

F0. Introduction

F0.1

(F0.1) Give a general description of and introduction to your organization.

Borregaard operates one of the world's most advanced biorefineries. The Group provides sustainable products and solutions based on renewable raw materials and unique competence.

A BIOREFINERY WITH HIGH VALUE-ADDED

The Group's business model is closely linked to the integrated nature of its biorefinery in Norway, which utilises the three key components of wood – cellulose fibres, lignin and sugars – to produce a diversified portfolio of products. The biorefinery utilizes 94 percent of the feedstock to make biochemicals, biomaterials and energy that can replace oil-based products. In addition to its biorefinery in Sarpsborg, Borregaard has 5 production sites outside Norway dedicated to producing lignin-based products. In total, the company has manufacturing operations and sales offices in 13 countries in Europe, Asia and the Americas serving its global customer base. At the end of 2021, the Group had 1,072 full-time equivalent (FTE) employees.

SPECIALISATION IN GLOBAL NICHES

Borregaard is a supplier of specialised biochemicals and biomaterials to a global customer base. The Group's main products are lignin-based biopolymers and biovanillin, speciality cellulose, cellulose fibrils, fine chemical intermediates and second-generation bioethanol. The products are used in a variety of applications in sectors such as feed and agriculture, construction and building materials, food and pharma, personal care, batteries, biofuel and various other industries. The Group's strong market positions have been developed through in-depth understanding of its markets, production of advanced and specialised products and local presence in the form of a global sales and marketing organisation.

COMPETENCE AS THE MAIN COMPETITIVE ADVANTAGE

Borregaard is a competence-driven company with production, research and development (R&D) and sales and marketing as its core competencies. To maintain its leading position, the Group has a strong focus on training programmes and cooperation between the various disciplines. Borregaard has a leading research centre combining various chemicals disciplines, biotechnology and microbiology, developing new or improved products, applications and production technologies. The Group had 90 employees in R&D as of 31 December 2021.

SUSTAINABLE BUSINESS MODEL

Sustainability is a key element in Borregaard's business model and one of the Group's core values. This is reflected in the Group's main objective: Providing sustainable products and solutions based on renewable raw materials and unique competence. Our understanding of sustainability and corporate responsibility derives from the fact that our business model itself, the way we run our company and the products we produce, is sustainable and meets global needs.

The UN predicts population growth of around 10% by 2030, which will generate resource scarcity and an extraordinary demand for climate friendly solutions in our daily lives. The UN has defined specific sustainability goals and measures within areas such as access to raw materials, energy, food and infrastructure. These factors are expected to increase demand for sustainable products and will present opportunities for Borregaard's innovative solutions in terms of creating good lives within a sustainable framework, also identified in the climate scenario analysis that Borregaard conducted in 2021.

Borregaard will take climate action and demonstrate how our business can help to advance sustainable development by both minimising negative environmental impacts and maximising positive environmental impacts. The Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment report released in August 2021 provides new estimates of the chances of crossing the global warming level of 1.5°C in the next decades, and finds that unless there are immediate, rapid and large-scale reductions in greenhouse gas emissions, limiting warming

to close to 1.5°C will be beyond reach. Borregaard has been committed to the Science Based Target initiative (SBTi) since 2017 and are now in a process of revising our target to a 1.5°C temperature increase in line with SBTi's Business Ambition for 1.5°C campaign.

Borregaard has engaged an independent third party, Norsus, to conduct a life cycle assessment (LCA) based on the ISO 14044/48 standard. The LCA analyses the environmental impacts of our production, from raw materials to finished products. The LCA confirms that the environmental and climate footprint of Borregaard's products have diminished over time. Borregaard's bio-based products do well from a climate perspective when compared to oil-based alternatives. Borregaard has made large efforts to reduce greenhouse gas emissions in its own processes by elimination of heavy oil consumption and increasing the amount of energy derived from more eco-friendly energy sources.

F0.2

(F0.2) State the start and end date of the year for which you are reporting data.

	Start Date	End Date
Reporting year	January 1 2021	December 31 2021

F0.3

(F0.3) Select the currency used for all financial information disclosed throughout your response.

NOK

F0.4

(F0.4) Select the forest risk commodity(ies) that you are, or are not, disclosing on (including any that are sources for your processed ingredients or manufactured goods); and for each select the stages of the supply chain that best represents your organization's area of operation.

	Commodity disclosure	Stage of the value chain	Explanation if not disclosing
Timber products	Disclosing	Processing	<Not Applicable>
Palm oil	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Cattle products	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Soy	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Other - Rubber	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Other - Cocoa	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Other - Coffee	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>

F0.5

(F0.5) Are there any parts of your direct operations or supply chain that are not included in your disclosure?

No

F0.6

(F0.6) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.?)

Indicate whether you are able to provide a unique identifier for your organization	Provide your unique identifier
Yes, an ISIN code	NO0010657505

F1. Current state

F1.1

(F1.1) How does your organization produce, use or sell your disclosed commodity(ies)?

Timber products

Activity

Refining & processing

Form of commodity

Pulp

Other, please specify (Borregaard utilises the three key components of wood – cellulose fibres, lignin and sugars – to produce a diversified portfolio of biochemicals and biomaterial products.)

Source

Multiple contracted producers

Country/Area of origin

Austria

Germany

Norway

Sweden

United States of America

% of procurement spend

11-20%

Comment

F1.2

(F1.2) Indicate the percentage of your organization's revenue that was dependent on your disclosed forest risk commodity(ies) in the reporting year.

	% of revenue dependent on commodity	Comment
Timber products	100%	Our core value is: "We deliver sustainable solutions based on renewable resources and unique expertise". Wood is the major renewable recourse.
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

F1.5

(F1.5) Does your organization collect production and/or consumption data for your disclosed commodity(ies)?

	Data availability/Disclosure
Timber products	Consumption and production data available, disclosing
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

F1.5a

(F1.5a) Disclose your production and/or consumption figure, and the percentage of commodity volumes verified as deforestation- and/or conversion-free.

Forest risk commodity

Timber products

Data type

Consumption data

Commodity production/ consumption volume

957629

Metric for commodity production/ consumption volume

Cubic meters

Data coverage

Full commodity production/consumption

Have any of your reported commodity volumes been verified as deforestation- and/or conversion-free?

Yes

% of reported volume verified as deforestation- and/or conversion-free

100

Please explain

Our purchased wood for our mill in Norway (Sarpsborg) is - 100% FSC Controlled wood and -99% is certified in accordance with PEFC

Forest risk commodity

Timber products

Data type

Consumption data

Commodity production/ consumption volume

249788

Metric for commodity production/ consumption volume

Metric tons

Data coverage

Full commodity production/consumption

Have any of your reported commodity volumes been verified as deforestation- and/or conversion-free?

Yes

% of reported volume verified as deforestation- and/or conversion-free

100

Please explain

Our lignin raw material from DOMTAR is based on FSC Controlled Wood.

Forest risk commodity

Timber products

Data type

Production data

Commodity production/ consumption volume

329915

Metric for commodity production/ consumption volume

Metric tons

Data coverage

Full commodity production/consumption

Have any of your reported commodity volumes been verified as deforestation- and/or conversion-free?

Yes

% of reported volume verified as deforestation- and/or conversion-free

100

Please explain

Our lignin raw material from Rayonair Advanced Materials is based on FSC Controlled Wood.

F1.5b

(F1.5b) For your disclosed commodity(ies), indicate the percentage of the production/consumption volume sourced by national and/or sub-national jurisdiction of origin.

Forest risk commodity

Timber products

Country/Area of origin

Any other countries/areas

State or equivalent jurisdiction

<Not Applicable>

% of total production/consumption volume

100

Please explain

In 2021 our consumption of wood at our mill i Norway, Sarpsborg was 959.443 solid cubic meters. Stock 1/1-2021 = 59.808 solid cubic meters under bark measured by Norwegian measuring association (NVM) at our wood yard in Sarpsborg Spruce Pulplogs = 26.200 solid cubic meters under bark Spruce Woodchips = 33.608 solid cubic meters under bark Purchased wood in 2021= 974.547 solid cubic meters under bark measured by Norwegian measuring association (NVM) at our wood yard in Sarpsborg Spruce Pulplogs = 608.835 solid cubic meters under bark Spruce Woodchips = 365.712 solid cubic meters under bark Stock 31/12-2021 = 74.912 solid cubic meters under bark measured by Norwegian measuring association (NVM) at our wood yard in Sarpsborg Spruce Pulplogs = 40.794 solid cubic meters under bark Spruce Woodchips = 34 118 solid cubic meters under bark Purchased volume in 2021 from Norway = 791.000 solid cubic meters under bark (All volume from Viken and Innlandet County) divided by total purchased wood 974.547 = 81 % from Norway Spruce Pulplogs 574.000 solid cubic meters under bark Spruce woodchips 217.000 solid cubic meters under bark Purchased volume in 2021 from Sweden = 183.000 solid cubic meters under bark (All volume from Västres Götaland Region) divided by total purchased wood 974.547 = 19 % from Sweden Spruce Pulplogs 35.000 solid cubic meters under bark Spruce woodchips 148.000 solid cubic meters under bark These numbers are verified by our auditor EY.

F1.6

(F1.6) Has your organization experienced any detrimental forests-related impacts?

Yes

F1.6a

(F1.6a) Describe the forests-related detrimental impacts experienced by your organization, your response, and the total financial impact.

Forest risk commodity

Timber products

Impact driver type

Regulatory

Primary impact driver

Changes to national legislation

Primary impact

Change in revenue mix and sources

Description of impact

In 2008 the Ministry of Agriculture and Food made changes to the national legislation and implemented subsidies for burning wood for energy. The subsidies were in place in the period 2009 through 2013. During which time the capacity of wood burning was increased by more and larger heating plants being established. This led to a change in the mix of wood we sourced and a substantive negative financial impact. We define risks with substantive financial impact as risks with low, medium, or high negative effect on the Group's EBITDA in given time horizons. Forest-related risks are integrated into our risk management process, assessed more than once a year. Historically old spruce logs was 40% of our sourced wood. Because of the subsidies, it dropped to approx. 7%. This reduction has a negative financial impact as old spruce logs had been our low cost raw material since the early 1990s. And even if the subsidies ended in 2013, the negative effect of the subsidies still lasts. The reason is that the lifetime of a heating plant is 20-30 years, and the increased capacity that was introduced during the period of subsidies are still up and running and use wood for energy, and our percentage of low cost old spruce remains low. In this reporting we have used the period of five years to describe the financial impact, but it will be harmful as long as the capacity exist.

Primary response

Engagement in multi-stakeholder initiatives

Total financial impact

160000000

Description of response

Borregaard's response to the detrimental impact we experienced due to changes in the national legislations was to establish a response strategy and involve several stakeholders . We involved both The Norwegian Pulp and Paper association and the Norwegian University of Life Sciences in the strategy, The strategy was to inform and educate. Example of arenas: Seminars like "Skog og Tre". The outcome of the strategy is 1) increased general knowledge about the added value of producing goods made of wood for sale, rather than burning the wood; 2) understanding that when Borregaard produce goods for sale from wood, it creates at least three times more value from the wood than a heating plant does when burning the wood. The financial impact for Borregaard was increased production cost of NOK 160 mill. Because of the government subsidized alternative use of wood (burning wood for energy) the demand for wood increased and also the price for wood. The subsidies were NOK 0,08 per Kwh, which equals NOK 32 per solid m3 of wood. These subsidies of NOK 0,08 NOK per Kwh increased the prices for pulplogs with NOK 32 per solid m3 for our pulpmill in Sarpsborg. The pulp-mill has a consumption of 1.000.000 solid m3 each year and consequently the yearly production cost increased with NOK 32 mill per year, summing up to NOK 160 mill over the five year period. (Yearly consumption 1.000.000 solid m3 x NOK 32 per m3 = NOK 32 000 000 per year 5 years x 32 000 000 = NOK 160 000 000).

F1.7

(F1.7) Indicate whether you have assessed the deforestation or conversion footprint for your disclosed commodities over the past 5 years, or since a specified cutoff date, and provide details.

Forest risk commodity

Timber products

Have you monitored or estimated your deforestation/conversion footprint?

Yes, we monitor deforestation/conversion footprint in our supply chain

Coverage

Full consumption volume

Reporting deforestation/conversion since a specified cutoff date or during the last five years?

Since a specified cutoff date, please specify year (2019)

Known or estimated deforestation/ conversion footprint (hectares)

0

Describe methods and data sources used to monitor or estimate deforestation/ conversion footprint

All our purchased wood is from FSC Controlled Wood sources and 99% of the purchased wood is also certified in accordance with PEFC. We also use the following data sources to monitor deforestation/conversion footprint: - Kilden (The Source NIBIO Norway) - Narin (Biofokus map Norway) - Global forest watch We do this monitoring every month . In addition we have a due dilligence system for our wood procurement that is verified by our auditor WSP GLOBAL INC (Orbicon in cooperation with Soil Association Certification Ltd.) This system is based on the Norwegian forest trade system where the following information is collected: -Country of harvest, and sub-national region -Trade Name and type of product -Tree species -All suppliers within the supply chain -Forest management unit of the supply origin -Harvesting coordinates (Pick up point truck) to all supplies from Norway

F2. Procedures

F2.1

(F2.1) Does your organization undertake a forests-related risk assessment?

Yes, forests-related risks are assessed

F2.1a

(F2.1a) Select the options that best describe your procedures for identifying and assessing forests-related risks.

Timber products

Value chain stage

Supply chain
Other parts of the value chain

Coverage

Full

Risk assessment procedure

Assessed as part of an established enterprise risk management framework

Frequency of assessment

More than once a year

How far into the future are risks considered?

> 6 years

Tools and methods used

Internal company methods
National specific tools and databases

Issues considered

Availability of forest risk commodities
Impact of activity on the status of ecosystems and habitats
Regulation
Climate change
Impact on water security
Tariffs or price increases
Loss of markets
Leakage markets
Brand damage related to forests risk commodities
Corruption
Social impacts

Stakeholders considered

Customers
Employees
Investors
Local communities
NGOs
Other forest risk commodity users/producers at a local level
Regulators
Suppliers

Please explain

Internal company method: We use an internal tool, which is in accordance with ISO 31000. The forest related risk that we consider to be the most significant: Availability of forest risk commodities is assessed by the use of this tool. This risk is significant because wood is our main raw material. We use the tool to assess the risks on the availability of wood related to NGO's, regulator, and suppliers, which are considered the most significant stakeholders. We do these assessments every second month. And we assess the risks for current year, 1-3 years and more that 3 years. How do we use this tool? We have used this tool to assess and map forest related risks based on - Inherent risk, - Current risk and - Future risk levels. We decide if the risk consequence and probability as high, medium, or low. We decide the risk trend to be decreasing, neutral or increasing. Consequence is defined as follows: -Low = 0-5 mill NOK, -Medium=5-25 mill NOK -High= Above 25 mill NOK. Consequence limits are defined by the board of directors. Probability is defined as -Low = less than each 10 year, -Medium = between one and ten years -High = each year. We have chosen this tool because it is a structured way to identify, understand and address significant forest related risks that may impact our company, such as climate changes, regulations, impact on ecosystems and habitats, And because it is the standard tool that the company use for all risk assessments. This way we ensure that forest related risks are embedded in the company risk structure and decision-making process. National specific tools and databases: We also use national specific tools and databases such as, the Source, Narin, FSC National Risk Assessment of Norway (NRA), SSB, FSC and PEFC certificated suppliers database, ILO regional reports, IPCC climate report. As an example, we use the Source, Narin and NRA to assess the -Impact of activity on the status of ecosystem and habitats. We have chosen them because they enable us to establish and monitor supply areas of low risk We monthly assess the interactive maps to decide the current risk level and the impact of ecosystems and habitats in the various supply areas. And based on the assessment we make decisions to procure or not procure from this area, as well as our engagement with the stakeholders of the respective areas.

F2.2

(F2.2) For each of your disclosed commodity(ies), has your organization mapped its value chains?

	Value chain mapping	Primary reason for not mapping your value chain	Explain why your organization does not map its value chain and outline any plans to introduce it
Timber products	Yes, we have partially mapped the value chain	<Not Applicable>	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>

F2.2a

(F2.2a) Provide details of your organization's value chain mapping for its disclosed commodity(ies).

Forest risk commodity

Timber products

Scope of value chain mapping

Tier 1 suppliers

% of total suppliers covered within selected tier(s)

100

Description of mapping process and coverage

We have a risk based mapping, meaning that effort are directed towards the suppliers which represent the most significant risk. And we have a system in place for mapping our suppliers. Our suppliers are first of all mapped as part of the onboarding process, All new suppliers must sign our Supplier Code of Conduct (SCoC) and complete a self assessment questionnaire. We perform a risk assessment of the supplier, and based on the result of this assessment we decide on further steps. This can be requesting additional information, initiate an audit, or approving the supplier based on the information we have received. When signing the SCoC the supplier ".....agree to communicate the same expectations and requirements described in this SCoC to our own suppliers and business relationships". In 2021 we decided to start using EcoVadis as a tool to map and monitor our suppliers and our supply chains on 21 Corporate Social Responsibility (CSR) indicators across 4 main themes, Environment, Labour and Human Rights, Ethics and Sustainable Procurement. Currently. We are currently conducting a project in which we are mapping our entire supplier portfolio in EcoVadis. So far we have identified and assessed 70 of our suppliers in EcoVadis. We assess our supplier portfolio annually as a part of our management review process. The aim to reviewing the suppliers' performance with respect to our requirements and expectations and identify risks and weaknesses. Non-critical suppliers are excluded from the evaluation. We have a given set of criteria, social and environment amongst them, and each year we have a specific topic of interest. In the evaluation we review last year's supplier audits, and we decide which suppliers shall be audited the following year, for which reasons and which criteria to be applied. As for our major raw material wood, we have mapped the entire value chain, and have thorough information about the value chain, and work directly together with stakeholders in the value chain.

Your own production and primary processing sites: attach a list of facility names and locations (optional)

Borregaard Suppliers Wood .xlsx

Your suppliers' production and primary processing sites: attach a list of names and locations (optional)

F3. Risks and opportunities

F3.1

(F3.1) Have you identified any inherent forests-related risks with the potential to have a substantive financial or strategic impact on your business?

	Risk identified?
Timber products	Yes
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

F3.1a

(F3.1a) How does your organization define substantive financial or strategic impact on your business?

The Substantive financial impact definitions for Borregaard Group:

EBITDA is defined by Borregaard as operating profit before depreciation, amortisation and other income and expenses.

In 2021 EBITDA was 1,372 mill NOK and in 2020, 1,132 mill NOK.

The financial impact is defined as substantial within a short-term (3-years) period in our risk management process for the following quantifiable indicators

Low EBITDA effect: 0-25 mill NOK

Medium EBITDA effect: 25-50 mill NOK

High EBITDA effect: > 50 mill NOK

The probability is also considered.

Low probability: 0-50%

Medium probability: 50-75%

High probability: 75-100%

The combination of high and medium probability with high EBITDA and the combination of high probability with medium EBITDA is defined as the substantive financial impact.

In 2021 a loss in EBITDA of 50 mill, would have reduced the EBITDA margin by 0.8%-points from 23.6% to 22.8 %.

A 0.8%-points drop (or increase) in Borregaard's total EBITDA margin from a single indicator is, in the company's opinion, a substantive financial or strategic impact, because this level would probably have influenced our stock price. Borregaard's different business units are closely linked together as they mainly are different parts of the large integrated biorefinery in Norway. As a consequence, it makes sense for Borregaard, as well as for shareholders and customers, to primarily consider the size of the impact on the totality instead of the different business units.

The definition is valid for impacts in the whole value chain that the Borregaard Group operates in. In a medium-term (until 2030) and long-term (until 2050) perspective, impacts considered as a substantive financial impact could be higher than the range used for short-term. Risk reducing activities will be taken to reduce the future negative impact, according to the Groups risk management system.

When the financial impact is used in the risk management process information of the probability of occurrence is also considered.

F3.1b

(F3.1b) For your disclosed forest risk commodity(ies), provide details of risks identified with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Forest risk commodity

Timber products

Type of risk

Reputational and markets

Geographical scale

Country

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Shifts in consumer preference

There is a limited amount of wood available for new businesses. Today approx. 11 million fm3 wood are logged as saw logs and pulpwood in Norway. Of this volume, approx. 2.3 million fm3 ends up as sawn wood, approx. 5 million fm3 is used as raw material for industrial processes and energy production in Norway and approx. 3.6 million fm3 are exported, mainly to Sweden. At the same time, predictions from the "Process Industry roadmap" and various new industrial projects in Norway indicate an increased need of 14-20 million fm3 of raw material from the forest up to 2050. Thus, there is a significant gap between potential access of up to 5.5 million fm3 and Norwegian industrial ambitions (Ref: Process 21 Ekspertgruppe rapport, Biobasert prosessindustri, 2020). Borregaard has increased its value creation in NOK pr solid cubic meter wood from NOK 800 pr solid cubic meter in 2014 to NOK 1200 pr solid cubic meter in 2020. LULUCF can limit the harvesting volumes in Norway from 2023.

Primary potential impact

Increased operating costs

Company-specific description

The market for wood based products is increasing in connection with transition to a more bio-based society, because of the positive impact on reduction in climate gas emissions. Borregaard source wood from the Nordic Region, and there are several new initiatives from other business that will produce biofuel or biobased products from the same raw material. There is a limited amount of wood available in Norway for new business in the markets where Borregaard sources wood from. Increased capacity in the biobased industry and restriction in harvesting activities will put pressure on the prices for biomass in our supply area, hence the cost of the raw material will increase.

At present the supply area is in balance, but with further new investments in biobased industry (such as KEMI Metsä, Kuipio , Kemijärvi Boreal Bioref and Pattamo kaicell) it will be a lack of wood. In addition, the change in physical climate condition to milder winters will give more challenging harvesting and supply conditions, and may result in less wood supplies or increased cost for wood in the Nordic region. Furthermore, it is expected that the requirements linked to the management of the forests and harvesting operations will be stricter to secure biodiversity and ecological standards, thus Borregaard buy certified wood accordance to PEFC/FCS, 99% of the wood purchased in 2021 was certified. The rest of the purchased wood was controlled in accordance with PEFC/FSC®.

Timeframe

4-6 years

Magnitude of potential impact

High

Likelihood

Very likely

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

50000000

Potential financial impact figure - maximum (currency)

200000000

Explanation of financial

If the demand for wood increases the operating cost of wood will increase due to the limited amount of wood that is available for harvesting. The financial impact is calculated from an increased demand wood of 20-25 mill m3 in the Nordic sourcing area , this represent an increase in demand of approx.15% within the sourcing area, and more than the annual increment. Borregaard follows the development in wood prices closely, <https://woodprices.com/wood-resource-quarterly/>. This is used as tool to calculate how much it is likely that the direct costs of wood will increase when the demand increase or decrease. Historically in the period 2011 to 2016, it was a price drop of NOK 250 pr m3 of wood, due to reduced demand, opposite in the period 2017 to 2020 it was a price increase due to increased demand of NOK 150 pr solid m3 wood. This shows that the prices can vary a lot within the range of NOK +/-250. Based on this we assume if the demand increases as described in our case, the prices can increase between NOK 50 and NOK 200 pr m3. With a consumption of 1 mill m3 the financial impact will give an increase in cost between 50 – 200 mill NOK. We assume the upper range is a maximum, because several pulp and paper companies will not be profitable if the price increase is higher. Borregaard uses 1,000,000 m3 ea. year. The minimum potential financial impact is 1,000,000 m3 x NOK 50 = NOK 50 mill. The maximum potential financial impact is 1,000,000 m3 X NOK 200 = NOK 200 mill.

Primary response to risk

Engagement with suppliers

Description of response

Borregaard's response for mitigating the risk of increased cost of biomass/wood, is to have many different suppliers and alternatives for logistics and to source the wood from forests that are certified and managed in a sustainable and eco-friendly manner. • Borregaard has established a policy to buy certified wood accordance to PEFC/FSC, which mean a yearly verification process from external auditor. • To secure the supply of wood, Borregaard has long term contracts, more than 3 years. • Borregaard work with development of better and new supply channels for wood in the Nordic market including the Baltic region. • Flexible wood transport to the site in Sarpsborg, by truck, railway and boat, gives no restrictions in supply. • Frame conditions for transport in Norway and engagement with policymakers for prioritisation of investment in infrastructure for transport. • Borregaard is more flexible than other players in the wood processing industry when it comes to quality/freshness requirements of wood. A substantial part of the spruce can be old/dry and is not well suited for other wood processing Long-term activities to reduce risk for higher competition for biomass: Borregaard R&D has developed the patented BALI concept as a long-term/medium-term option for additional raw material supply, allowing the extraction of lignin based products from various bio masses, including agricultural waste. This may give a higher flexibility for raw material sources in the future.

Cost of response

1100000

Explanation of cost of response

The position as Director Wood sourcing, responsible for risk response activities above, one extra manning, one FTE. 1 FTE = NOK 1 mill. Cost of wood certification (PEFC/FCS) =NOK 0,1 mill R&D cost for BALI related activities = NOK 0 mill Total Cost: 1 + 0,1 + 0 = NOK 1,1 mill

F3.2

(F3.2) Have you identified any forests-related opportunities with the potential to have a substantive financial or strategic impact on your business?

	Have you identified opportunities?
Timber products	Yes
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

F3.2a

(F3.2a) For your selected forest risk commodity(ies), provide details of the identified opportunities with the potential to have a substantive financial or strategic impact on your business.

Forest risk commodity

Timber products

Type of opportunity

Products & services

Where in your value chain does the opportunity occur?

Other parts of the value chain

Primary forests-related opportunity

Increased R&D and innovation opportunities

Company-specific description & strategy to realize opportunity

Biobased vanillin is a low emission product we produce for which we can document 90% lower CO2 footprint compared to oil based vanillin, shown in published environmental product data sheet (EPD). "Clean label" is a trend that has been driving the food market in recent years. The consumer wants to buy food with natural and sustainable raw materials, presented on the ingredients label in a way that is easy understandable. Food producers and their suppliers, like the flavour and fragrance industry are working to eliminate synthetic ingredients made from oil and replace it with renewable bio-based alternatives. 90% of the global production of the vanilla flavour (vanillin) is synthetic, made from mineral oil. The consumer would prefer to have natural vanilla flavour from the vanilla bean, but this only accounts for less than 1% of the global production. To significantly increase the production of vanilla beans has proven to be extremely difficult and is not likely to happen in the foreseeable future. The second-best alternative to vanilla beans is vanillin made from natural and sustainable raw materials like wood, rice or other plants. We have produced vanillin from wood since 1962 in our biorefinery in Sarpsborg. The product has historically sold at a price close to synthetic vanillin. During the last few years, the price and demand has increased substantially, in line with the change in customers preferences for natural and sustainable raw materials. The unique selling points for our vanillin is focused around three key factors; - Natural raw material, the product is made from wood (Norway spruce). - The wood used to produce vanillin are all sourced from certified forests. - Documented sustainable product, a LCA (Life cycle) analysis has been conducted for vanillin produced at Borregaard. - Unique flavour, the product has subtle but important flavour differences versus other types of vanillin. With the positive trend as outlined above, the Board of directors decided in mid 2019 to expand the capacity of wood based vanillin with at least 250 MT up to a total capacity of 1500 MT/year at the site in Norway. Total investment was is NOK 130 mill and the capacity increase was completed in 2021. Updated status as of end of 2021 is that the production is increasing in line with expectations and total 1348 MT in 2021, up from 1250 MT in 2020.

Estimated timeframe for realization

1-3 years

Magnitude of potential impact

Medium-low

Likelihood

Likely

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

20000000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

The increased production volume of Biobased vanillin will be phased in gradually to existing and new customers. The actual price level and time to phase in the volume will depend on volume expansion from competitors and also how fast the demand actually will be growing. We expect the demand in our segment to grow with around 5% pr year in the years to come, with stable prices. With these assumptions we expect to achieve minimum 15% return on the investment of NOK 130 mill, which is NOK 20 mill in EBITDA. The EBITDA impact at the end of the short-term period (2024) will thus be minimum NOK 20 mill , mainly driven by increased contribution margin of NOK 23 mill , partly offset by an increase in fixed costs of NOK 3 mill. The financial impact is so far is above our expectations. Sales volume is the key driver and increased by around 20% in 2021.

F4. Governance

F4.1

(F4.1) Is there board-level oversight of forests-related issues within your organization?

Yes

F4.1a

(F4.1a) Identify the position(s) of the individual(s) (do not include any names) on the board with responsibility for forests-related issues.

Position of individual	Please explain
Chief Procurement Officer (CPO)	The person on the board responsible for forests-related issues is the CPO. The rationale behind this is that the Borregaard's business model is based on using natural, sustainable Norway-spruce wood raw materials in producing advanced and environmentally friendly biochemicals and biomaterials that replace oil-based products. The CPO is responsible for the procurement and supplies of Scandinavian wood for the biorefinery in Sarpsborg; the strategy and the operational aspect, as well as risk management. Decisions, operational as well as long term are continuously taken by the CPO. A forest-related decision made by the CPO in 2020 was to include Borregaard's sustainable goals and objectives in all contracts for wood raw material. Another decision made by the CPO in 2020 was to increase the target for certified wood raw -material in accordance with PEFC/FSC from 98% to 100%.

F4.1b

(F4.1b) Provide further details on the board's oversight of forests-related issues.

	Frequency that forests-related issues are a scheduled agenda item	Governance mechanisms into which forests-related issues are integrated	Please explain
Row 1	Scheduled - all meetings	Monitoring implementation and performance Overseeing acquisitions and divestiture Overseeing major capital expenditures Providing employee incentives Reviewing and guiding annual budgets Reviewing and guiding business plans Reviewing and guiding corporate responsibility strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Reviewing innovation / R&D priorities Setting performance objectives	All these governance mechanisms are essential for the board to understand the complexity and to decide the strategy of the Borregaard group related to wood raw material sourcing and utilization as one of the main costs and enabler for our business model. The reason is that Group's business model is closely linked to the integrated nature of its biorefinery in Norway, which utilises the three key components of wood – cellulose fibres, lignin and sugars – to produce a diversified portfolio of products. The Board will ensure that the Company complies with the requirements of the Accounting Act and the Code of Practice. The principles of good corporate governance are integrated into the Board's decision-making process, and the Board will continually discuss and evaluate the principles and their implementation. The Borregaard Group will contribute to the sustainable development of society through responsible commercial operations and continuous improvement. The Group has ethical guidelines and guidelines for corporate responsibility available at www.borregaard.com . The Sustainability and Corporate Responsibility is described in our Annual sustainability report and gives an account of Borregaard's systematic work in areas important for stakeholders such as employees, business partners and the community. The Board evaluates the objectives, strategies and risk profiles related to wood in all meetings.

F4.1d

F4.1d) Does your organization have at least one board member with competence on forests-related issues?

Row 1

Board member(s) have competence on forests-related issues

Yes

Criteria used to assess competence on forests-related issues

We have board members that we consider having competence on climate-related issues. When we are assessing the competencies of board members in relation to forest, where we evaluate their relevant education and also their career experience and expertise. We are assessing the competencies case by case, but the overall criteria we are setting for our board representatives are based on their competence in the forest field based on their past and present responsibility and engagement in similar activities in other companies. For example, our chairman of the board has forest competencies based on his professional experience and the roles he has occupied in similar companies, where this person is the CEO of a company focusing on biocarbon storage. Our chairman of the board is, among other, responsible for climate-related initiatives within energy ('ENØK'), greenhouse gas reduction initiatives and clean processes, and also products, including the importance of how our operations impact water and forests.

Primary reason for no board-level competence on forests-related issues

<Not Applicable>

Explain why your organization does not have at least one board member with competence on forests-related issues and any plans to address board-level competence in the future

<Not Applicable>

F4.2

(F4.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on forests-related issues	Please explain
Chief Procurement Officer (CPO)	Both assessing and managing forests-related risks and opportunities	More frequently than quarterly	Wood is our primary raw material, and the basis for our business. The supply of wood and securing the long-term availability of certified wood are essential to the company. Consequently, the responsibility for this is placed at the highest level in our organisation. The following forests related issues are reported to the board: Price and availability of certified wood. The SVP Strategic Sourcing is the Chief Procurement Officer (CPO). The CPO is part of the Top Management and reports directly to the Chief Executive Officer (CEO). Sustainability, with securing long-term sourcing of sustainable forest raw material, is defined as strategic for Borregaard, and the CPO is member of the our Sustainability Board. The CPO is responsible for sourcing in general and wood sourcing in particular. This covers the responsibility for establishing policies and procedures and securing that they are followed by the organisation. The CPO is responsible for the supply of wood, the wood sourcing strategy, risk- assessments and mitigation, sustainable sourcing of wood, continuous improvement of wood sourcing and logistics and price and cost control for wood raw material. In the monthly meetings of the board of directors, forest related risk and opportunities are assessed and decisions made. A deep-dive into the sourcing of wood is done twice a year by the board of directors. The following is then addressed: Price, Supply and demand, Strategy, Risk, Sustainability and Continuous improvement.

F4.3

(F4.3) Do you provide incentives to C-suite employees or board members for the management of forests-related issues?

	Provide incentives for management of forests-related issues	Comment
Row 1	Yes	The members of The Group Executive Management, the Top Management, in addition to a number of leading employees, attend bonus programs, as published in the company's annual report. The bonus elements are linked to the goals of the company and to personal targets. Each member of Top Management has sustainability target as such personal target. The company has a share option program with approx. 30 participants every year. Options can be allocated to leading employees who have achieved good results and where the company wants to make a long-term commitment with the employee. Sustainable raw material performance is one of the criterions for nominating employees for the program.

F4.3a

(F4.3a) What incentives are provided to C-Suite employees or board members for the management of forests-related issues (do not include the names of individuals)?

	Role(s) entitled to incentive?	Performance indicator	Please explain
Monetary reward	Chief Purchasing Officer (CPO)	Achievement of commitments and targets	The CPO is part of the company's bonus scheme and receives a monetary reward in terms of a salary bonus if given commitments and targets are achieved. It is measured at the yearly performance review in which the agreed goal and objectives are addressed. The thresholds for success are: Outstanding performance: Expected bonus level 7-10%, Good Performance - targets achieved: 4-6% and Low performance - targets not achieved: 0+3%. Calculated as % on base salary. The bonus scheme consist of three elements/level of measures: Financial results of the company, EHS performance of the company and an individual part. The details of the indicators are that the CPO receives a monetary award based on achievement of the following (individual) targets: 1) To provide the required amount of wood (One mill solid cubic metres per year where 60% shall be logs and 40% wood chips) 2) 100 % of the purchased forest raw material shall be certified in accordance with FSC or PEFC and provided at lowest total cost possible. 3) Addressing sustainability; CO2 emissions and biodiversity. Regarding CO2 emissions, these are related to the transportation of wood, with the following goals: 50% of wood transport by truck shall have 60 ton payload, 23% of the transportation of log shall be by train and 85% of trucks transporting wood shall be euro 6. Purchasing certified wood contributes to securing biodiversity. As Borregaard's core value is: "We deliver sustainable solutions based on renewable resources and unique expertise" and wood is the major renewable resource, there is a direct link between the CPO's individual achievements with respect to wood supply and the company's forests-related goals. In order to provide sustainable solutions based on renewable resources, the CPO has to procure sustainable wood in a sustainable matter. An example of how this incentive has impacted the company is that in 2021 99% of purchased wood was certified in accordance with FSC or PEFC, and the 100% is achieved in two years.
Non-monetary reward	No one is entitled to these incentives	No indicator for incentivized performance	Non-monetary rewards for C-Suite employees or board members are not part of our company culture or policies and consequently not given for the management of forests-related issues either.

F4.4

(F4.4) Did your organization include information about its response to forests-related risks in its most recent mainstream financial report?

Yes (you may attach the report – this is optional)

tcfd-report-2021-borregaard-group.pdf

F4.5

(F4.5) Does your organization have a policy that includes forests-related issues?

Yes, we have a documented forests policy that is publicly available

F4.5a

(F4.5a) Select the options to describe the scope and content of your policy.

	Scope	Content	Please explain
Row 1	Company-wide	Commitment to eliminate conversion of natural ecosystems Commitment to no land clearance by burning or clearcutting Commitment to eliminate deforestation Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE) Commitment to remediation, restoration and/or compensation of past harms Commitment to best management practices for soils and peat Commitment to take action beyond own supply chain to tackle environmental issues Commitment to resolving both social and environmental	Borregaard has a specific sustainability policy for wood, "Renewable raw material – Borregaard" because our business model is closely linked to dependency on forests. Consequently we support sustainable forest management and promote forest certification on all land used to supply us with wood, so as protect, verify and communicate a wide range of economic, social and environmental values. The policy is reviewed and updated yearly by a cross functional team. Our policy includes all the listed options because we regard them all as valid for us as a buyer of wood as we are only sourcing from PEFC certified suppliers and all our wood is FSC Controlled Wood. The policy covers potential business impact on forests and other natural habitats and forest risk commodities as part of our business, in all stages of the value-chain. Together with Borregaard Supplier Code of Conduct and our commitments and policies related to procurement, this policy provides instructions to our purchasers on how to source wood. All wood shall be sourced in accordance with international principles of sustainable development and applicable requirements. Details on mechanisms used to implement the policy and commitments: -We have a target to source 100% certified wood to our Sarpsborg mill in 2022, in 2021 we purchased 99% certified wood for our Sarpsborg mill. -We have a long term target of become a chain of custody certification for all our mills outside Norway. -We have 100% written agreements with all our suppliers that describe these commitments to help us to meet these commitments - In our sustainability report we have prioritised 6 SDGs that are closely linked to Borregaard's core operations and are in line with our business strategy with respect to the sourcing of natural raw materials. Specific targets and KPIs are defined such as SDG 12.4 Target: COD 57 tonnes/day Result: 55 tonnes/day

Scope	Content ^{own}	Please explain
	operations and supply chain Commitment to protect rights and livelihoods of local communities Commitments beyond regulatory compliance Commitment to transparency Commitment to stakeholder awareness and engagement Commitment to align with the SDGs Recognition of the overall importance of forests and other natural ecosystems Description of business dependency on forests Recognition of potential business impact on forests and other natural ecosystems Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy List of timebound milestones and targets Description of forests-related performance standards for direct operations Description of forests-related standards for procurement	

F4.5b

(F4.5b) Do you have commodity specific sustainability policy(ies)? If yes, select the options that best describe their scope and content.

Do you have a commodity specific sustainability policy?	Scope	Content	Please explain

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Timber products	Yes	Company-wide	<p>Commitment to eliminate conversion of natural ecosystems</p> <p>Commitment to no land clearance by burning or clearcutting</p> <p>Commitment to eliminate deforestation</p> <p>Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE)</p> <p>Commitment to remediation, restoration and/or compensation of past harms</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to transparency</p> <p>Commitment to stakeholder awareness and engagement</p> <p>Commitment to align with the SDGs</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural ecosystems</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound commitments and targets</p> <p>Description of forests-related performance standards for direct operations</p> <p>Description of forests-related standards for procurement</p>	<p>Borregaard's core value is "We deliver sustainable solutions based on renewable resources and unique expertise" and the major renewable resource is wood. We have companywide policies that include all the listed forests-related issues because wood is Borregaard's primary raw material, and the basis for our business. In this we have to contribute to well managed forest in order to be a continuous long-term source of supply. This policy is reviewed or updated each year in august. Our major contribution to sustainable managed forests is to be a responsible purchaser of wood. This commitment is described in our policies and procedures for procurement which are reviewed annually by a cross functional team and updated when applicable. Compliance with Borregaard's Supplier Code of Conduct, our commitment and policies ensure our wood sourcing is in accordance with international principles of sustainable development and applicable requirements. Our sustainable wood policy requirements are implemented in our standard wood buying contracts, and we have a yearly review where internal decision makers are attending. These policies provide information to the purchasers so that they make sure that Borregaard does not purchase wood which has been: • illegally harvested, to avoid conversion of natural ecosystems, to eliminate deforestation, no deforestation, no planting on peatlands, no exploitation (NDPE), remediation, restoration and/or compensation of past harm and transparency. • logged in protected areas or areas currently undergoing official processes of designation for protection, unless the logging is clearly in line with national conservation regulations, to protect rights and livelihoods of local communities, to be beyond regulatory compliance, stakeholder awareness and engagement and to be with the SDGs • harvested in forests where High Conservation Values as defined by the Living Forest standard in Norway or by High Conservation Value Resource Network (HCVRN) to recognition of the overall importance of forests and other natural ecosystems. Borregaard use targets and milestones such as KPI to measure and implementation of our strategy and policies. An example is that we have a target to purchase 100% certified pulpwood in 2022. KPI are measured monthly and we use traffic lights to measure. If the KPI is red we have corrective action to get the KPI green.</p>

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F4.6

(F4.6) Has your organization made a public commitment to reduce or remove deforestation and/or forest degradation from its direct operations and/or supply chain?

Yes

F4.6a

(F4.6a) Has your organization endorsed any of the following initiatives as part of its public commitment to reduce or remove deforestation and/or forest degradation?

Other, please specify (Norwegian Living Forest, Forest Stewardship Council (FSC Norway))

F4.6b

(F4.6b) Provide details on your public commitment(s), including the description of specific criteria, coverage, and actions.

Forest risk commodity

Timber products

Criteria

- No conversion of natural ecosystems
- Zero gross deforestation/ no deforestation
- Zero net deforestation
- No new development on peat regardless of depth
- Restoration and compensation to address past deforestation and conversion
- Avoidance of negative impacts on threatened and protected species and habitats
- No trade of CITES listed species
- No land clearance by burning or clearcutting
- No conversion of High Conservation Value areas
- No conversion of High Carbon Stock forests
- Collaborate in landscapes/jurisdictions to progress shared sustainable land use goals
- Implementation of Nature-based Solutions that support landscape restoration and long-term protection of natural ecosystems
- Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities
- Operations are in accordance with the UN Declaration on the Rights of Indigenous Peoples
- Promotion of gender equality and women's empowerment
- Remediate any adverse impacts on indigenous people and local communities
- Adoption of the UN International Labour Organization principles
- Resolution of complaints and conflicts through an open, transparent and consultative process
- Facilitate the inclusion of smallholders into the supply chain
- Build community capacity and incentivize engagement in multi-stakeholder processes
- No sourcing of illegally produced and/or traded forest risk commodities
- No sourcing of forest risk commodities from unknown/controversial sources
- Restricting the sourcing and/or trade of forest risk commodities to credible certified sources
- Recognition of legal and customary land tenure rights

Operational coverage

Direct operations and supply chain

% of total production/ consumption covered by commitment

100%

Cutoff date

2006

Commitment target date

2021-25

Please explain

Borregaard has publicly committed the criteria described in column criteria. Our commitments are communicated through: - Borregaard strategy , - Borregaard sustainability report, - Our supplier Code of Conduct, - Our forest certification rules and - Our requirements, for all of our wood supplies and to all our suppliers of wood in all regions. We take actions to secure that the commitments are being fulfilled by us, and our suppliers of wood Borregaard has committed to: - No conversion of Natural ecosystem, and we take action by being FSC and PEFC CoC certified. Our commitment is to sourcing 100% Controlled Wood to secure no wood sourced from conversion of HCVA , in the following sourcing areas: Viken and Innlandet county (Norway) and Västra Götaland (Sweden). - No conversion of natural ecosystems , zero gross deforestation / no deforestation, no trade of CITES listed species. In 2021, like every year, we conducted monthly random sampling of wood. We do yearly field audits of our FSC/PEFC CoC system and our FSC CW DDS to ensuring fulfilment of our commitments in this respect. An example of actions taken is a field audit at the harvesting area in Søndre Land og Gran municipality in Norway. The purpose was to verify that the harvesting did no harm the natural ecosystem by securing that the harvesting was in accordance with all rules and regulations to secure the biodiversity and natural ecosystem. The field audit was conducted in 2021 together with an external biologist consultant. In 2021 we took actions towards all our pulpwood suppliers to get confirmation that no wood can come from areas where there is a conversion of natural ecosystems. This requirement is made for the whole purchasing area of our wood supplies. An example of actions regarding our commitment to "zero deforestation /no deforestation": In 2021, we made an agreement with our main suppliers of wood in Norway about a KPI, to increase young forest care with 5% in the county of Viken and Innlandet from 2020-2022. In 2020 Borregaard decided to increase the target for certified wood in Sarpsborg, Norway from 98% to 100% to secure no conversion of HCVA , no conversion of natural ecosystems , zero gross deforestation / no deforestation, no trade of CITES listed species. The following are examples of actions we took in 2021 to meet our commitment "Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities": All our wood sourcing is covered by our FSC Controlled Due Diligence System, our PEFC Risk assessment and also covered by the EU timber regulations. We verified in that all our wood suppliers to Sarpsborg, Norway had sign our Supplier Code of Conduct in which this requirement is included. To meet our commitment to "Restoration and compensation to address past deforestation and/or conversion" the following action where taken : In the Supplier Development Action plans (SDA) of 2021 we have included for all our strategic wood suppliers in Norway a mutually agreed KPI of total area set off for voluntary protection in their sourcing area (Viken Conty). All certified suppliers are imposed to compensate past deforestation. In 2021 we had no cases of deforestation reported by the certification scheme. Borregaard 's public commitment to PEFC and FSC CoC system restricts our sourcing and/or trade of forest risk commodities to credible certified sources, and the resolution of complaints and conflicts to be handled through an open, transparent and consultative process.

F5. Business strategy

F5.1

(F5.1) Are forests-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

	Are forests-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, forests-related issues are integrated	>30	Basically, Borregaard's existence is based on wood. Our long-term business objective is to deliver sustainable solutions based on renewable resources and unique expertise. The renewable resource is wood. Consequently forest-related issues hugely affects our long term business objectives. And because wood is the base of the company, forest-related issues will be considered throughout the lifespan of the company. That is why the "30 years +" horizon has been chosen for the aspect Long-term business objectives. Our Board of Directors emphasizes the importance of sustainability as an integral part of the our operations and development. As an of example of integrating forests-related issues into strategic business plan is that Borregaard has prioritized six of the seventeen Sustainable Development Goals (SDGs) set out in the UN 2030 Agenda for Sustainable Development . The priorities were selected based on the global challenges the world faces, as well as the solutions the company can contribute. The six prioritised SDGs are: (2) Zero hunger; (8) Decent work and economic growth; (9) Industry, innovation, and Infrastructure; (12) Responsible consumption and production; (13) Climate action; and (15) Life on land An example of a forests-related actions we have taken, that aligns with the strategic business plan is that we have set the target that 100% of the wood we purchase shall be certified. Consequently, - Removing or reducing deforestation and conversion of natural ecosystems from your direct operations and supply chain; and - Promoting ecosystem restoration and/or conservation in your direct operations and supply chain, affects our long term strategic business plan, because the PEFC/FSC certification schemes set requirements regarding these. Another example of action we have taken to align forest-related issues with our long-term business objective is the objective to deliver sustainable wood based solutions to replace petroleum-based products., This supports the - Increasing the sustainable production and/or consumption of forest risk commodities, and make this affect our long-term business plan. These plans applies for all our products.
Strategy for long-term objectives	Yes, forests-related issues are integrated	>30	Basically, our existence is based on wood. Consequently forest-related issues hugely affects our strategy for the long term objectives Because wood is the base of our company, forest-related issues will be considered throughout our lifespan. That is why the "30 years +" horizon has been chosen for the aspect Strategy for long-term objectives. Our strategy is to utilise the different components of wood, to produce biopolymers, speciality cellulose, biovanillin, cellulose fibrils and bioethanol for a variety of applications, in sectors like agriculture and aquaculture, construction, pharmaceuticals and cosmetics, foodstuffs, batteries and biofuels. Our products are alternatives to petroleum-based products. And address many long-term, global challenges related to population growth, resource access and environmental and climate impacts. We pursue a consistent strategy over time, and we have a long-term perspective on innovation and investments. The transition to a more bio-based society as well as a growing demand for wood-based products makes our sourcing of sustainable wood raw material increasingly important. Because wood is our major renewable resource and the centre for our business model, sustainable sourcing of wood is a key element in our long-term strategic business plan. Setting securing long-term availability of wood as a set target in our strategy is an example an action of forests-related issues being integrated in our strategy for long-term objectives. Another key element is R&D and improvements of the manufacturing processes and facilities for wood-based products . The target to increase the value added from the unique Sarpsborg biorefinery based on sustainable wood raw-material is another example of an action of forests-related issues being integrated in our strategy for long-term objectives. The target to further obtain specialization and diversification within wood based BioSolutions and the target to development/sales of sustainable/ climate friendly products that can replace oil-based products is a third example of forest-related issues being integrated in the strategy for long term objectives Finally, development and sales of sustainable wood-based products are core factors in our long-term strategic business plan. In Borregaard all these are affected by forest-related issues. These plans applies for all our products.
Financial planning	Yes, forests-related issues are integrated	>30	Basically, Borregaard's existence is based on wood. Consequently forest-related issues hugely affects our financial planning; that is outlining the actions, assets, and resources necessary to meet our objectives and strategic goals. Because wood is the base of the company, forest-related issues will be considered throughout the lifespan of the company. That is why the "30 years +" horizon has been chosen for the aspect Financial planning. In our financial planning we make long-term capital allocations to support our strategy and to enable us to meet our long term business objective. Examples are: - Replacement investments and expansion investments to maintain and further improve our manufacturing facilities. - A high focus on continuous improvement, new use of technology, digitalisation, competence development and an efficient organisation. - A world class in-house R&D, and close co-operation between sales, manufacturing, customers; external institutes and universities in several countries. Our main challenges centre around four areas: - Reduction of GHG emissions, - Reduction of effluents of organic compounds to water, - Securing long-term sustainable sourcing of forest raw material - Successful development and sales of sustainable and climate-friendly products that can replace oil-based products. As an example of how forests-related issues are integrated into our financial planning: During 2021 we have adjusted the organization in several areas to support strategy execution. The NOK 450 million upgrade and specialization of the production facilities for biopolymers at the Sarpsborg site included new drying capacity, tanks for storage of liquid materials and improved solutions for logistics, infrastructure and energy. This investment will enable further specialization on the unique raw material base and will over time further reduce our exposure to cyclical market segments. In addition, the increased drying capacity at the Sarpsborg site reduces the need for drying products at other production sites. As a consequence, the operations in Germany have been restructured to reflect future needs. This optimization of the operations in Norway and Germany is targeted to deliver cost reductions of NOK 60 million from 2021.

F6. Implementation

F6.1

(F6.1) Did you have any timebound and quantifiable targets for increasing sustainable production and/or consumption of your disclosed commodity(ies) that were active during the reporting year?

Yes

F6.1a

(F6.1a) Provide details of your timebound and quantifiable target(s) for increasing sustainable production and/or consumption of the disclosed commodity(ies), and progress made.

Target reference number

Target 1

Forest risk commodity

Timber products

Type of target

Third-party certification

Description of target

Wood is an essential raw material for Borregaard as our business model is based on utilisation of all compounds of the wood. Wood is one of the few renewable raw materials that can be produced in large quantities, however there is not unlimited availability of this raw material. Forestry and harvesting of trees also impact nature. Forests are important from a climate perspective and for biodiversity as a home for a variety of important species. It is important that forest resources are used in an optimal way and that forest management is carried out in a responsible and sustainable manner. Because of this Borregaard Sarpsborg has a target that all wood supplied shall be 100% certified by 2022. This means that 100% of all wood shall be sourced from certified forests by 2022. Most forests are double certified so Borregaard have no separate targets for FSC or PEFC certification, but a common target for both certification scheme.

Linked commitment

Zero net/gross deforestation

Traceability point

<Not Applicable>

Third-party certification scheme

FSC Chain of Custody
FSC Controlled Wood
PEFC Chain of Custody

Start year

2018

Target year

2022

Quantitative metric

<Not Applicable>

Target (number)

<Not Applicable>

Target (%)

100

% of target achieved

99

Please explain

This target has been chosen because certified wood fulfill the majority of sustainability requirements we need to adhere to in order to source sustainable raw material. We have set the target to 100% because we are aiming for all wood supply being certified, in accordance with our strategy. This target is important to us, and are managed on corporate level, because wood is the basis for Borregaard's existence. And delivery of sustainable solutions based on renewable resources and unique expertise is our business objective. To achieve the goal we will stop buying wood from suppliers who are not able to deliver certified wood to Borregaard from 2022. This will be agreed during negotiations and fixed in the contracts. Borregaard is actively participating in development and implementation of certifications scheme in Norway and Europe through the Norwegian Pulp and Paper Association (TFB) and Confederation of European Paper Industries (CEPI).

Target reference number

Target 2

Forest risk commodity

Timber products

Type of target

Engagement with direct suppliers

Description of target

Borregaard will continue to develop our engagement with direct suppliers by: Organizing meetings, excursions and cooperation tasks. Establish mutually improvement targets to reduce costs and increase earnings for both suppliers and Borregaard Establish mutual key performance indicators for Sustainability targets such as planting, voluntary protection, reduced emissions and sustainable footprint from harvesting.

Linked commitment

No conversion of natural ecosystems

Traceability point

<Not Applicable>

Third-party certification scheme

<Not Applicable>

Start year

2020

Target year

2023

Quantitative metric

<Not Applicable>

Target (number)

<Not Applicable>

Target (%)

100

% of target achieved

80

Please explain

This target has been chosen because our most effective way too improve is to engage with suppliers, request documentation of actual progress and include relevant criteria for performance. We have chosen direct suppliers because we have the largest impact on these. We have set the target to 100% because we would like to reach out to all of them, non critical suppliers excluded. This target is important to us, and are managed on corporate level, because suppliers are important stakeholders to Borregaard, and may represent a huge risk as well as great opportunities. In 2021 we ran a supplier engagement campaign, consisting of 1) Sharpening our requirements and how we evaluate the responses in the RFQs. 2) Updating the Supplier Code of Conduct (SCoC) and translating the SCoC into Chinese, Norwegian, Polish, Portuguese, and Spanish. 3) Establishment of an E-learning tool. The first module "Training & Capacity Building for Suppliers" covers our sustainability approach and our expectations to our suppliers, emphasizing the need for cooperation and transparency in the value chain. 4) Selecting EcoVadis as a tool to assess, monitor and drive change in our supply chain. In addition to enable us to share our own performance within the topics Environment, Labor and Human Rights, Sustainable Procurement and Ethics, EcoVadis enables us to manage and drive improvements amongst our own suppliers, by identifying shortcomings and improvement areas, agreeing actions with the supplier and enable us to follow up that the agreed actions are being completed. The supplier engagement campaign continues in 2022. Our program Supplier Development Actions (SDA) continues and we shall have a mutually agreed SDA plan with all wood suppliers by 2023 (100%). The SDAs include the following initiatives on how we shall work together to: Reduce Risk and secure compliance (Example: How to secure deliveries of certified wood) Secure correct quality of our wood raw material (Example: No contamination of woodchips at the sawmill) Increased Service (Example :Less time spent on planning by digitalizing) Reduce Cost (Example: Use of railway when possible)

Increased innovation (Example: Cooperation regarding new measuring methods) Secure sustainability (social, climate and biodiversity) (Example Agreed less transportation distance for pulplogs from the supplier)

Target reference number

Target 3

Forest risk commodity

Timber products

Type of target

Traceability

Description of target

Borregaard wants 100% control of origin of all wood raw material. This means full traceability from the harvesting area until delivered at our woodyard by using the Norwegian Wood Trade system. The Norwegian Wood Trade system track all activities from the buying contract with forestowner, transportation from forest road and measurement at our woodyard. Each truckload is giving an unique id (måledokumentnummer)when measured at our woodyard, that is linked to the unique transportation order id (fraktbrevnummer) that is linked to the buying contract with the forestowner. The forestowner contract is giving GPS coordinates to the harvesting area. Our payments is linked to the unique measurement id (måledokument) and our received volumes from each forestowner.

Linked commitment

Zero net/gross deforestation

Traceability point

Forest management unit

Third-party certification scheme

<Not Applicable>

Start year

1990

Target year

2021

Quantitative metric

<Not Applicable>

Target (number)

<Not Applicable>

Target (%)

100

% of target achieved

100

Please explain

100% of our sourced wood are traceable from the harvesting area to the woodyard, through our national information system (Norwegian Wood Trade System). We use the Norwegian Wood Trade System for all purchased volume, transportation, measurement, reception and payments. The Norwegian Wood Trade System uses QR codes and image interpretation to avoid faulty transactions. Our FSC and PEFC Chain of Custody procedures from 2018 are also documenting our traceability system. We also make random sampling in accordance with our FSC controlled wood risk assessment where we ask for documentations from the harvesting area to assure no deforestation or degradation of natural ecosystem take place.

F6.2

(F6.2) Do you have traceability system(s) in place to track and monitor the origin of your disclosed commodity(ies)?

	Do you have system(s) in place?	Description of traceability system	Exclusions	Description of exclusion
Timber products	Yes	In Norway Borregaard can track the wood from the forest to payment of the wood through the Norwegian Wood Trade System. The system tracks all activities in the supply chain, from the buying contract with forest-owner, transportation and measurement at our woodyard. As an example; at our woodyard the truckload is given a unique identification number (måledokumentnummer) when measured. This unique identification number is linked to a unique transportation order (fraktbrevnummer) that again is linked to the buying contract with the forest-owner. The system enable us to identify the biome of origin as the system provides GPS coordinates to the harvesting area. Our payments is linked to the unique identification number (måledokumentnummer) and our received volumes from each forest-owner.	Country/geographical area	The forest related supplies to our facilities in the USA are not covered by the described traceability system because this is a Norwegian system that is only implemented for Norway. In Norway 100% of our wood is covered by the system.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.2a

(F6.2a) Provide details on the level of traceability your organization has for its disclosed commodity(ies).

Forest risk commodity	Point to which commodity is traceable	% of total production/consumption volume traceable
Timber products	Forest management unit	100

F6.3

(F6.3) Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)?

	Third-party certification scheme adopted?	% of total production and/or consumption volume certified
Timber products	Yes	100
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

F6.3a

(F6.3a) Provide a detailed breakdown of the volume and percentage of your production and/or consumption by certification scheme.

Forest risk commodity

Timber products

Third-party certification scheme

FSC Controlled Wood

Chain-of-custody model used

<Not Applicable>

% of total production/consumption volume certified

100

Form of commodity

Softwood logs

Volume of production/ consumption certified

957629

Metric for volume

Cubic meters

Is this certified by more than one scheme?

Yes

Please explain

In 2021 we took the following actions to improve and/or maintain the third-party certification scheme: -We have continued to compensate certified wood to keep and increase the volume of certified wood. - We increased the volume certified wood in accordance with the PEFC Scheme from 98% to 99% in 2021. In 2021 946.713 solid cubic meters are also certified in accordance with the PEFC Scheme which is 99% of our total consumption volume. In 2021 99% of our volume is certified both in accordance with PEFC and FSC Controlled Wood

F6.4

(F6.4) For your disclosed commodity(ies), do you have a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments?

	A system to control, monitor or verify compliance	Comment
Timber products	Yes, we have a system in place for our no conversion and/or deforestation commitments	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

F6.4a

(F6.4a) Provide details on the system, the approaches used to monitor compliance, the quantitative progress, and the non-compliance protocols, to implement your no conversion and/or deforestation commitment(s).

Forest risk commodity

Timber products

Operational coverage

Supply chain

Description of control systems

The following are in place to assess and manage the compliance of raw-material: All the wood we purchased are traced back to the harvesting area by an electronic traceability system (Norwegian Wood Trade System). Our purchasing control system is linked to the traceability system. We have implemented FSC CoC and PEFC CoC system ensure that all our purchased wood is in accordance with PEFC and FSC requirements regarding forest management. The FSC Controlled Wood DDS make sure we are not purchasing wood from controversial sources to avoid conversion and deforestation. We use these control systems to confirm compliance or detect non-compliance with no conversion and/or no deforestation commitments. All measurement and quality of wood is done by a third party organization and enter data into the Norwegian Wood trade system. Our FSC and PEFC CoC system and FSC CW DDS is audited annually by the Danish company Orbicon. We engage all suppliers to avoid deforestation by financial incentives.

Monitoring and verification approach

Third-party verification

% of total volume in compliance

100%

% of total suppliers in compliance

100%

Response to supplier non-compliance

Retain & engage
Suspend & engage
Exclude

Procedures to address and resolve non-compliance with suppliers

Developing time-bound targets and milestones to bring suppliers back into compliance
Providing information on appropriate actions that can be taken to address non-compliance

Please explain

Third Party verification is done annually by Orbicon and in 2021 EY did, on behalf of GRI, a third party verification of our wood sourcing. A deviation is recorded and handled in the implemented deviation tool Kairos (SAP). The applied action(s) depends on the consequences in the following three categories Health and safety, Environment and Economic. We assess the type of non-compliance, the severity, the impact on our business and our possibility to impact the respective supplier before deciding the actual action(s). We mark a deviation with green (no further actions), yellow (actions to get the supplier in line with our expectations) or red colour (loss meeting with the supplier where we go through the incident in a meeting). Subject to the response on yellow or red consequences we decide further actions and state a timeframe when the corrective actions shall be closed by the supplier. In the case of severe breaches of the requirements, illegal matter or lack of progress over time, the contract will be terminated. We provide the following support help our suppliers achieve compliance: Develop time-bound targets and milestones to bring suppliers back into compliance. Provide information on appropriate actions that can be taken to address non-compliance. Assess the efficiency and efforts of non-compliant supplier actions through consistent and quantified metrics. Re-integrate suppliers back into supply chain following successful and verifiable completion of activities.

F6.7

(F6.7) Are you working with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems?

	Are you working with smallholders?	Type of smallholder engagement approach	Smallholder engagement approach	Number of smallholders engaged	Please explain
Timber products	Yes, working with smallholders	Financial and commercial incentives	Financial incentives for certified products	1200	In Norway the market for wood can be described as a market consisting of a few large buyers and many small suppliers (smallholders). To ensure the smallholders' rights and obligations when interacting with the large buyers, the smallholders are organized in forest associations (co-operations). The main strategy of engagement with the smallholders is to engage with the forest associations. One example of supplier engagement towards the smallholders is that the requirements we set to the forest associations are communicated to the smallholders and the smallholders are given guidance and support in meeting the requirements. One impact achieved on the ground in 2021 is to have maintained a balance between the large buyers and the smallholders. We have long-term contracts with the smallholders through the co-operations for the supply of wood. These contracts include our requirements for sustainable forestry, including requirements for certified wood. The financial incentive for supplying certified wood is that the supplier will be paid more for certified wood. The forest associations, and by this the smallholders, are financially compensated when and if they supply certified wood. This compensation is agreed in the contracts with the smallholders. The reason for this engagement is to achieve our goal of 100% certified wood within 2022 for our mill in Norway.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.8

(F6.8) Are you working with your direct suppliers to support and improve their capacity to comply with your forests-related policies, commitments, and other requirements?

	Are you working with direct suppliers?	Type of direct supplier engagement approach	Direct supplier engagement approach	% of suppliers engaged	Please explain
Timber products	Yes, working with direct suppliers	Supply chain mapping Capacity building Financial and commercial incentives	Supplier questionnaires on environmental and social indicators Financial incentives for certified products Long-term contracts linked to forest related commitments	100%	Borregaard's core value is: "We deliver sustainable solutions based on renewable resources and unique expertise". As wood is our primary renewable resource, and the basis for our business, the supply of wood and our engagement with the suppliers of wood are essential to the company. For Borregaard to deliver sustainable solutions, requirements regarding sustainability must be passed through the supply chain, starting with the direct suppliers. Our main strategy of engagement with our suppliers for them to comply with our forests-related policies, commitments and other requirements is to ensure that our requirements are known to the suppliers and enable the suppliers to fulfill them. This is done by only source from suppliers that have signed our Supplier Code of Conduct, which describes Borregaard's requirements for suppliers related to human rights, work standards, the environment and business practices. Secondly our suppliers shall have been approved in accordance with our company guidelines for supplier approval, which includes assessing the supplier's response to a questionnaire covering environmental and social indicators. In 2021 the number of approved direct suppliers related to wood was 119. Our requirements shall be communicated to the suppliers and agreed in signed, contracts. Should a supplier fail to fulfill the requirements, the established deviation process is activated to uncover the reason(s) and the necessary action(s) to be taken. The Supplier Development Action Plan (SDA) is an example of direct supplier engagement activities that we conducted in 2021. Some suppliers have a large impact on our business. These suppliers are subject to engagement through SDA in which the relation is assessed and potential areas of improvement identified. In 2020/1 eight wood suppliers were engaged with SDAs. An example of results from this engagement is the agreement with a major supplier to start measuring and documents its climate footprint in order to reducing the emission. We have long term contracts linked to forest related commitments in that approximately 70% of our wood is sourced through 3- years contracts and most of the wood suppliers have been a supplier to us the last 20 years. We provide financial incentives for certified products as the supplier is paid less if the wood is not certified, and in some cases not allowed to deliver.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.10

(F6.10) Do you engage in landscape (including jurisdictional) approaches to progress shared sustainable land use goals?

	Do you engage in landscape/jurisdictional approaches?	Primary reason for not engaging in landscape and/or jurisdictional approaches	Please explain why your organization does not engage in landscape/jurisdictional approaches, and describe plans to engage in the future
Row 1	Yes, we engage in landscape/jurisdictional approaches	<Not Applicable>	<Not Applicable>

F6.10a

(F6.10a) Indicate the criteria you consider when prioritizing landscapes and jurisdictions for engagement in collaborative approaches to sustainable land use and provide an explanation.

	Criteria for prioritizing landscapes/jurisdictions for engagement	Please explain
Row 1	Opportunity for increased human well-being in area Opportunity to implement Nature-based Solutions Opportunity to protect natural ecosystems Opportunity to restore natural ecosystems Risk of forest/land degradation Supply of commodities strategically important	Borregaard business model is based on sustainable wood raw materials, and it is important for Borregaard to increase supply of sustainable wood based on certification schemes. Our involvement with multi-partnership or stakeholders initiatives are important to achieve our goal of 100% certified wood within 2022. Borregaard is therefore an active member of PEFC and FSC through our membership in the Norwegian Pulp and Paper association (TFB), where we have two board-members including the board-leader. Since 2019 an NRA for Norway has been established by the FSC Working group where multi stakeholders participated. Foreningen Skogen in Norway is established to be in accordance with FSC requirements and will be FSC Norway when the Norwegian standard is established in 2022. The following stakeholders are board members in Foreningen Skogen: Norges skogeierforbund, Treindustrien, Sapmi, Norsk friluftsliv, Sabima and WWF. Borregaard co-operate with a wide range of stakeholders relating to ecolabels and standards related to environmental issues, such as Ecovadis. Borregaard has also been a member of UN Global Compact since 2014. Our suppliers to Sarpsborg, Norway sign Supplier Code of Conduct (SCoC) where they confirm to comply with, or actively pursue compliance with: The standards given by the International Labour Organization (ILO). www.ilo.org and The Ten Principles of the UN Global Compact, through the whole supply chain. Borregaard see opportunities though collaboration with these stakeholders to improve its risk assessment and strategy for sourcing of wood and production at our bior refinery.

F6.10b

(F6.10b) Provide details of your engagement with landscape/jurisdictional approaches to sustainable land use during the reporting year.

Country/Area

Norway

Name of jurisdiction or landscape area

Viken county

Is the landscape defined by administrative boundaries of sub-national governments and does the approach have active government involvement?

Yes, the landscape is defined by administrative boundaries and the approach has active government involvement

Brief description of landscape/ jurisdictional approach

Borregaard is sourcing wood as our renewable raw material for our production in Sarpsborg. We source the wood from Viken County and our main suppliers are Viken Skog and Glommen Mjøsen Skog and it is of importance for us that we support them in their forest activities.

Forest risk commodities relevant to this landscape/jurisdictional approach

Timber products

Type of engagement

Supporter: Implement activities to support at least one goal

Description of engagement

We have agreed on support Glommen Mjøsen Skogh and Viken Skog in their young forest care by paying a bonus for wood coming from young forest care. We have also made a plan how to increase the young forest care.

Goals supported by engagement

Reduced emissions from land use change and/or agricultural production

Decreased ecosystem degradation rate

Avoided deforestation/conversion of other natural ecosystems

Company actions supporting approach

Co-design and develop goals, strategies and an action plan with timebound targets and milestones for the initiative

Support uptake of certification

Collaborate on commodity traceability

Implementation partner(s)

Glommen Mjøsen Skog Viken Skog

Engagement start year

2019

Engagement end year

Not defined

Total investment over the project period (currency)

1000000

Details of your investment

We are buying approx 40.000 cbm of wood each year that is defined as coming from young forest care. We pay NOK 20 extra for this volum. $40.000 \times 20 = 1.000.000$ ea year.

Type of assessment framework

SourceUp (former verified sourcing area)

Is progress monitored and publicly reported on?

Yes, progress is monitored but not publicly reported on

State the achievements of your engagement so far, and how progress is monitored

We have achieved to increase the volume available from young forest care with 30.000 cbm ea year from 2018. Progress is monitored ea month because we have established separate KPI's of volume received of wood from young forest care.

F6.11

(F6.11) Do you participate in any other external activities and/or initiatives to promote the implementation of your forests-related policies and commitments?

Forest risk commodity

Timber products

Do you participate in activities/initiatives?

Yes

Activities

Involved in multi-partnership or stakeholder initiatives

Country/Area

Norway

Subnational area

Not applicable

Initiatives

UN Global Compact

Global Reporting Initiative (GRI) Community Member

Forest Stewardship Council (FSC)

Programme for the Endorsement of Forest Certification (PEFC)

Other, please specify (EcoVadis)

Please explain

We are member of the United Nations Global Compact Programme since 2014 and have committed to aligning our operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. As the program addresses environment it is in line with our environmental strategy. We support our environmental strategy by reporting our sustainability performance in accordance with Global Reporting Initiative (GRI) and an independent third party has issued an assurance report on Sustainability reporting (EY) We are an active member in the MSIs of PEFC and FSC through our membership in the Norwegian Pulp and Paper association (TFB), where we have two board-members including the board- leader. Since 2019 an NRA for Norway has been established by the FSC Working group where multi stakeholders participated. Foreningen Skogen (FS) in Norway is established to be in accordance with FSC requirements and will be FSC Norway when the Norwegian standard is established in 2021. The following stakeholders are board members in FS: Norges skogeierforbund, Treindustrien, Sapmi, Norsk friluftsliv, Sabima and WWF. Borregaard via TFB is member of the election committee. The reason for this involvement is to increase the volume of FSC certified wood in Norway. Our business model is based on sustainable wood raw materials, and it is important for us to increase supply of sustainable wood based on certification schemes. Our involvement with multi-partnership or stakeholders initiatives are important to achieve our goal of 100% certified wood within 2022. This goal is stated in our Annual report 2021 page 48 (100% of the purchased wood to the biorefinery in Sarpsborg shall be certified (FSC® or PEFC). We are member of EcoVadis and submit information about Borregaard on the areas of Environment, Ethics, Labour and Human Rights, as well as Sustainable procurement, and have received an Platinum rating. Meaning that we are among the top 1% of the 90 000 reporting companies. In addition we use EcoVadis to assess our suppliers and supply chain. Our membership in EcoVadis contributes to increased transparency and efficiency in the supply chain. All these activities and memberships supports our environmental strategy, by setting requirements, follow up performance and reporting externally; ourselves as well as our suppliers.

F6.12

(F6.12) Is your organization supporting or implementing project(s) focused on ecosystem restoration and protection?

Yes

F6.12a

(F6.12a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).

Project reference

Project 1

Project type

Biodiversity offsetting

Primary motivation

Voluntary

Description of project

With an increased awareness of the importance of biodiversity, there is an increased customer demand for certified products in this respect. For Borregaard to manufacture and provide such certified products, we need certified wood. Consequently it is important to increase available FSC certified volumes in Norway as lack of FSC certified volumes would lead to lack of FSC certified products from Borregaard in Norway, and consequently reduced our income for the company. And equally, increased amount of FSC certified volumes, may lead to increased income. To establish a standard in line with the FSC Scheme is therefor of high importance for Borregaard. A Norwegian National Forest Stewardship Standards (NFSS Norway) that take into consideration national and regional characteristic such as natural conditions, forest ownership structure and legislation in Norwegian Forests is essential. The new standard has established 240 indicators within FSC 10 principles that are related to ecosystem restoration, reforestation and protection of forests and other ecosystems and biodiversity offsetting by securing sustainable forestry in accordance with FSC 10 Principles. The goal and expected outcome of the project is to increase available volume of FSC certified wood in Norway. A Norwegian FSC office will be established to make it easier to become FSC Certified in Norway. The introduction of a Norwegian FSC Standard is a voluntary initiative by the industry (Treindustrien and Treforedlingsindustrien) to increase the FSC volumes available in Norway, to make sure we would be able to have sufficient sustainable forest raw material available in Norway. A pre approval draft was sent to FSC International 16th of February 2020, after two public consultations in in 2018 and 2019. The goal is to have the new standard approved by the end of 2022.

Start year

2021

Target year

2026

Project area to date (Hectares)

681000

Project area in the target year (Hectares)

1800000

Country/Area

Norway

Latitude

60

Longitude

11

Monitoring frequency

Annually

Measured outcomes to date

Biodiversity

Financial

Please explain

FSC Norway strategy is to increase the volume FSC Certified wood in Norway from 0, 6 mill hectares to 1,8 mill hectares in 2026. The NFSS Norway will take into consideration national and regional characteristic such as natural conditions, forest ownership structure and legislation in Norwegian Forests to make sure that the biodiversity is taken care of. This as a results of the agreed indicators in the NFSS Norway. With an increased awareness of the importance of biodiversity, there is an increased customer demand for certified products in this respect. For Borregaard to manufacture and provide such certified products, we need certified wood. Consequently it is important to increase available FSC certified volumes in Norway as lack of FSC certified volumes would lead to lack of FSC certified products from Borregaard in Norway, and consequently reduced income for the company. And equally, increased amount of FSC certified volumes, may lead to increased income.

F7. Verification

F7.1

(F7.1) Do you verify any forests information reported in your CDP disclosure?

Yes

F7.1a

(F7.1a) Which data points within your CDP disclosure have been verified, and which standards were used?

Disclosure module

F1. Current State

Data points verified

Percentage of purchased wood which is certified under Borregaard's selected certification program.

Verification standard

GRI

Please explain

EY has performed an independent verification of selected indicators related to Borregaard ASA's Sustainability reporting for 2021. EY has performed controls in order to establish a limited level of assurance for the percentage of purchased wood which is certified under Borregaard's selected certification program

Disclosure module

F2. Procedures

Data points verified

Borregaard FSC and PEFC CoC and FSC CW procedures where audited, regarding impact of activity on the status of ecosystems and habitats

Verification standard

FSC-Std-40-004 V3-0 Chain of Custody Certification FSC-Std-40-005 V3-1 Requirements for Sourcing FSC Controlled Wood PEFC ST 2002_2020 Chain of Custody of Forest and Tree Based Products - Requirements

Please explain

Our FSC and PEFC certification where audited in September 2021 by WSP (Orbicon) Denmark.

F8. Barriers and challenges

F8.1

(F8.1) Describe the key barriers or challenges to eliminating deforestation and/or conversion of other natural ecosystems from your direct operations or from other parts of your value chain.

Forest risk commodity

Timber products

Coverage

Supply chain

Primary barrier/challenge type

Complexity of certification requirements

Comment

Forest certification is an excellent tool to ensure sustainable use of wood. However the complexity of the certification requirements can be a barrier for eliminating deforestation. In 2020 Borregaard set the target of 100% certified wood. Since 2018 we have increased the amount of certified wood from 85% to 99% in 2021. But the last percent of certified wood is challenging as the forest certification is a voluntary system and the question is how to motivate the forest owners become certified. 1. The market acknowledgement should reach the point where the value of certified products is recognized. The market acknowledgement all depends on the increasing environmental awareness of the end users/consumers 2. To maintain the clarity of the forest certification systems to avoid bureaucratic costs and maintain a lucrative system to the forest owners. To maintain the clarity there is a tendency to produce more regulation to certified forestry in the regions where deforestation and forest degradation are not a serious problem. Certified forest area is 28% in North America, 16% in Europe incl CIS (Commonwealth of Independent States), 8% in Oceania, 4% in Asia, 1,7% in South America and 1,5% in Africa (Source: FAO Global forest Resources Assessment 2020). As an example, in Norway certified forest area is almost 100%. Forest certification systems should do their best to promote and expand forest certification in Africa, Latin America, Asia and Oceania instead of fine-tuning the systems in the countries where there is already high coverage of certified forests. There is a risk that overdoing the schemes will result in resignation of forest owners in the high certification degree regions and impair the opportunities in low certificate degree regions. In latter regions even a less demanding forest certification scheme would improve the situation as the governance of the forests by government authorities is typically weak. In addition to the need for well-functioning and usable forest management certification systems, also Controlled Wood system of FSC needs attention. The basic problem is that FSC CW risk assessments and national risk mitigation procedures are very complicated and not harmonized with each other. This adds a lot of administrative work and possibly can limit the possibilities for uptake of the system, especially for new areas.

F8.2

(F8.2) Describe the main measures that would improve your organization's ability to manage its exposure to deforestation and/or conversion of other natural ecosystems.

Forest risk commodity

Timber products

Coverage

Supply chain

Main measure

Greater transparency

Comment

Forest certification standards should be developed to be cost efficient and attractive at the same time when the quality of the system is secured. The biggest barrier for expanding the forest certification in private forests is the bureaucratic process. The stakeholders' approach to forest certification is needed. The target should be redirected to expand forest certification systems to Africa, Latin America, Asia and Oceania . Once a system is in place it is subject to improvements by revision of standards. In addition to the need for well-functioning and usable forest management certification systems, also Controlled Wood system of FSC needs attention. Controlled Wood system complements the certification scheme and is important to secure responsible wood sourcing and avoid deforestation. FSC CW risk assessments and national risk mitigation procedures are very complicated and not harmonized with each other. This adds administrative work and possibly can limit the possibilities to exceed new areas.

F17 Signoff

F-FI

(F-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

F17.1

(F17.1) Provide the following information for the person that has signed off (approved) your CDP forests response.

	Job Title	Corresponding job category
Row 1	Senior Vice President (SVP), Strategic Sourcing. (Responsible for sustainable sourcing wood and ensuring sustainable forest management by target of sourcing only certified wood)	Board/Executive board

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I understand that my response will be shared with all requesting stakeholders	Response permission
Please select your submission options	Yes	Public

Please confirm below

I have read and accept the applicable Terms