



Borregaard

HUMAN RIGHTS

REPORT 2021



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INTRODUCTION

This is a report on human rights practices in the entire Borregaard Group. The report describes the steps Borregaard takes to prevent violations of human rights in its operations and supply chains, in accordance with the UN Global Compact. Borregaard and its subsidiaries shall always respect human rights and operate with due diligence to avoid violations of human rights. The Borregaard Group is responsible for its own operations, and the duty to respect human rights also applies to the suppliers and business partners engaged by the company's activities. Borregaard defines human rights enshrined in the Universal Declaration of Human Rights¹ and the employees' rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work².

This Human Rights report includes a statement which covers the global operations and supply chains of Borregaard and all subsidiaries during the financial year that ended 31 December 2021.

INTERNATIONAL STANDARDS AND OUR POLICIES

Borregaard is a signatory to the UN Global Compact and specifically focus on the principles 3, 4, 5 and 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:

Borregaard's Human Rights Policy describing Borregaard's guiding principles for handling the human and worker's rights which having 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 described principles in the Policy should be regarded as a minimum standard.

Borregaard's Code of Conduct consisting 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 shall receive and must sign. This document ensures that our suppliers consider human and 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. Borregaard requires the suppliers to comply with SCoC or its equivalent, irrespective of their country of origin.

Borregaard's labour and human rights management system covers all Borregaard sites. Today, 86% of the total workforce across all locations are represented in joint management-worker health and 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 always to 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, together with the largest production unit and corporate R&D centre. 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 markets, primarily OECD countries, but also in India, China, Singapore and Brazil. In India, Borregaard also has a laboratory facility.

Our risk assessment from 2020 remains representative and valid. In this, Borregaard identified that the greatest risks are in our supply chain. In 2021, we therefore focused on the risk related to the countries where our production units and sales offices are located, 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 bidding documents and contract. Consequently, a supplier 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 2021, 88% of the suppliers to Borregaard Group have signed the Supplier Code of Conduct and been assessed with respect to responsible sourcing, non-critical suppliers excluded. For the Borregaard's biorefinery in Norway the respective figure is 100%. Further, In Norway all new suppliers, including non-critical, have signed the Supplier Code of Conduct and have been subject to risk assessment with respect to responsible sourcing. In 2021, the Supplier Code of Conduct was updated to make it even more detailed when it comes to our expectations to our suppliers, providing a more comprehensive description and reference to international principles and information about Borregaard's whistleblowing channel.

Borregaard also assessed the supplier portfolio, with the purpose of identifying suppliers with the largest environmental impact. The findings were not severe, and no termination of relationship was necessary as a result of any findings. However, 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 given to all units in Borregaard. This includes responsible trade, Human Rights Policy, Code of Conduct and Supplier Code of Conduct (ScoC). Internal audits are conducted every year by Borregaard's internal audit team for 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

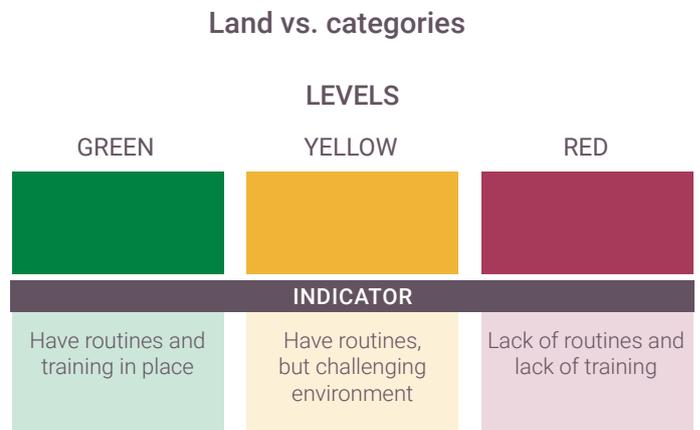
Borregaard apply a risk-based approach to map the risk for human rights violations, both for production units and sales offices.

Borregaard conducts a risk assessment on the entire business at each site, including the sales offices. Based on an in-depth internal evaluation, Borregaard has identified China, India and Brazil as high-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. The sourcing of wood is mainly in Norway and Sweden. Borregaard’s biorefiery in Sarpsborg only source 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. We are focusing on the following human rights categories: child labour, 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.

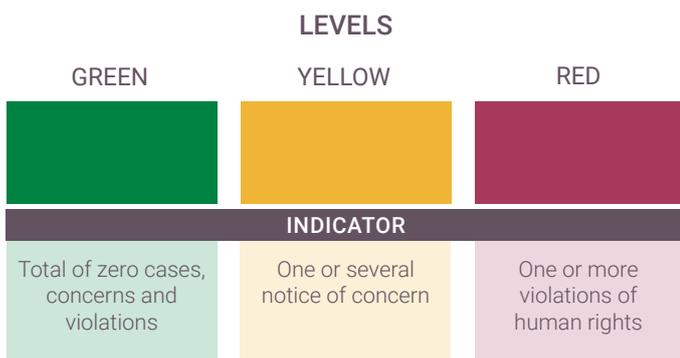


Unit	Child labour	Non-harassment	Non-discrimination	Freedom of association
Norway (P)	●	●	●	●
Germany (P)	●	●	●	●
USA (P)	●	●	●	●
Czech Republic (P)	●	●	●	●
Poland (S)	●	●	●	●
Spain (S)	●	●	●	●
Singapore (S)	●	●	●	●
China (S)	●	●	●	●
India (S)	●	●	●	●
Brazil (S)	●	●	●	●
France (S)	●	●	●	●
Japan (S)	●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

(P)= Production (S)= Sales office

India is yellow due to a different 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 at Norway since the country has a different starting point. This is the reason for why we have evaluated India to yellow (higher risk) 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.

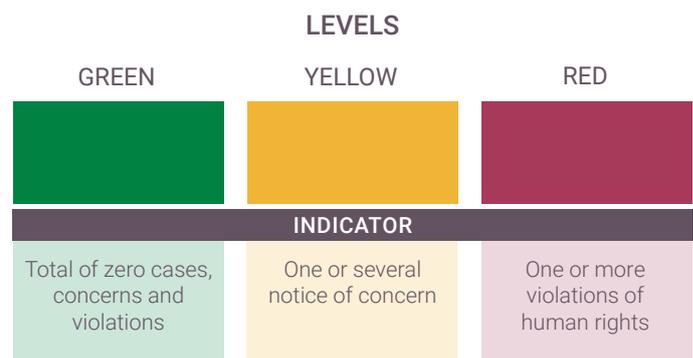
Cases vs. categories (internal)



All countries are green, since we have not disclosed any concerns or violations on human rights in our production units and sales offices.

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 this assessment.

Cases vs. categories (external)



All countries are green, since we have not disclosed any concerns or violations on human rights for external suppliers, neither directly from the supplier nor observed by our employees.

Borregaard Group risk matrix 2021



Borregaard Group – Human Rights risk assessment

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

OUR ACTIONS TO ASSESS AND ADDRESS HUMAN RIGHTS VIOLATION

In 2021, we continued to develop our human rights due diligence program by performing 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 in 2020, 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 put in place in 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 shall be reviewed and evaluated. In 2021, we did not find any breaches on human rights through the internal audits or through the established whistleblowing channel. However, there were some whistleblowing cases that came in through other channels. These cases have been thoroughly reviewed and handled within the organisation.

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 noncompliance 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, which, due to statutory and professional confidentiality obligation, secure that confidential treatment of whistleblowing cases and the whistleblower's anonymity. Ideally, the company prefer any whistleblowing matters to be solved locally. However, situations may arise where reports from employees or others 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.

Borregaard has during 2021 prepared new procedures on how whistleblowing cases shall be handled, as well as roles, responsibilities and requirements for documentation. A "specific" group has been established which will evaluate incoming cases and decide on who should be involved in the process.

CONTINUED EFFORTS IN 2022

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. The concerns and observations were reported to Borregaard's Compliance Board. In addition, the General Counsel encouraged the same selection of employees to report on observed cases, either directly or using the whistleblowing channel to receive more details. The employee and the subject matter will remain confidential with the General Counsel. However, no matters were disclosed, and we therefore assumed that the matters 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. A new digital system for whistle blowing accessible both for employees and external third parties (customers, suppliers etc.) has been selected and will be implemented in first quarter of 2022.

Developments in our supply chains and global initiatives

Even though Borregaard mainly is 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 have also decided to implement an external whistleblowing channel in 2022, accessible for contracting parties and other, 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 evaluate all matters coming either through the whistleblowing channel or in other ways.

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. The training included practical ethical dilemmas, and by the end of 2020, a total of 925 employees had completed the e-learning. The training is mandatory for all new employees. Based on the results from the survey, Borregaard will conduct further training for employees to give them even a better understanding of Human Rights. Informing about the whistleblowing channel will also be a focus going forward. A new training programme for suppliers has been developed in 2021 and will be conducted in January 2022. Also, information will be given regarding the new whistleblowing system when implemented in 2022, ultimately by including the information in the e-learning module.

From December 2021 to January 2022, an employee survey was conducted. Some of the questions were related to human rights elements. The survey will be followed up with focus on maintaining positive conditions and improvement measures if necessary.

Improvements

In 2021, no matters related to violations of Borregaard's human rights policy were disclosed or reported. 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

questionnaires and our audit team conducts audits for our internal plants and sales offices. Borregaard will implement EcoVadis as a replacement for the present system, since EcoVadis is considered as better and more relevant, in addition to the third-party verification of the supplier. This will be implemented in Q1 2022.

In 2021, when we last completed the self-assessment, no concerns were raised regarding human rights violations. Our internal audit team conducted six supplier audits. 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 2022 is to have zero violations on human rights. From next year, we will also report according to the new Norwegian transparency act which will include more details on human rights.³

Through this assessment Borregaard recognises that its human rights compliance efforts need to remain in focus going forward. Due to the countries the company is present in, the Group does not assess the risk of violations as 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.