis (LCA) in line with ISO 14044/48. However, given market-based taxonomies, standards, or certifications are not applied to the eligibility criteria for all projects, our assessment is limited.

Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

 Borregaard's Green Financing Framework is aligned with this component of Principles.

Borregaard commits to tracking the allocation of the net proceeds from the instruments issued under the framework to eligible projects through its internal green financing register. The SFC is responsible for ensuring the project pool is updated on a yearly basis by evaluating and replacing projects that no longer meet the framework's criteria. If the SFC finds that a project no longer meets the framework's eligibility criteria, it will allocate the proceeds to other appropriate substitutes.

The company will manage any temporarily unallocated funds from the outstanding green financing instruments in accordance with its liquidity management policies. This policy permits the use of the funds for short-term investments in bank accounts or money market funds.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose

Second Party Opinion

funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

 Borregaard's Green Financing Framework is aligned with this component of Principles.

Disclosure score

Not aligned

Aligned

Strong

Advanced

We consider Borregaard's overall reporting practices to be aligned.


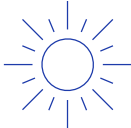

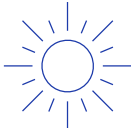


Borregaard commits to reporting on the allocation and impact of its green financial instruments, so long as green financial instruments are outstanding, through the annual Sustainable Financing Investor Report. This report will be published on the company's public website within one year of the first issuance and include the net proceeds from the outstanding green financing instruments, and the remaining balance of any unallocated funds. We view favorably that an external third-party auditor will verify each allocation report.

Borregaard will conduct an impact assessment. This will disclose calculation methodologies used, and estimates will be made on a best effort basis in cases where no data are available. Some examples of the performance metrics that the company may report include reductions of greenhouse gas (GHG) emissions; reduction or removal of harmful substances used in a percentage comparison to the original product and/or in absolute amount in tons per year; annual GHG emissions reduced or avoided (tons of carbon dioxide equivalent); annual renewable energy generation (gigawatt hours); capacity of renewable energy (megawatts); annual energy saving; and annual water saving and reduction in chemical oxygen demand (COD) effluents (COD per day). We believe this supports a high level of transparency for stakeholders, although the framework does not commit to reporting on expected impacts.

Mapping To The U.N.'s Sustainable Development Goals

We use the International Capital Market Association's (ICMA's) SDG mapping for this part of the report. We acknowledge that ICMA's mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

Borregaard's Green Financing Framework intends to contribute to the following SDGs:

Use of proceeds	SDGs		
Eco-efficient and/or circular economy adapted products, production technologies and processes			
	8. Decent work and economic growth*	12. Responsible consumption and production*	
Renewable energy			
	7. Affordable and clean energy*	8. Decent work and economic growth*	
Energy Efficiency			
	7. Affordable and clean energy*	8. Decent work and economic growth*	9. Industry, innovation and infrastructure*
Pollution Prevention and Control			
	3. Good health and well-being*	11. Sustainable cities and communities*	12. Responsible consumption and production*

Second Party Opinion

Sustainable Water and Wastewater Management



6. Clean water and sanitation*



12. Responsible consumption and production*

*The eligible project categories link to these SDGs in the ICMA mapping.

Second Party Opinion

Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P) receives compensation for the provision of the Sustainable Financing Opinions product (Product). S&P may also receive compensation for rating the transactions covered by the Product or for rating the issuer of the transactions covered by the Product. The purchaser of the Product may be the issuer.

The Product is not a credit rating, and does not consider credit quality or factor into our credit ratings. The Product does not consider, state or imply the likelihood of completion of any projects covered by a given financing, or the completion of a proposed financing. The Product encompasses Second Party Opinions and Transaction Evaluations. Second Party Opinions consider features of a financing transaction and/or financing framework and provide an opinion regarding alignment with certain third-party published sustainable finance principles and guidelines ("Principles"). For a list of the Principles addressed by our Second Party Opinions, see the Analytical Approach and Analytical Supplement, available at www.spglobal.com. Transaction Evaluations provide an opinion which reflects our assessment of the potential relative environmental benefit of the funded or resilience projects. The Product is a statement of opinion and is neither a verification nor a certification. The Product is a point in time evaluation reflecting the information provided to us at the time that the Product was created and published, and is not surveilled. The Product is not a research report and is not intended as such.

S&P's credit ratings, opinions, analyses, rating acknowledgment decisions, any views reflected in the Product and the output of the Product are not investment advice, recommendations regarding credit decisions, recommendations to purchase, hold, or sell any securities or to make any investment decisions, an offer to buy or sell or the solicitation of an offer to buy or sell any security, endorsements of the suitability of any security, endorsements of the accuracy of any data or conclusions provided in the Product, or independent verification of any information relied upon in the credit rating process. The Product and any associated presentations do not take into account any user's financial objectives, financial situation, needs or means, and should not be relied upon by users for making any investment decisions. The output of the Product is not a substitute for a user's independent judgment and expertise. The output of the Product is not professional financial, tax or legal advice, and users should obtain independent, professional advice as it is determined necessary by users.

While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Product. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for reliance of use of information in the Product, or for the security or maintenance of any information transmitted via the Internet, or for the accuracy of the information in the Product. The Product is provided on an "AS IS" basis. S&P PARTIES MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDED BUT NOT LIMITED TO, THE ACCURACY, RESULTS, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO THE PRODUCT, OR FOR THE SECURITY OF THE WEBSITE FROM WHICH THE PRODUCT IS ACCESSED. S&P Parties have no responsibility to maintain or update the Product or to supply any corrections, updates or releases in connection therewith. S&P Parties have no liability for the accuracy, timeliness, reliability, performance, continued availability, completeness or delays, omissions, or interruptions in the delivery of the Product.

To the extent permitted by law, in no event shall the S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence, loss of data, cost of substitute materials, cost of capital, or claims of any third party) in connection with any use of the Product even if advised of the possibility of such damages.

S&P maintains a separation between commercial and analytic activities. S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

For PRC only: Any "Sustainable Financing Opinions" or "assessment" assigned by S&P Global Ratings: (a) does not constitute a credit rating, rating, sustainable financing framework verification, certification or evaluation as required under any relevant PRC laws or regulations, and (b) is not intended for use within the PRC for any purpose which is not permitted under relevant PRC laws or regulations. For the purpose of this section, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

Copyright © 2023 by Standard & Poor's Financial Services LLC. All rights reserved.