

# HUMAN RIGHTS

## Borregaard Report 2020

### Introduction

This is a report on human rights practices in Borregaard operations which covers all employees. This report describes the steps Borregaard is taking to prevent violations of human rights in its operations and supply chains, in accordance with the UN Global Compact. Borregaard companies shall always respect human rights and operate with due diligence to avoid becoming involved in violations of human rights. We have a particular responsibility for our own operations, but the duty to respect human rights also applies to our relations with suppliers and business partners who are involved by the company's activities. Borregaard defines human rights enshrined in the Universal Declaration of Human Rights<sup>1</sup> and the workers' rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work<sup>2</sup>.

This report includes a statement which covers the global operations and supply chains of Borregaard and all companies during the financial year that ended 31 December 2020. It does not cover the joint venture operation in South Africa due to its closing in May 2020.

### International standards

Borregaard is a signatory to the [UN Global Compact and its principles](#), We specifically focus on principle 3 to 6, uphold freedom of association, right to collective bargaining, zero tolerance for forced labour, zero tolerance for child labour and discrimination. The commitment to combat human and labour rights violations is also expressed in our [Human Rights Policy](#) and our [Code of Conduct which](#) includes:

- Our [Human Rights Policy](#) describes Borregaard's guiding principles for handling the human and worker's rights which we see as having particular relevance for our daily operations. It applies to all wholly owned companies and to joint ventures where adherence to Borregaard's group directives is agreed as part of the ownership contract. The principles in the Policy should be regarded as a minimum standard.
- [Borregaard's Code of Conduct](#) consists of our defined values for all employees to provide guidance on our approach to ethical business practices, environmental values, and human and labour rights. These values are supplied for all operations and employees to follow. The Code of Conduct specifically prohibits the use of child labour and forced labour.
- [Borregaard's Supplier Code of Conduct \(SCoC\)](#) is a document all suppliers receive and must sign and return to Borregaard. This document ensures that all suppliers consider human and

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<sup>1</sup> International Declaration of Human Rights, <http://www.un.org/en/documents/udhr/>

<sup>2</sup> International Labour Organisation (ILO), Declaration on Fundamental Principles and Rights at Work, <http://www.ilo.org/declaration/lang-en/index.htm>

labour rights, occupational health and safety, environmental protection and responsible business practices throughout the value chain. The Supplier Code of Conduct is based on the principles of the UN Global Compact. Suppliers are required to comply with SCoC or its equivalent, irrespective of their country of origin. The purchasing director is part of the evaluation of the form and the SCoC applies to all suppliers worldwide.

Borregaard's labour and human rights management system covers all site in Borregaard. 87% of Borregaard's employees work in units that have collective agreements with unions. Also, the employees are represented in local joint management-worker health & safety committees.

## **IDENTIFYING RISKS OF VIOLATIONS OF HUMAN RIGHTS**

Borregaard strives to prevent all forms of violations of human rights. An important element in "The Borregaard Way" and the "Code of Conduct" is to always respect human rights and operate with due diligence to avoid becoming involved in violations of human rights.

However, we understand that there is a risk of human rights violations in our operations and the countries in which we operate. Borregaard's head quarter is in Norway, where the largest production unit and corporate R&D centre are located. The other production units are in the US (Wisconsin & Florida), United Kingdom, Germany and in the Czech Republic. The sales offices are located in Borregaard's main industrial markets in, most of them OECD countries, except India, China, Singapore and Brazil. In India, we also have a technical laboratory, but the rest are only sales offices.

We have conducted a risk assessment in 2020. Based on this, Borregaard has identified that the greatest risks are in our supply chain. We have therefore focused on the risk related to the countries where we have our production units and offices, in addition to our suppliers in these countries.

## **RISK ASSESMENT - SUPPLIERS**

The sourcing of our supplies and services and the supplier interaction must be conducted in a proper manner, taking all three pillars of sustainability, People, Planet and Profit, into account. Social, environmental, and economic factors are integrated in the sourcing decisions and are considered when assessing suppliers.

When engaging with suppliers, we state our expectations and requirements regarding sustainability in contract and bidding documents, the suppliers must sign off on the Supplier Code of Conduct (SCoC) and a scheme for Supplier Development Action (SDA) is established and sustainability is always a topic in supplier meetings.

In 2020, 100% of the new suppliers to Borregaard in Norway were screened with respect to responsible sourcing.

As for the existing supplier base, Sedex<sup>17</sup> has, on behalf of Borregaard, conducted an advanced assessment of our suppliers. This showed that less than 0.5% of our suppliers belonged to the high-risk group, while 94% were in the low-risk group. Borregaard has encouraged high and medium-risk suppliers to register with Sedex, complete a questionnaire and share the information with us. Relationships with three suppliers have been terminated in connection with this process.

During 2020, Borregaard's biorefinery in Norway sourced supplies and services from 1,700 companies. 95% of the suppliers classified as strategic, leverage and bottleneck have signed the Supplier Code of Conduct and have been subject to risk assessment with respect to responsible sourcing.

In 2020, Borregaard's biorefinery in Norway assessed the supplier portfolio, with the purpose of identifying suppliers with the largest environmental impact. The findings were not severe, and no relationship was terminated because of the assessment. Findings revealed that the suppliers with significant and potential climate and environmental impact are suppliers of transportation services, suppliers of chemicals and suppliers of wood; in total 250 suppliers.

Policies on responsible sourcing are distributed to all units in Borregaard. The documents include Responsible trade, Human Rights Policy, Code of Conduct and Supplier Code of Conduct (SCoC). Internal audits are conducted every year by an internal audit team where the conduct information about key suppliers, which is required. Then questions about being familiar with "The Code of Conduct", "The Borregaard Way", and "Corporate Manual" are asked.

### **RISK ASSESSMENT – SUPPLIERS OF INTERNAL SALES OFFICES AND PRODUCTION UNITS**

We have taken a risk-based approach to map the risk for human rights violations, both for production units and sales offices.

Borregaard conducts a risk assessment on the entire business at each site, including the sales offices. Based on an in-depth internal evaluation, we have identified China, India and Brazil as our highest risk countries for human rights violations within the production unit and internal offices category.

Borregaard's main operations are in countries located in OECD countries and most of the sourcing of wood is coming from Norway and Sweden. Borregaard's Norwegian operation is sourcing wood which is PEFC/FSC certified. The certification schemes ensure that worker's rights are acknowledged and held to a high standard, promote gender equality and acknowledge Indigenous Peoples' rights and tenure and promote responsible products from their ancestral lands.

We have done the following assessment:

1. In this assessment, we are focusing on the following human rights categories: child labor, non-harassment, non-discrimination and freedom of association, hereafter described as the categories.
2. We are using a step by step model, where we first map the different levels of risk (green, yellow and red) as described below, both for countries vs. the categories, and amount of cases/violations on human rights vs. the categories. The assessment is based on an awareness level, where a management system is in place at each production unit and/or sales office per country.
3. Training is based on the UN Global Compact, and routines are audited by Borregaard's internal audit committee.

## Land vs. categories

Levels	Indicator
Green	Have routines and training in place
Yellow	Have routines, but challenging environment
Red	Lack of routines and lack of training

Unit	Child labour	Non-harassment	Non-discrimination	Freedom of association
Norway (P)				
Germany (P)				
US (P)				
Czech Republic (P)				
Poland (S)				
Spain (S)				
Singapore (S)				
China (S)				
India (S)				
Brazil (S)				
France (S)				
Japan (S)				
United Kingdom (P)				

P = Production

S = Sales office

India is yellow due to the difference starting point compared to a country such as Norway. Even though India has the same routines and training in place as Norway, it will still demand more from the company to be at the same compliance level as Norway since the countries have different starting points. That is the reason for why we have evaluated India to yellow and not green. We have also evaluated that Brazil and China will contain the same level of risk as India, based on the same argument as we have described above.

## Cases vs. categories (internal)

Levels	Indicator
Green	Total of zero cases, concerns and violations
Yellow	One or several notice of concern
Red	One or more violations of human rights

All countries are green, since we have not received any concerns or violations on human rights that we are aware of in any of these production units and sales offices.

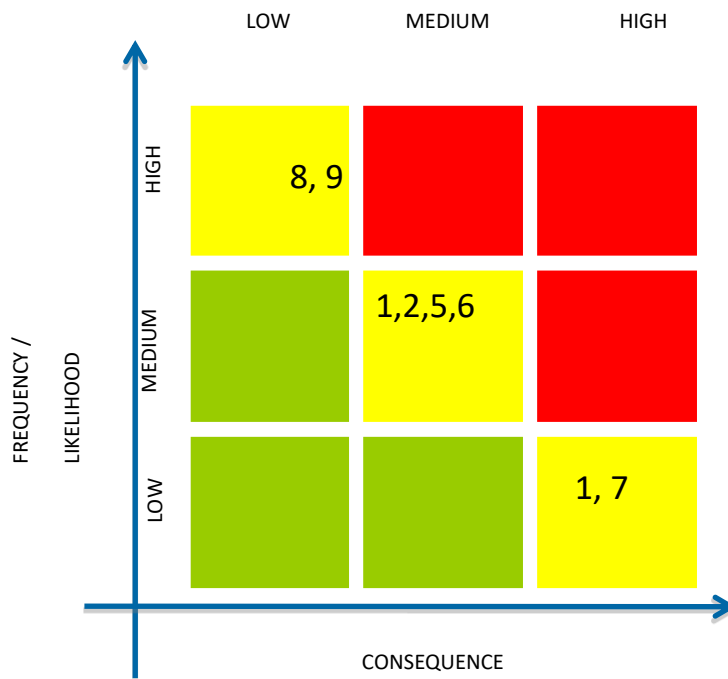
## Cases vs. categories (external)

Levels	Indicator
Green	Total of zero cases, concerns and violations
Yellow	One or several notice of concern
Red	One or more violations of human rights

All countries are green, since we have not received any concerns or violations on human rights for external suppliers, either directly from the supplier or observed by our employees.

Since there were no cases on human rights for any of the production units and sales offices, these have been evaluated to low risk, therefore green. No countries have violations of human rights, and we have therefore no high risk in the assessment.

### Borregaard Group risk matrix 2020



#	Borregaard Group – Human Rights risk factors
1	<b>Land Risk:</b> Potential conflict between corporate guidelines and local implementation when operating in countries with increased Human Rights risk profile.
2	<b>Reporting:</b> Lack of reporting of Human Rights breaches due to cultural differences
3	<b>Reporting:</b> Lack of internal reporting of Human Rights breaches due to lack of competence / awareness.
4	<b>Reporting:</b> Lack of transparency of Human Rights breaches due to weaknesses in internal reporting systems
5	<b>Handling of human right breaches:</b> Uneven evaluation of Human rights warnings due to cultural differences.
6	<b>Handling of human right breaches:</b> Uneven evaluation of Human rights warnings due to lack of training
7	<b>Suppliers:</b> Wrongful evaluation of the suppliers done through Sedex may lead to transparency suppressions.
8	<b>Lack of information:</b> Covid-19 restrictions leading to few internal checks/audits.
9	<b>Lack of information:</b> Covid-19 restrictions leading to few external checks/audits.

## **OUR ACTIONS TO ASSESS AND ADDRESS HUMAN RIGHTS VIOLATION**

In 2020, we continued to develop our human rights due diligence program by conducting an updated mapping of our Group risk areas related to our highest priority of human rights.

### **Survey focusing on human rights**

As a first step, Borregaard conducted a survey which was sent out to a broad selection of employees in the company. The selection of employees included various functions such as production, R&D, sales and marketing, purchasing, management and supporting functions. In total, the survey was sent out to 106 employees, where 72 employees responded. Actions to address the findings were completed by the end of 2020 and will be put in place during 2021.

We respect and consider all human rights as highly important, however based on our risk assessment and the survey sent out to employees, our highest priority and focus within human rights will be:

- Whistleblowing mechanisms
- Child labour
- Non-harassment
- Non-discrimination

We will conduct a yearly review, where we review the routines for each production unit and sales office (part four in our internal audit checklist). Within two years, all production units and sales offices would be reviewed and evaluated.

### **Whistleblowing - procedure and cases**

Borregaard wants transparency and a strong corporate culture to help ensure that difficult or undesirable situations are discussed and resolved. There may be situations where employees or external stakeholders see or experience something that conflicts with the company's guidelines or expectations. One of Borregaard's highest prioritized mechanisms, is the possibility to report on non-compliance by using the whistleblowing channel. This is available for all employees in all units. The channel enables any employees to report instances where their rights may have been restricted, or where they have observed potential violations of Borregaard's Code of Code, including those related to human and labour rights. This service is administered by Borregaard's General Counsel, and secure also that employees will be anonymous to the rest of the organisation.

Ideally, the company would like these issues to be dealt with where they occur. However, situations may arise where reports from employees about adverse situations do not reach the right person or where they feel unfairly treated and cannot find a solution to their problems. In such circumstances, there are established procedures for and guidelines on whistleblowing, both to various specific functions in the organisation or email address. These guidelines are translated into 5 languages and distributed to the company's units worldwide.

Our Supplier Code of Conduct obliges our suppliers to report any non-compliance with the Code of Conduct to Borregaard's General Counsel.

## **Continued Efforts in 2020**

Based on the survey which was sent out to a selection of employees in 2020, we observed that there have been some cases related to possible human rights violations over time, both internally and externally. In addition, there were some employees that were not aware of the whistleblowing channel. As a next step, we have raised these concerns and observations in the Compliance Board in Borregaard. General Counsel followed up and asked the same selection to please report on the specific cases by using our whistleblowing channel in order to receive more details. The employee and case will remain confidential with the General Counsel. No cases were reported and we assume that the cases mentioned in the survey were old. We have also communicated to the same selection of employees that we will focus on informing about the whistleblowing channel in various ways.

## **Developments in our supply chains and global initiatives**

Even though we are mainly present in OECD countries, we still understand that violations of human rights are present in our supply chains. Therefore, a due diligence approach to address the risks needs to be assessed annually. Borregaard has seen a low risk internally but will keep working on improvements on our performance on the topic. Therefore, we will continue to address the importance of human rights violations to our suppliers worldwide and to all business units and sales offices internally. We will also consider implementing a whistleblowing channel for external workers, visible on our webpage. As part of the due diligence process, we will follow up and monitor our policies, continue to send out surveys to all employees, communicate the whistleblowing channel and also evaluate all cases (quantitatively and quality) which are coming in through the whistleblowing channel.

## **Training and capacity building**

Borregaard's ethical guidelines were revised in 2019 in a process that involved many parts of the organisation, including the unions. The guidelines, which also include human right issues, were implemented by e-learning which was completed by all employees in the 4th quarter of 2020. The training included practical ethical dilemmas, and by the end of 2020, 925 employees had completed the e-learning. The training is also mandatory for all new employees.

Based on the results from the survey, Borregaard will conduct further training for all employees in order to give all employees a better understanding of Human Rights. Informing about the whistleblowing channel will also be a focus going forward.

## **Improvements**

In 2020, one case was reported through Borregaard's whistleblowing channel and were identified as potential non-compliance cases. The case was not related to violations of Borregaard's human rights policy specifically.

We carry out assessments and audits of our own units as well as suppliers, in order to ensure compliance with our policies and requirements. For instance, we conduct self-assessments for all suppliers through Sedex and our audit team conducts audits for our internal plants and sales offices.

In 2020, when we last completed the self-assessment, no concerns were raised regarding human rights violations. We also conducted a total of 10 supplier audits, and 6 audits by our internal audit team. There was no finding of human rights violations. Borregaard has therefore chosen to extract

human rights out of the Stakeholder Materiality Analysis since it is not material for the company's main challenges. However, human rights are highly important and there is an expectation that this area is managed in accordance with the UN Global Compact and we expect the same from our business partners. Our aim for 2021 is to have zero violations on human rights.

Through this assessment Borregaard has understood that its human rights compliance efforts need to remain a focus going forward. Due to the countries the company is present in the Group does not believe that the risk of violations is significant. Since Borregaard is a Norwegian based company, all guidelines and policies must comply with Norwegian laws and regulations. However, Borregaard is operating in other countries and our values and culture are developed and anchored in our international organisation with 25 nationalities. Our ambitions as well as our acknowledgement to the universal human rights, form a sound foundation for our work and efforts in this area.