



Borregaard

MANAGEMENT APPROACH

STAKEHOLDER ENGAGEMENT, IDENTIFICATION OF MATERIAL TOPICS AND OUR MANAGEMENT APPROACH

2021



INTRODUCTION

Borregaard has conducted a stakeholder and materiality analysis in line with the Group's sustainability strategy, including the six prioritised Sustainable Development Goals (SDG's) set out in the UN 2030 Agenda for Sustainable Development. The analysis identifies the economic, social and environmental significance to the company's operations that have the greatest impact on stakeholders' assessments and decisions.

The analysis has been conducted by Borregaard's Sustainability Board, together with an interdisciplinary group of in-house specialists from relevant areas and is reviewed annually. The Sustainability Board addresses and monitors important topics within sustainability and initiates processes in which policies, objectives and measures are developed within the areas covered by Borregaard's Sustainability Report. The Sustainability Board reports to the CEO and is chaired by the Senior Vice President of Organisation and Public Affairs. The results of the materiality analysis are approved by Borregaard's Board of Directors annually and are used for defining content and topic boundaries in the Sustainability Report. Our management approach to each topic is also described.

Borregaard follows Euronext guidance on ESG reporting of January 2021 and the reporting is in accordance with the GRI standard.

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STAKEHOLDER ENGAGEMENT - OUR APPROACH

Borregaard exercises corporate responsibility by running and developing its operations profitably and in a manner that conforms with fundamental ethical values and respect for individual people, society as a whole and the environment. This approach includes maintaining a dialogue with stakeholders, which is important in our day-to-day operations and when decisions are made. We believe a good dialogue with the stakeholders is a valuable means of building trust and understanding of the role the company plays in local communities and society.

Borregaard has surveyed the groups, organisations and individuals that are either impacted by our company's operations or which, in a variety of ways, have an impact on the company's strategy and goal achievement. Our stakeholders include existing and potential customers, investors and lenders, current and potential employees, the authorities, suppliers, local communities and neighbours, partners, organisations and the media.

The figure below shows which groups of stakeholders are regarded as most important for Borregaard.



The individual units in the Borregaard Group continuously assess issues that are relevant for the relationship between the company and society.

We assess our stakeholder's views and concerns within our material topics through regular dialogue, media analyses, investor meetings, as well as other relevant arenas. Complaints and other enquiries from external stakeholders are dealt with in a proper manner, including through our grievance mechanisms. Borregaard has established guidelines on whistleblowing, how expressions of concerns are handled and which channels can be used for addressing concern. In 2022 we will include public disclosure of grievances logged and actions taken in our reporting.

In Norway, the Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act) will enter into force on 01.07.2022. The most important subjects in the stakeholder dialogue in 2021 were consequences of the COVID-19 pandemic and topics such as EU taxonomy, European Green Deal and climate impact and climate mitigation activities. Biodiversity and human rights are other topics that have increasing attention amongst our stakeholders. The information from the stakeholder dialogue was used in the annual update of our materiality assessment and covered within our material topics. We strive to maintain a constructive dialogue, according to our procedures for stakeholder dialog.

Below is an overview of topics that our stakeholders are concerned with, as well as their expectations with respect to the company and our measures.

Expectations of Borregaard	Arena for dialogue	Important subjects in stakeholder dialog 2021	Borregaard's measures
CUSTOMERS			
<ul style="list-style-type: none"> • Security of supply • Compliance with regulations - High governance standard • Product safety, quality and performance (EPD's) • Predictability • Availability, service and communication • Sustainable sourcing and production • Ethical standards (anti-corruption, ethical purchases, human rights, etc.) • Competitive terms and conditions • Development of new and improved products/services • Market position and reputation • Documentation on ESG topics/ESG score 	<ul style="list-style-type: none"> • Customer meetings • The company's website and marketing communication • Day-to-day operations • Audits from customers • Questionnaires from customers • Customer satisfaction surveys 	<ul style="list-style-type: none"> • Borregaard Sustainability Strategy • Launching of new webpages • Environmental footprint - LCA • Covid-19 (reliable providers) • Innovation projects and testing of new products 	<ul style="list-style-type: none"> • Risk management: Delivery agreements, preventive maintenance, long-term planning, stock, etc • Certifications • Governance: Compliance with guidelines for anti-corruption, business ethics, purchasing policies • Grievance mechanism, customer complaints • Reliable transport provider • Innovation efforts to improve products and place new products in the market • Technical customer support, Competence-driven organisation • Documentation (LCA/EPD) and reporting to relevant benchmark surveys • CRM database for customer dialogue (HubSpot)

Expectations of Borregaard	Arena for dialogue	Important subjects in stakeholder dialog 2021	Borregaard's measures
INVESTORS AND LENDERS			
<ul style="list-style-type: none"> • Sustainability reporting • High governance standard • Comprehensive risk management including climate related risks • Transparent and available information • Clear and consistent reporting on important and relevant factors • Quantitative goals • High ESG score/ standard 	<ul style="list-style-type: none"> • Investor meetings and seminars • Quarterly presentations • Shareholder general meetings • Annual report with sustainability report • Third-party analyses and audits • The company's website • Capital Markets Day 	<ul style="list-style-type: none"> • EU taxonomy • Science based target • Covid-19 (business risk) • Emission to water • Biodiversity • Human Rights 	<ul style="list-style-type: none"> • Sustainability reporting according to GRI standard, TCFD and • Disclosure CDP, (Global Compact, Responsible Care) • Disclosure of relevant information • Established relevant and quantifiable goals • Preparing and highlighting policies • Surveying risks and opportunities • Complies with Norwegian code of practise (Corporate governance chapter in Annual Report)
EMPLOYEES			
<ul style="list-style-type: none"> • Safe workplaces • Good reputation • Responsible and attractive workplaces • Good working environment, health and safety • Management and employee participation • Compliance with employee rights • Good working terms and conditions - compliance with human rights • Qualified and competent workforce 	<ul style="list-style-type: none"> • Onboarding and offboarding program • Annual plan and development dialogues • General meetings/ departmental meetings • Company democracy meetings • Cooperation meetings with trade unions • Employee surveys • Intranet - company information portal 	<ul style="list-style-type: none"> • Safety • Covid-19 (infection control measures) • Remote office environment 	<ul style="list-style-type: none"> • Zero harm program • Reputation building/ employer branding • Leadership training • Internal and external communication measures • Competitive conditions • Training- Competence mapping and evaluation. • Competence programmes and on-the-job-training activities • Grievance mechanism: 3.party whistle blowing procedure • Short decision-making paths

Expectations of Borregaard	Arena for dialogue	Important subjects in stakeholder dialog 2021	Borregaard's measures
THE AUTHORITIES			
<ul style="list-style-type: none"> • Compliance • EHS, energy and climate measures • Comprehensive risk management including climate related risks • Preparedness • Taxes and duties 	<ul style="list-style-type: none"> • Dialogue meetings and conferences • Supervision, audits and controls • Public consultation submissions 	<ul style="list-style-type: none"> • Water; Plan for emission reduction • Renewable Energy supply • CO2 compensation and EU-ETS • SO2 - consideration zones Sarpsborg municipality 	<ul style="list-style-type: none"> • EHS and climate reporting and progress • Clear and long term goals for EHS and climate • Proactive dialogue with authorities, politicians and NGO's • Complying with both the intention and letter of the law, as well as international guidelines for taxes and duties • Enquiries, with a description of requirements and scope
SUPPLIERS			
<ul style="list-style-type: none"> • Defined quality requirements/security of supply/service level • Predictability/long-term perspective • Willingness to pay, ability and punctuality • Reference • Integrity 	<ul style="list-style-type: none"> • Supplier meetings • Tenders / Request for Quatations • Negotiation meetings • Day-to-day operations • Audits 	<ul style="list-style-type: none"> • Borregaard Sustainability Strategy • Forest certification-biodiversity • Covid-19 (supply of raw materials and services) • Safety • Human Rights • CO2 emissions and environmental impact from supply chain • Anti-Corruption 	<ul style="list-style-type: none"> • Qualifying suppliers based on criteria regarding EHS, quality and code of conduct • Paying on time • Act on the basis of a long-term perspective and predictability in the market • Certified forest raw material • Audits/development of suppliers, supplier evaluations • IP strategy • Grievance mechanism includes supply chain

Expectations of Borregaard	Arena for dialogue	Important subjects in stakeholder dialog 2021	Borregaard's measures
LOCAL COMMUNITIES AND SOCIETY IN LARGE			
<ul style="list-style-type: none"> • Sustainable jobs • Support local business • Apprentice schemes • Transparency on matters that impact neighbours and local communities • Risk control and reduction • Availability and ability to respond to questions • Participation in local support and sponsorship measures 	<ul style="list-style-type: none"> • 24-hour availability • Preparedness organisation • Represented in various local forums - NGO's • Local media and social media • Guided tours/visits • Close contact with schools and colleges/ universities 	<ul style="list-style-type: none"> • Covid-19 (business contingency) • SO2 - consideration zones Sarpsborg municipality • Climate and environmental impact and measures 	<ul style="list-style-type: none"> • Dedicated employees who respond to questions/receive enquiries (Grievance)/ give lectures/home visits, etc. • Sponsorship and partnerships • Proactive and reactive information • Being a responsible player • Environment and safety improvements from production sites • Apprentice, Pupil and Student programmes • Dialogue with NGOs (or: Participation in industry NGO's and special interest organisations)

MATERIALITY ANALYSIS - OUR MOST IMPORTANT TOPICS

Borregaard has identified the company's most important topics based on the location and nature of the company's operations, customers and suppliers. This is an integrated and multidisciplinary part of the Groups management processes. The results are based on our values, policies, and strategy, as well as how we as a company impact our stakeholders financially, environmentally and socially. These overarching areas also reflect the topics our stakeholders are concerned with, as well as impacted by. The materiality assessment considers double materiality: How we as a company impact our stakeholders financially, environmentally and socially on the topics that are the most important to them, and how these topics impact Borregaard.

The Sustainability context of our reporting is linked to the six prioritised sustainability goals: zero hunger, economic growth, innovation, responsible production, climate action and life on land. The areas are closely associated with Borregaard's operations and are in line with the company's business strategy to use natural and renewable raw materials to produce biochemicals that are sustainable and environmentally friendly substitutes for petrochemicals. The prioritised sustainability goals are used as a framework for guiding, communicating and reporting on the company's vision, strategy, goal and activities going forward.

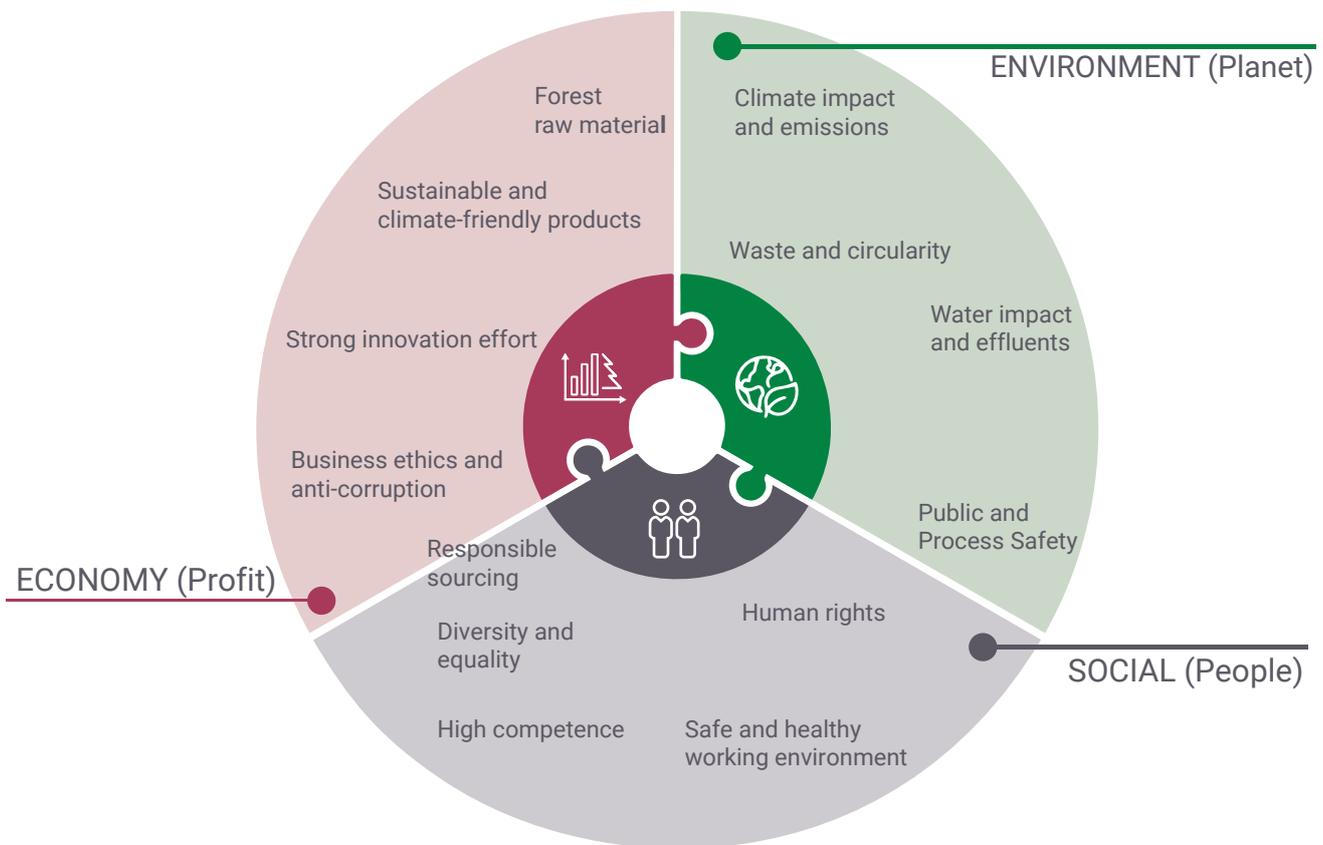
The Table below shows the material topics that are the most important for our economic, social and environmental impacts, and for the impact on Borregaard. The topics are linked to the SDG's which they influence, and to the relevant GRI standard for reporting. The material topics are within areas where Borregaard has responsibility or can influence, the boundary of each topic is shown in the table below. The topics cover different part of the value chain. The table show which GRI indicators we have selected for each topic, and which chapter each topic is reported in the Sustainability report. For a topic that has no relevant GRI indicators we have established company specific indicators (CS).

Main area	Material Topic	Related GRI topic	Impacted SDG	Topic Boundary
Sustainable Business Model (Cap A)	Sustainable and climate friendly products	CS: Number of approved Environmental Product Declarations (EPD).	SDG 2, SDG 6, SDG 7, SDG 9, SDG 11, SDG 13	Customers, Entire value chain
	Strong innovation effort	CS: Innovation rate.	SDG 9, SDG 17	Entire value chain
	Forest Raw materials	CS: % certified wood	SDG 15	Supply chain for raw materials
Climate and environmental engagement (Cap B)	Climate impact and emissions	GRI 201-2 GRI 302-1, 302-2 GRI 305-1 CS: GHG emissions within the EU ETS system GRI 305-2, 305-3, 305-4, 305-5, 305-7 GRI 307-1	SDG 12, SDG 13	Entire value chain

Main area	Material Topic	Related GRI topic	Impacted SDG	Topic Boundary
	Water consumption and effluents	GRI 303-1, 303-2, 303-3, 303-4 CS: COD in process water discharged CS: AOX in process water discharged CS: Suspended solids in process water discharged CS: Phosphor in process water discharged CS: Nitrogen in process water discharged CS: Copper in process water discharged GRI 305-5 GRI 307-1	SDG 6, SDG 12	Own operations
	Waste and circularity	GRI 306-3 CS: Non-hazardous waste, material and energy recovery CS: Non-hazardous waste, to landfill CS: Hazardous waste, material and energy recovery CS: Hazardous waste, to landfill	SDG 12	Own operations
	Public and Process safety	CS: Number of fires CS: Number of near fires	SDG 12	Own operations
Care for people and competence development (Cap C)	Safe and healthy working environment	GRI 403-9 CS: Number of lost time work-related injuries CS: Rate of lost time work-related injuries per million hours worked (LTI-rate) CS: Sick leave	SDG 8	Entire value chain
	Competence development and a corporate culture that supports our goals and strategy	GRI 401-1, 401-2, 401-3 GRI 402-1 GRI 404-1, 404-2, 404-3	SDG 4, SDG 8	Own operations
	Diversity and equal opportunities	GRI 405-1, 405-2	SDG 8, SDG 5	Own operations
	Sustainable Sourcing	GRI 414-1, 414-2 GRI 308-1, 308-2	SDG 8, SDG 12, SDG 13	Supply chain
	Business ethics and anti-corruption	GRI 205-1, 205-2, 205-3 GRI 206-1	SDG 8, SDG 16	Entire value chain
	Human rights	GRI 412-2, 412-3 GRI 407-1 GRI 408-1 GRI 409-1	SDG 8	Entire value chain

The illustration below shows the results of the stakeholder and materiality analysis, “Significance for the stakeholders and Borregaard’s environmental, economic and social impacts of the world” in the three sustainable dimensions, people, profit and planet. The axes represent the impact of the three dimensions. The analysis guides our main challenges and points out our strategic priorities for improving the impact of our main topics in all the sustainability dimensions and the SDGs we have prioritised. Our topics have an impact in different parts of the value chain, thus our priorities cover sourcing, own operations and our customers.

We have chosen to use only those parts of the axes that focus on the topics that are the most important and most critical, both for Borregaard and our stakeholders. Consequently, we have not touched on topics that are less important.



Stakeholder and materiality analysis in the three sustainable dimensions, people, profit and planet.

MANAGEMENT APPROACH TO OUR MATERIAL TOPICS

Our management approach to the material topics, are reported according to the GRI 103 standard. Our material topics are described in more detail through chapters A to C in the sustainability report for 2021. How we work with each material topic, development and key results in 2021 and the way forward with plans and targets, are discussed. Other GRI reporting requirements for the management approach to the topics that are not covered by the Sustainability report, or by our policies are reported in this document.

In general, our management approach follows the principles of Borregaard's governance framework and is described in the Corporate Governance chapter in the Annual report for 2021.

The Group Executive Management members are assigned to managing the material topics within their respective area and are responsible for implementing the relevant sustainability measures for each topic.

The Sustainability Board (SB) will address and follow up on material topics and initiate processes aimed at developing policies, actions, and goals within the topic boundaries for sustainability. SB reports to the President and CEO. The members of SB represent the whole value chain within Borregaard and have relevant background and experience within sustainability aspects in the company.

The Board of Directors evaluates the objectives, strategies, and risk profiles annually. Specific goals and KPIs linked to the material topics, are evaluated in the SB. New goals and KPIs are approved by the Board of Directors.

Borregaard has a set of guiding documents for corporate responsibility and code of conduct, as well as manuals and more specific guidelines for different areas such as anti-corruption, competition legislation, responsible sourcing, environment, health and safety, and human rights, see

<https://www.borregaard.com/sustainability/corporate-responsibility/borregaard-s-business-policies>:

- Corporate Governance principles
- Corporate responsibility
- Code of conduct
- Supplier code of conduct
- Responsible Sourcing Policy
- Competition law compliance manual
- Anti-corruption manual
- Policy Environment, Climate, Health and Safety engagement
- Human rights policy

Borregaard's corporate culture and values are described in the document [The Borregaard Way](#), our values, sustainability, long-term perspective and integrity are closely linked to how we manage the material topics.

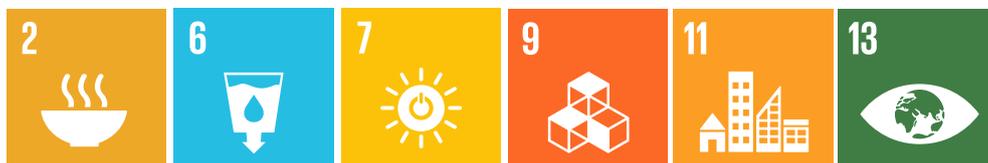
CHANGES IN REPORTING FROM 2020

In 2020 we highlighted our contribution to society and the economic ripple effects from our business in a separate chapter. In 2021 this information will be found in chapter C Care for people and competence development. Sustainable sourcing has been moved from chapter A to chapter C. The changes have been done to improve the balance and the clarity of our reporting.

A SUSTAINABLE BUSINESS MODEL



SUSTAINABLE AND CLIMATE FRIENDLY PRODUCTS



Our management approach is to document the sustainability of the products. 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 documents the environmental impact of Borregaard's products, from raw materials to finished products and monitors how environmental improvement in the value chain can reduce this impact. Environmental Product Declarations (EPD) are made from the LCA data and verified by a third party. The EPD data is compared with relevant competing products.

LCA tools are also used in the innovation process. For bioethanol, ISCC EU certification is used to document that sustainability criteria for the use of bioethanol in transportation is met. In 2022, we aim to certify our speciality cellulose according to ISCC PLUS and our lignin-based biopolymers according to PEFC. In addition, Borregaard's sustainability reporting is verified according to the GRI standard. The standards for sustainability documentation are developing in a direction of strictly using third party verified data, standardised methods for calculation of biogenic CO₂ and more comprehensive product category rules to define environmental impact. The result of our management approach review is that we will increase the number of EPDs and develop them in line with new requirements and standards.

We aim to influence our customer's choices by documenting the sustainability performance of our products through life cycle analyses. Borregaard has established a communication strategy to ensure that this message reaches the markets, KPI's in the CRM system is established to evaluate the progress. This is an effective way to receive valuable information to Continued development of new bio-based products.

STRONG INNOVATION EFFORTS



The innovation work is organised in "Innovation Management Teams", one team for each business unit. The teams are cross functional, and work with the whole portfolio from ideas to implementation projects.

Our innovation success in developing sustainable products and solutions is a result of in-house R&D and close cooperation between sales and marketing, production and our customers, as well as external institutes and universities in several countries. The innovation effort has gained recognition and support from the European Union, Innovation Norway and the Norwegian Research Council.

The innovation success is evaluated by measuring the innovation rate, which is defined as sales of new products and applications introduced during the previous five years. This is our company specific indicator to disclose the progress of our innovation performance and is used for evaluating our management approach. Implementation of a new assessment tool to improve the sustainability in over innovation project was successful.

FOREST RAW MATERIAL



To minimise the impact from felling, Borregaard attaches great importance to sourcing and purchase wood from forests that are certified and managed in a sustainable and eco-friendly manner, as required from our responsible sourcing policy and supplier approval procedures. PEFC international sustainable forest management benchmark sets out criteria and indicators that are vital for the sustainable management of forests. A traceability system tracks all purchased wood back to the harvesting areas. Our purchasing control system is linked to the traceability system (Norwegian Wood Trade System) and our FSC CoC and PEFC CoC system shall ensure that our purchased wood is in accordance with PEFC and FSC certification standards/schemes regarding forest management. To avoid conversion and deforestation the FSC Controlled Wood makes sure that we are not purchasing wood from controversial sources.

The Senior Vice President Strategic Sourcing is responsible for ensuring sustainable sourcing of natural, renewable raw materials and that Borregaard reaches its target of sourcing only certified wood.

We have selected a company specific indicator as topic-specific disclosure for forest raw material. A KPI for % of certified wood (PEFC and FSC) is established, the target is to increase the certified wood from a level of 98% to 100%.

The management review in of the process in 2021 concluded that we have the necessary measures in place to reach our target regarding sourcing of forest raw material.



Borregaard EHS and climate policy guides our priorities, was updated in 2021.

Borregaard has dedicated support functions for EHS and risk management. Risk management covers every aspect of Borregaard's activities and self-assessments are conducted in relation to EHS. The risk management process systematically identifies all types of unwanted environmental risks. Climate risk assessment complies with the Task Force on Climate-related Financial Disclosures (TCFD), which is reported in a separate TCFD report. Borregaard monitors environment and climate parameters and reports on these in monthly KPI reports, as well as in expanded interim reports. Environment and climate results are reported monthly to the company's Board of Directors. This is also a separate item on the agenda of each Board meeting. The Sustainability Board discusses ambitions and measures regarding environment and climate to ensure common practices throughout the Borregaard Group.

Borregaard prioritises innovations and activities that can improve its products' environmental and climate impact, such as reduced emissions and waste, and improved water and energy efficiency. These processes are supported by certified environment management systems.

Our major impact on the environment is from the production process. Two out of six production sites in the Group, the operation in Norway and in Germany, are certified by ISO 14001 Environmental Management and ISO 50001 Energy Management. Our biggest operational unit, the biorefinery in Norway has the major share of the impacts, more than 90 % for emissions to water. The other units are much smaller and are processing lignin raw material into various biopolymer products, as liquid or powder. Emissions from the various production units are regulated by national and/or local authorities. Our risk assessment and management system covers all the production units.

To improve the environmental performance of our products and to mitigate risks from emissions, Borregaard has established action plans to cut emissions in several areas, and substantial reductions in emissions have been achieved over time.

Inquiries or complaints from neighbours on environmental issues are registered in our case handling system and dealt with according to our procedures.

CLIMATE IMPACT AND EMISSIONS



GHG emissions, energy consumption and the progress for reduction targets, are reported monthly or quarterly. This is done at Borregaard's different sites and at Group level (scope 1 and scope 2). The biorefinery in Norway has established a Climate and Energy Committee. The committee holds monthly meetings where development in energy prices is reviewed and different energy alternatives, renewable energy consumption as well as progress in relevant KPI's and emission reduction projects are evaluated. Changes in framework conditions within energy and climate (EU Green Deal) and development in new technologies, for instance Carbon Capture and Storage, is a part of the committee's responsibility. The committee reports its progress to the Sustainability Board.

91% of the Group's total energy consumption is covered by certified energy management systems, ISO5001. Investment proposals for new projects, includes energy consumption as a selection criterion, thus several small projects contribute to gradually reductions.

Our GHG emission reductions follow our plan for science-based target emission reductions, the target was approved in 2019 and has base year 2009 for scope 1 and scope 2 and base year 2017 for scope 3. The target meets the criteria for a well-below 2oC. We are now in a process to update the target to a net-zero target in line with a 1.5°C future and to design an investment programme according to the new target. For 2022 we will report progress towards the new target.

The Group has established an interdisciplinary long-term task force, "Borregaard Emission Free Transport 2020-2050", aiming to implement alternatives for more environmentally friendly transport solutions in the short and long term. The task force reports to Borregaard's Sustainability Board.

Greenhouse gas emissions are reported in accordance with the Greenhouse Gas Protocol (GHG Protocol), which is a standard for calculating and reporting greenhouse gas emissions associated with operations, both direct and indirect, from the production of products, as well as from all activities in the value chain. Norsus calculates the emissions from Borregaard's input data, a separate scope 3 emission report is published at Sustainability documentation - Borregaard The calculation of GHG emissions is performed according to international standards. The direct GHG emissions and the GHG emission from the purchased steam from Borregaard in Norway are within the EU-ETS system, emission factor and calculation method are according to the EU-ETS permit given by Norwegian Environmental Agency. The GHG emission from electricity is calculated as consumption times emission factor, physical mix for electricity is used. The sources for the emission factors are, International Energy Agency (IEA) and Emissions & Generation Resource Integrated Database (eGRID). Borregaard's full year GHG emission data are approved by a third-party.

Other emissions to air are measured in line with international standard methods and are regulated by the permits given by the local or national authorities. Ozone depleting substances was calculated from our LCA data and shown in the Sustainability Reporting for 2019. The number was low, 0.038 tonnes of CF11. The emission of these substances has become low in the society and in new standards for LCA, the OCD has been taken out as an indicator. Due to the low level and not relevant emission parameter, we consider this as an omission to the GRI 305-6.

The management review of our approach to climate change in 2021 resulted in measures to increase the speed of our emission reduction plan to achieve the ambition in our updated Net-Zero Science based target. In 2021 we decided to publish a separate TCFD report together with a climate scenario analysis, this has given us valuable insight in how to proceed and prioritize our activities.

WATER CONSUMPTION AND REDUCTION OF EFFLUENTS



Water scarcity is a main challenge in the world, but this is a low risk in the areas where Borregaard operate according to our risk assessment, <https://waterriskfilter.panda.org/en/Explore/Map>. Water is one of the main elements in a biorefinery manufacturing process. At Borregaard Norway (95% of total withdrawal), freshwater is used for cooling, steam production and hot water production, as well as washing and transporting

biomass/fiber in the biorefinery/pulp production processes. We report the discharge of cooling water (GRI 303-4b,i) and process water (GRI 303-4b,ii) as two separate indicators.

More than 99% of the Groups effluents to water stems from the biorefinery in Norway. Organic matter (measured as COD) in the water discharge, impact the water quality in the river Glomma negatively. According to the definition in GRI 303, the impact of the effluent on the ecological status of the river is defined as water stress. The purpose of the management approach is to reduce the impact on the water quality in the river Glomma to good ecological status.

The Group Executive Management are managing and assessing water-related risks and opportunities in their respective area of responsibility. The Plant Director of the site in Norway (Member of Executive Management Group) is responsible for reduction of effluents to water from the site in Norway, and has dedicated Process owners that are responsible for the reduction of COD within their respective process. A steering committee chaired by the Plant Director (review the progress at a regular frequency, are responsible for development of a long-term plan for cuts in COD. The progress is evaluated as a part of the management review process. The results from 2021 was to continue with action plan for reduction in COD, and targets for 2030 was set. The target is to reduce the COD from 55 tonnes pr day to below 40 tonnes pr day in 2030.

Borregaard and the Norwegian Institute for Water Research (NIVA) monitor the River Glomma in accordance with the requirements and standards in the EU Water Framework Directive (WFD). The implementation of WFD in Norway is organised in local areas that has common interest in a special river or lake area, Borregaard participates in a working group organised by the nearby municipalities, called "Glomma Sør". The reports from the monitoring of the River Glomma are public available.

Best available Techniques Reference Document standards (BREF's) are used for emission permit settings in EU/EEA countries, the documents describe different manufacturing processes, their respective operating conditions and emission rates. Based on the latest review of these standards, Borregaard's operations in Norway received a new discharge permit from 01.07.2019. The permit has stricter limits for several substances in the effluent, including sub-streams, in shorter average periods. This means that the number of single limits in the permit has increased. The new permit for COD in the effluent is reduced from 69 tonnes to 59 tonnes per 24-hour period (on average over the year) in order to comply with BAT levels for emissions to water. Components in the effluents to water are measured after Norwegian or International standards. The most important parameters to water from our operations are COD, AOX (Adsorbable Organic Halogen), Copper, Suspended Solids (fibers), Nitrogen and Phosphor. In addition to reporting the type of substance (303-4d), we report the amount discharged to water. For Borregaard in Norway the emissions to water and air are reported at <https://www.norskeutslipp.no/en/Miscellaneous/Company/?CompanyID=5086> together with the permit.

The Groups other operations have permits from local or national environmental authorities.

The management approach is evaluated in a yearly management review process as required in the ISO40001 standard. The management review of our approach to water consumption and reduction of effluent in 2021 resulted in measures to map the potential to reduce water withdrawal and to report on reduction. For some areas the data quality needs to be approved. Our approach to reduce cooling water will have lower priority than our approach to reduce process water. The results from the mapping will be used for setting a long term target for reduction in water withdrawal.

WASTE MANAGEMENT AND CIRCULARITY

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Controlling the risk of emissions from waste and reducing the amount of waste produced are part of Borregaard's environment policy. Borregaard's waste management system at the operations in Norway and Germany is covered by the ISO 14001 certification.

98% of the waste from operations in Norway was source separated and processed by certified waste treatment providers in 2021. Waste plans for the industrial facilities, projects and the company's own harbour have been established. The hazardous waste is reported in declaration system operated by the Norwegian Environment Agency. Waste generated is reported monthly, data is received from our waste operators, from weight bridge tickets and declaration systems, the data is controlled by our internal control routines. The waste treatment providers are selected as described in the sustainable sourcing chapter above.

The management approach is evaluated in a yearly management review process as required in the ISO40001 standard. In 2021, we improved the waste reporting for the entire Borregaard Group and we will reduce waste through increased material recovery. A plan to reduce landfilling and increase energy recovery and material recovery has been established, we will no set waste reduction targets.

PUBLIC AND PROCESS SAFETY

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The process safety management system is according to the standard OSHA 3132 for process safety. Borregaard's biorefinery in Norway has established a strategy for preventing major accidents in line with Seveso III (Section 7, Annex 3).

The Plant Director of the site in Norway (Member of Executive Management Group) are managing and assessing risk related to process and public safety at the site in Norway. A cross functional process management team has monthly meeting supervising the progress within improved process safety. Main activities are updating the process hazard analysis (PHA), improving the mechanical integrity of the maintenance system, update the emergency plans and provide procedures and training of Borregaard employees and external contractors. Fire prevention is an important area within process and public safety

The management approach is evaluated in a yearly management review process as required in the process safety standard. The results from the last review were to improve the KPI's from process safety and improve process safety training. Number of fires and near-fires are selected as company specific GRI indicators, decreased from 5 to 3 and 11 to 8 respectively, indicating that preventive measures have an effect.



SAFE AND HEALTHY WORKING ENVIRONMENT



Borregaard's ambition is to promote a safety culture that results in no injuries to employees or third parties, as well as material damage resulting from our activities. This is achieved through sound risk management, systematic efforts to prevent injuries and occupational diseases, both physical and mental, and the involvement of all employees.

Norwegian EHS legislation (Internal Control Regulations) includes a requirement for a management system that systematically monitors safety, identifies hazards and employee involvement. The scope of the management system is both internal employees and external contractors. This is a legal requirement for Borregaard's business in Norway, but it is implemented in our business outside Norway as well. We have added our own requirements and guidelines, that follows best standards for best practice, to ensure high EHS standards for our operations.

Occupational health services are available for all employees, the health of our employees is regularly monitored through medical examinations and working environment surveys. A health and safety committee monitors and advises the occupational safety programs for all employees at Borregaard's biorefinery in Norway in line with the Norwegian Working Environment Act (AMU).

Borregaard's international operations have a worldwide safety management system called Zero Harm. This system is developed from international proven systems to secure a high EHS level. Each of Borregaard's manufacturing plants outside Norway has established an EHS/Zero Harm organisation which include and engage all employees. An EHS leadership team consisting of all Managing Directors and safety professionals are leading the safety work together with the EHS manager for each plant.

Contractors and external workers are required to follow the safety rules in force at Borregaard at any time.

At our biorefinery in Norway, we hold a biweekly safety meeting where the management and employee representatives address various safety issues. There are also weekly meetings with new shifts where HSE incidents and learning points are addressed to ensure knowledge transfer.

Our ambition is to run our operations with zero injuries. That means that the business operates with high safety standards and has developed of a strong safety culture for both employees and contractors. Safety is an integral component of all aspects of Borregaard's operations through a proactive approach that involves safe job analyses, safety barriers and the overall principle of "safety first". The management has long prioritised a focus on safety in the workplace to eliminate injuries.

Important measures for eliminating injuries include basic EHS training to strengthen the safety culture, focusing on personal responsibility for one's own safety, clear safety management, reviews of rules for and the practical use of protective equipment, and requirements for order and tidiness in the workplace.

All new employees are going through a special training and onboarding programme where EHS training is an essential part. Each programme is adapted to the position and workplace of the employee. Training records and certifications are stored and maintained in a training database. The need for training and competence is under continuous surveillance. Monitoring and investigations of incidents are revealing which areas that needs to be strengthened and improved.

The Borregaard Group has implemented a systematic procedure for investigating the root causes of incidents before corrective and preventive measures are implemented. An electronic system for reporting deviations is implemented in which all employees have access to. All injuries and first aid cases are analysed for the root cause, conducted by cross functional teams.

The work-related hazards that pose a risk of high-consequence injuries has been identified to be:

1. Intervention in equipment: Exposure to energy in the form of chemicals (liquid, gas), high pressure, liquids with harmful temperatures, electricity, potential energy (falling objects, torque).
2. Entering into confined space.
3. Work at height.
4. Hot work (include riveting, welding, flame cutting, or similar fire- or spark- producing operations).
5. Trips and falls.

The hazards 1 to 4 has been identified proactively through risk assessments while the trips and falls hazard has been identified reactively as a result of injuries.

For the prevention and mitigation of occupational health and safety impacts directly linked by business relationships, our suppliers are selected as described in the sustainable sourcing chapter below.

Our reporting is based on requirement from ISO45001 and the GRI 403(2018) standard. We are managing our health and safety issues in line with most of the requirements in the ISO45001 standard.

The management approach is evaluated as a part of our management review process. The result from the evaluation in 2021 was to continue with we will maintain a motivated and proactive organisation with a high degree of awareness of our responsibility to mitigate risk. Reporting, analysing underlying causes, implementing measures regarding near accidents and hazardous situations, as well as frequent inspections at the facilities, will continue in 2022

COMPETENCE DEVELOPMENT AND A CORPORATE CULTURE THAT SUPPORTS OUR GOALS AND STRATEGY



Borregaard has a comprehensive portfolio of internal training programmes that cover the core competencies such as lean production and operations, innovation seminars, sales and application academies, introduction programmes for new employees, in addition to management programmes. Training programmes are followed up by a common reporting system where attendances on group, company and individual levels are documented. The system gives valuable data for securing sufficient training activities and diversity among the attendances on the various training sessions. The data has been compiled using our internal HR system "Catalyst One".

As recruitment activities collaboration with several educational institutions is done to encourage interest in an industrial career and relevant qualifications.

Indicators used for monitoring competence development include attendances (number and diversity) in training programmes, identification of internal succession candidates and turnover which are reported in the annual organisation audits that includes competence mapping and plans. The reports and indicators are evaluated as a part of the annual management review processes in the Top management group and the Board. The results from 2021 showed that the organisation is robust regarding the general competence level. Most positions have internal succession candidates and the turnover is generally low. Training programmes had been conducted through e-learning alternatives to compensate for lack of physical seminars and meetings due to the coronavirus situation.

DIVERSITY AND EQUAL OPPORTUNITIES



Traditionally there is a high share of male employees in process industry and in management positions. Borregaard is still influenced by this, but the company has an active policy to increase the share of female employees and managers. This is followed up in reports and KPI's, and female employees are promoted and prioritised in recruitment processes, training and management programmes.

There is an emphasis on closely following up those on sick leave and on adapting tasks for individual employees. For workers that are close to retirement, the company considers reduced work hours or adapting tasks. Borregaard has guidelines for adapting the work situation in different phases of the career. We have transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.

Borregaard measures the number of female employees and managers, the number of nationalities in training programmes, age profile, internal recruitment. The indicators are evaluated as a part of the management review processes. In addition, we will use the results of the questions regarding diversity and inclusion from the global employee engagement survey that was sent out to all employees in the Borregaard Group in 2021, to improve the work.

SUSTAINABLE SOURCING



Our commitment to sustainable sourcing is embedded in our top governing documents. Guidelines and policies are implemented to regulate our sourcing activities.

The Senior Vice President Strategic Sourcing (SVP) (member of the Group Executive Management) is responsible for Borregaard's sourcing activities, including sourcing of energy, chemicals, and transportation, which are substantial emissions sources for the Group. The SVP must ensure that all suppliers meet a set of both social and environmental requirements, and that key suppliers improve their work on sustainability. Responsible sourcing and criteria for supplier selection and management are included in the various processes and in Borregaard's top governing documents and guidelines. Vision and information are provided to procurement personnel to enable them to integrate sustainable sourcing into their work. And finally, transparency is provided through internal and external reporting of the sustainable sourcing activities.

The GRI standards 414 and 308, have been used to define topic-specific disclosure that is relevant for sustainable sourcing and Key Performing Indicators (KPI) for number of screen suppliers for social and environmental issues have been established and are monitored on a regular basis.

When we perform our supplier social and environmental assessment, we start off by providing the supplier with a questionnaire. They must provide information about their management system for Health, Safety and Environment (HSE) and document that they are certified with respect to the following standards or equivalent: ISO45001, OHSAS 18001, ISO14001, ISO50001, or otherwise describe how management of these areas are conducted in the company. The suppliers have to provide information about their procedures and guidelines for corporate social responsibility (CSR) and whether these covers human and labour rights, health and safety, ethics and anticorruption and environment. They also have to provide CSR reporting and any membership in relevant organisations. The supplier must provide information about how they qualify their suppliers, if they have a program in place for doing so, and if that program covers quality, EHS systems, environment and CSR. The supplier must sign Borregaard's Supplier Code of Conduct (SCoC) or provide information that they are committed accordingly, as well as providing information whether they require their own suppliers to sign SCoC.

We use this information to investigate if there are any significant actual and potential negative social and environmental impacts by the supplier and their supply chain. We evaluate the risk and categorise the supplier as high, medium, or low risk. If they are considered medium or high risk, we will collect additional information prior to entering a relation with the supplier. We apply a systematic approach, and we document our findings. Borregaard puts most effort into high and medium risk suppliers, those who will be providing important products and/or services and suppliers of limited available product and services.

Should we identify significant actual and potential impacts, we will estimate our purchasing power and the possibility to influence the supplier's business standard for the better. Our normal response is to follow up through requirements, dialogue and if possible, guidance. There will be a different approach to new suppliers versus existing relations, and to suppliers in different markets. We will work closer with suppliers we define as strategic and bottleneck, than the non-critical ones. We will decide on a case-by-case basis whether incentives, rewards, prevention, mitigation, or remediation will be applied. Nevertheless, if a supplier does not demonstrate willingness to improve within a specified time frame the relation should be terminated.

Our expectations are primarily stated in the SCoC which the supplier has signed. Our standard clause regarding sustainability, describing our approach, goals, and the need for the supply chain to work together are included in our bidding documents. Some contracts include specific clauses, and our suppliers of forest raw material must comply with the requirements of PEFC/FSC, which specifies social and environmental criteria. Our SCoC include information about Borregaard's whistleblowing channel.

For some of our suppliers we will apply mitigating and remediating actions. For other incentives and rewards may also be applied. The mitigation and remediating action will mostly be linked to social impacts, while the environmental impact also can be addressed by incentives and rewards.

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.

The GRI standards 414 and 308, have been used to define topic-specific disclosure that is relevant for sustainable sourcing and Key Performing Indicators (KPI) for number of screen suppliers for social and environment

So, what if we find ourselves in a situation where terminations of the relationship with the supplier seems to be the solution? The assessment of the consequences such a termination will have, is done on a case-by-case basis by a cross functional team. Our suppliers are classified as non-critical, leverage, bottleneck and strategic and we have supplier strategies towards each type. The assessment of the consequences will take these strategies into account as well as the actual situation, and the overall risk.

We evaluate that our management approach for sustainable sourcing in 2021 will be sufficient to reach our targets.

BUSINESS ETHICS AND ANTI-CORRUPTION



Borregaard has established a whistleblowing system and a separate channel (Grievance mechanism), operated by Borregaard's General Counsel to deal with issues if an employee sees or experience conflicts with our guidelines or expectations, this has now been strengthened by a 3.party channel.

Anti-corruption is part of Borregaard's supplier risk assessment. In a questionnaire, suppliers must answer questions regarding anti-corruption. Based on the answers in the questionnaire, Borregaard rates the suppliers. The suppliers must also sign the Supplier Code of Conduct which includes a section on anti-corruption

Business ethics and anti-corruption are among prioritised topics that Borregaard's Compliance Board works with and include in reports and follow up activities. The annual Compliance report is evaluated and approved by the Board of Directors, in 2021 it was no none-compliance incidents.

HUMAN RIGHTS



Borregaard monitors and follow up compliance with the requirements through internal sustainability reporting and internal audit processes. The status of the companies' human rights activities is reviewed annually as part of the business areas' board meetings. Any cases on Human Rights breakages reported to legal head will be reported to the Compliance Board and to the Board When incidents are reported, Borregaard will follow up through our whistleblowing channel.