

Appendix to the General Meeting

Item 3: Guidelines for the Remuneration of Executive Personnel

Management of remuneration schemes and remuneration policies

The General meeting shall adopt the company's remuneration policy for senior executives in accordance with laws and regulations. The Board of directors shall be responsible for following up on remuneration policies and making decisions in line with the policy. The Board has a separate compensation committee that will follow up on, discuss and make recommendations to the Board in specific cases concerning the determination of and adjustments to matters relating to the various remuneration elements.

The Board's follow-up on the remuneration policy for 2020

Borregaard has established guidelines for the remuneration of executive personnel. The guidelines have been revised and refined in recent years and includes guidelines for base salaries, pensions, annual bonuses and long-term incentives/options (LTIs). Comparable benchmark data from other companies are used in the assessment of remuneration levels. Option allocations (LTIs) take place in accordance with separate regulations that the Board of directors has been authorised to implement by the General meeting.

The Board and its compensation committee have used the approved guidelines as the basis for remuneration of employees in senior positions. The Board has also ensured that the exercise of options and bonus allocations are in line with the guidelines and intentions of the schemes.

The Board declares that the company's remuneration policy has been adhered to during 2020.

The company's remuneration policy and share-related remuneration.

The company's general guidelines for policies on remuneration and associated conditions:

- Overall, the conditions shall be competitive and suitable for the company's need to attract and retain employees
- Remuneration schemes shall contribute to consistency between the company's and the owners' goals and results and the various elements of the individual terms and conditions. The criteria for the various elements of the remuneration schemes must be complementary.
- The schemes must be simple, long-term and sufficiently flexible

In the guidelines for annual bonuses and the option scheme, criteria that correspond to the communicated financial and long-term objectives and strategies for the company have been selected. There are also limitations in the schemes to ensure that payments are at a reasonable level, also when taking into consideration the financial sustainability of the company.

The schemes shall also be designed to motivate and attract the expertise required by the company. The remuneration schemes include balanced criteria to ensure that employees contribute to delivery of good results at company level, while also focusing on matters within their individual areas of responsibility.

The main elements of the remuneration schemes

Base salary - The level shall be up to the median value for comparable companies and positions. Base salary is determined based on the responsibility, complexity, expertise requirements and scope associated with the role.

Pension - Based on the established defined contribution pension schemes, with the intention that the relative pension contributions, including the Norwegian National Insurance Scheme, are independent of income level. The defined contribution pension schemes specify a contribution of 5% for the share of fixed salary up to 7.1G and 20% for the share of salary above 7.1G ("G" is the basic amount in the National Insurance scheme, approx. NOK 100,000).

Annual bonus scheme - Based on pre-defined criteria that are linked to good results and progress. The criteria include return on capital employed (ROCE) for the Group, improved results (EBITDA) for the area in question, safety and sick leave for the Group, as well as personal targets, including criteria related to sustainability and growth/improvement. The target bonus level for delivery of "good results" is approximately 30%. The maximum annual bonus is 50% of annual base salary. The criteria and basis for calculation are reviewed annually by the Board of directors' compensation committee and adopted by the Board. If errors have occurred for bonuses paid during the past three years, the company has the right to correct this in future bonus payments.

Long-term incentive scheme - Option or cash-based scheme linked to movements in the share price. The scheme has complementary objectives and criteria to the annual bonus scheme.

Other benefits - The company's management employees also have access to a car scheme (company car/mileage compensation), a free mobile phone and newspapers, as well as access to insurance schemes available to all Borregaard employees in Norway.

Other matters - Management employees are subject to the same retirement age as other employees in line with Norwegian laws and regulations (flexible between 62 and 70 years of age). There is a mutual notice period of six months for executive management employees, without severance pay. A separate agreement with somewhat deviating terms applies to the CEO; the maximum retirement age is two years lower (68 years of age) with associated pension compensation, a mutual notice period of nine months and six months' severance pay, subject to an exit agreement. (See note 9 of the Annual Report for details).

Further information about the guidelines for Borregaard's share-related option scheme

General information about the scheme

Borregaard's long-term incentive (LTI) scheme is a share option scheme related to the share price and forms part of an overall remuneration programme for senior personnel. The option scheme means that employees in the scheme can obtain share options that entitle them to purchase a defined number of shares at a given value after a fixed period of time. When options are exercised, the sale of shares will realise a gain. In order to adapt the scheme to its objectives, the allocations and potential maximum gains are subject to a number of restrictions.

The Board will consider on an annual basis whether to allocate options and can provide recommendations for such allocation within the framework of these guidelines. The Board can decide whether the options will be physical or synthetic. The Board and its compensation committee will ensure that the allocation of options and the administration of the scheme comply with the intentions. The strike price for all allocations since 2014 has been set at 10% above the share price on the date of allocation.

The purpose of the scheme

There are two main reasons behind the scheme:

- Strengthen the ownership perspective and support the company's long-term objectives by including development of shareholder value (share price) and investment in shares as criteria for this remuneration.
- Providing senior managers and key employees with an incentive to make a long-term commitment to the company.

The allocation criteria for options (long-term incentives, LTI) are complementary to the criteria for the annual bonus scheme (short-term incentives, STI).

Members of the Group Executive Management Team are expected, including through the share option scheme, to build up and retain a holding of Borregaard shares corresponding to two annual base salaries for the CEO and one annual base salary for the other members.

Allocation criteria

Options can be allocated to executive personnel at certain job levels who have achieved good results and where the company sees a particular need to ensure that they make a long-term commitment to the company:

- The CEO and other members of the executive management team receive options as part of their overall remuneration package to incentivise the team's cooperation to deliver and execute on the company's and the owners' long-term objectives and strategy.
- The management and key personnel/specialists in the business areas and corporate staff may be allocated options on the basis of the following criteria:
 - The employee has, in line with the company's culture and values, over time, delivered positive results within at least two of the following areas, anchored in the company's long-term objectives and strategy:
 - Organic growth/specialisation
 - Continuous improvement
 - Innovation
 - Sustainability/ESG
 - Development of talent/managers
 - The employee/position is particularly important/critical for achievement of the company's goals. The employee is considered difficult to replace, and there may be a risk that he/she will leave the company. The scheme does not automatically follow a particular position, and one or more allocations do not entitle the holder to subsequent allocations.
- The scheme/rights are only valid as long as the option holder is employed (has not already given notice/resigned) in the Group.

Restrictions on allocations

- The total annual allocation of new share options may be no more than 0.8% of the company's outstanding shares. The total number of outstanding options may be no more than 2.0% of the company's outstanding shares.
- The number of options allocated shall be dimensioned to provide approximately 30% of the maximum allowed gain after four years, assuming an annual growth rate of 10% in the share price.

Restrictions on gains

- The options have a strike price 10% above the market price on the allocation date, which requires a (substantial) increase in the share price before the options gain value. The strike price is adjusted for dividends and other factors relevant to share capital (e.g. buy-backs, write-downs and new share issues).
- The total pre-tax gain per calendar year from exercise of options may not exceed two annual base salaries for the CEO and one annual base salary for other employees.

Time limits

The share options will expire after five years, the vesting period is three years and the options can be exercised during the last two years.

Requirement to purchase shares

Employees must use at least half the gain (after tax) to purchase Borregaard shares, with a lock-in period of three years. This requirement will remain in place for the Group Executive Management Team until a shareholding equivalent to two annual base salaries for the CEO and one annual base salary for the other members has been achieved.

Discounted shares for employees

For several years, Borregaard has had a scheme allowing employees to buy a limited number of shares at a discount in relation to the market price. The scheme is implemented annually, most recently in February 2021, when employees could purchase shares for a maximum amount of NOK 60,000 including a discount of 25%. The shares purchased via the scheme are subject to a lock-in period of one year.

The scheme is available to all Borregaard employees – including executive personnel – with the exception of a few countries where practical/legal circumstances make this difficult. Between 400 and 500 employees have participated in the scheme in recent years.

The Board decides each year whether the scheme shall be implemented. The scheme is also planned for the upcoming general meeting period.

Remuneration for Board members and observers elected by employees

Remuneration for Board members and observers elected by employees is proposed by the nomination committee and adopted by the General meeting through a separate resolution.

The Board's proposal

The General meeting approves Borregaard's remuneration policy, including the guidelines for share-related remuneration.