

F0. Introduction

F0.1

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

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

A BIOREFINERY WITH HIGH VALUE-ADDED

The Group's business model is closely linked to the integrated nature of its biorefinery in Norway, which utilises the three key components of wood – cellulose fibres, lignin and sugars – to produce a diversified portfolio of products. The biorefinery utilises 82 percent of the feedstock to make biochemicals and biomaterials that can replace oil-based products. Most of the remaining biomass is converted to energy used in production processes. In addition to its biorefinery in Sarpsborg, Borregaard has five production sites outside Norway dedicated to producing lignin-based products. The company has sales offices in 13 countries in Europe, Asia and the Americas serving its global customer base. At the end of 2020, the Group had 1,091 employees.

SPECIALISATION IN GLOBAL NICHES

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

COMPETENCE AS THE MAIN COMPETITIVE ADVANTAGE

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

SUSTAINABLE BUSINESS MODEL

Sustainability, which is composed of three pillars: environmental (planet), social (people) and economic (profits) is an integral part of Borregaard's business model.

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

The UN predicts population growth of more than 10% by 2030, which will generate resource scarcity and an extraordinary demand for climate friendly solutions for infrastructure, housing, energy, jobs and food production. The Paris Agreement and the UN Climate Panel have defined specific sustainability goals and measures within areas such as access to raw materials, energy, food and infrastructure. These factors are expected to increase demand for sustainable products and will present opportunities for Borregaard's innovative solutions in terms of creating good lives within a sustainable framework.

Borregaard will, as a company, take climate action and demonstrate how its business can help to advance sustainable development by both minimizing negative environmental impacts and maximizing positive environmental impacts. The Intergovernmental Panel on Climate Change (IPCC) provides a clear description of the world's challenges through the Special Report where it stresses the dramatic difference between an increase in the global average temperature to 2°C above preindustrial levels and pursuing efforts to limit the temperature increase to 1.5°C above preindustrial levels. Borregaard has joined the Science Based Targets Initiative and defined science-based targets that are in line with the ambitions in the Paris Agreement and well below the level required to limit the global temperature increase to 2°C.

Borregaard has engaged an independent third party, Norsus, to conduct a life cycle assessment (LCA) based on the ISO 14044/48 standard. The LCA analyses the environmental impacts of Borregaard's products, throughout their entire life cycle. The LCA confirms that the environmental and climate footprint of Borregaard's products have diminished over time. Borregaard's bio-based products do well from a climate perspective when compared with petrochemical alternatives. Borregaard has made efforts to reduce greenhouse gas emissions (42% from base year 2009) in its own processes, by elimination of heavy oil consumption and increasing the amount of energy derived from more eco-friendly energy sources.

F0.2

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

	Start Date	End Date
Reporting year	January 1 2020	December 31 2020

F0.3

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

NOK

F0.4

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

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

F0.5

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

No

F1. Current state

F1.1

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

Timber products

Activity

Refining & processing

Form of commodity

Pulp

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

Source

Multiple contracted producers

Country/Area of origin

Germany

Latvia

Norway

Sweden

United States of America

% of procurement spend

11-20%

Comment

F1.2

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

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

F1.5

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

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

F1.5a

(F1.5a) Disclose your production and/or consumption data.

Forest risk commodity

Timber products

Data type

Consumption data

Volume

976000

Metric

Cubic meters

Data coverage

Full commodity production/consumption

Please explain

<Not Applicable>

Forest risk commodity

Timber products

Data type

Consumption data

Volume

205255

Metric

Other, please specify (BDMT (Bound Dry Metric Tonnes))

Data coverage

Full commodity production/consumption

Please explain

<Not Applicable>

Forest risk commodity

Timber products

Data type

Production data

Volume

329915

Metric

Other, please specify (BDMT (Bound Dry Metric Tonnes))

Data coverage

Full commodity production/consumption

Please explain

<Not Applicable>

F1.5b

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

Forest risk commodity

Timber products

Country/Area of origin

Any other countries/areas

State or equivalent jurisdiction

<Not Applicable>

% of total production/consumption volume

100

Please explain

We are sourcing wood related raw material from Norway, Sweden, Germany, Latvia and US. For our mill in Norway we are sourcing from: Norway 754.000cbm Sweden 200.000cbm Germany 19.000cbm Latvia 3.000cbm Total 976.000cbm For our two mills in the US: 205.255 BDMT is from US where we receive lignin raw material from adjacent pulp mill DOMTAR that purchase all their wood material in the US. 329.915 BDMT is from US where we receive lignin raw material from adjacent pulp mill RYAM that purchase all their wood material in the US.

F1.6

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

Yes

F1.6a

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

Forest risk commodity

Timber products

Impact driver type

Regulatory

Primary impact driver

Changes to national legislation

Primary impact

Increased production costs

Description of impact

In 2008 the government made changes to the national legislation and implemented subsidies for burning of wood for energy. These subsidies were in place during the period 2009 through 2013. The impact for Borregaard was increased production cost of NOK 160 mill. Because of the government subsidized alternative use of wood (burning wood for energy) the demand for wood increased and hence also the price for wood. The subsidies were NOK 0,08 per Kwh, which equals NOK 32 per solid m3 of wood. These subsidies of NOK 0,08 NOK per Kwh increased the prices for pulplogs with NOK 32 per solid m3 for our pulpmill in Sarpsborg. The pulp-mill has a consumption of 1.000.000 solid m3 each year and consequently the yearly production cost increased with NOK 32 mill per year, summing up to NOK 160 mill over the five year period. (Yearly consumption 1.000.000 solid m3 x NOK 32 per m3 = NOK 32 000 000 per year 5 years x 32 000 000 = NOK 160 000 000)

Primary response

Engagement in multi-stakeholder initiatives

Total financial impact

160000000

Description of response

Through our membership in the Norwegian Pulp and Paper association we interacted with the authorities, politicians, suppliers and other stakeholders such as the Norwegian University of Life Sciences, providing information about the consequences for our pulp-mill in Sarpsborg. We made direct contact with authorities and politicians. We spoke at seminars "Skog og Tre" informing about the consequences of subsidizing wood burning. We increased the general level of knowledge, informing about the added value it has to produce goods made of wood for sale, rather than burning the wood; that Borregaard when producing goods for sale from wood, creates at least three times more value from the wood than a heating plant does. In 2013 we succeeded in convincing the government and they stopped subsidizing burning wood for energy. The demand for wood for energy were reduced and hence also the price pressure in the market that had contributed to our increased production cost.

F2. Procedures

F2.1

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

Yes, forests-related risks are assessed

F2.1a

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

Timber products

Value chain stage

- Supply chain
- Other parts of the value chain

Coverage

- Full

Risk assessment procedure

- Assessed as part of an established enterprise risk management framework

Frequency of assessment

- More than once a year

How far into the future are risks considered?

- > 6 years

Tools and methods used

- Internal company methods
- National specific tools and databases

Please explain

We use internal company methods for identifying and assessing forests-related risks. Identifying and managing risks are integrated, multidisciplinary parts of Borregaard business processes. A central risk management function are established in Borregaard, headed by the Chief Risk Officer (CRO), who is responsible for Borregaard's risk management model. The model is based on ISO 30001 and it contributes to the identification, analysis, and handling of risks across business areas and disciplines. Each business area, function and unit are responsible for the management of risks related to its own operations and its suppliers. In accordance with this model we identify, and map forest related risks and opportunities based on Inherent risk, Current risk level and Future risk level and where we decide if the risk consequence and probability as high, medium or low. We decide the risk trend to be decreasing, neutral or increasing. Consequence is defined as follows Low = 0-5 mill NOK, Medium=5-25 mill NOK and High= Above 25 mill NOK. Probability is defined as Low = less than each 10 year, Medium = between one and ten years and High = each year. Consequence limits are defined by the board of directors. The risk map includes stakeholders' perspective and consideration where applicable, and changes of regulations along the value chain that may influence our business. We have chosen this method for identifying and assessing forests-related risks because Borregaard's main raw material is wood and is resulting in approx. 5.300 mill NOK in operating revenue, hence deforestation risks and opportunities based on wood raw material should be integrated in our overall company risk assessment. As the Group's business model is closely linked to the use of wood, the risk assessment of forest related issues has relevance throughout the organization, including top management and board level. As an example of use, in 2020 this tool was used when we assessed the risk related to the availability of wood, revealing that the risk connected with lack of wood is high and consequently we decided to re-engage the project for increasing our wood storage capacity. We also use national tools databases like Ignite procurement, Brønnøysundregisteret and Proff to assess the financial risks related to our suppliers. In 2020 all strategic wood suppliers were assessed by these tools.

F2.1b

(F2.1b) Which of the following issues are considered in your organization's forests-related risk assessment(s)?

Availability of forest risk commodities

Relevance & inclusion

- Relevant, always included

Please explain

Borregaard's main raw material is wood and approx. 5.300 mill NOK in operating revenue depends on available wood raw material. We use the tools of internal company methods and databases for assessing the risks related to the availability of wood. As the Group's business model is closely linked to the use of wood, the risk assessment of forest related issues has relevance throughout the organization, including top management and board level. We make risk maps where the market and alternative sources are addressed. The risk map matrix is based on Inherent risk, Current risk level and Future risk level and where we decide if the risk consequence and probability is high, medium, or low. We decide the risks trend to be decreasing, neutral or increasing. Consequence is defined as follows Low = 0-5 mill NOK, Medium=5-25 mill NOK and High= Above 25 mill NOK. Probability is defined as Low = less than each 10 year, Medium = between one and ten years and High = each year. We assess the risk for lack of supply of wood, and how and when this impact manufacturing operations in Sarpsborg. And how the availability of wood influence prices and/or change the demand of wood in our purchasing area. The risk assessment reveals that the availability of sustainable wood is crucial for our business and is identified as one of the current main risk factors that can affect the company's business, such as financial results and non-financial performance. The information from the risk assessment is used internally to make decisions about strategy as well as daily operations to ensure availability of wood both short-term and long term. For instance, changing production plans to accommodate the amount of wood available, introduced revised specifications of wood and alternative modes of transportation to increase the sourcing area. Further, agree longer validity in contracts, introducing alternative suppliers or new geographic supply areas. Monitoring EU policies as RED II and EU Taxonomi as they impact the availability and costs of wood. Monitoring new investments that will increasing the wood consumption in Northern Europe through media, web sites and other markets reports. Finally, decisions related to active stakeholder relations management and continuous development of wood sourcing operations to meet the changing operational environments and secure the availability of wood.

Quality of forest risk commodities

Relevance & inclusion

Relevant, always included

Please explain

Borregaard main raw material is wood and is resulting in approx. 5.300 mill NOK in operating revenue. It is dependent on us having the correct quality of wood. Consequently the risk and opportunities related to the quality of wood are included in the company's risk assessments. We use our internal risk assessment tool which is based on ISO 31000 to measure and monitor risk management performance. Each business area, function and unit are responsible for the management of risks related to its own operations and its suppliers. Assessing the quality of wood and the related risks are integrated in several areas of our business. The risk assessments reveals that the quality of sustainable wood is crucial for our business and is identified as one of the current main risk factors that can affect the company's business, such as financial results and non-financial performance. The collected information is used internally to make decisions about strategy as well as daily operations to ensure that we get the correct quality of wood. For instance we use wood technical quality and work quality of forestry operations as criteria when we select wood suppliers. To ensure availability of good quality wood Borregaard promotes good forest practices through our Supplier Development Action plans (SDA) and utilises credible forest certification schemes, including the two major ones; FSC and PEFC. Borregaard prefers FSC and PEFC certified wood and at minimum to comply with FSC Controlled Wood standard or PEFC Due Diligence requirements. Follow up of certified wood quantities is part of assessment of wood quality. Borregaard communicates that certified wood is preferred. Measurements for different wood assortments and technical quality criteria for wood are defined also in the wood supplier requirements, and the fulfilment is assessed by monitoring and feedback system for wood quality. Our SDA include environmental, silvicultural, safety-related and other work quality factors that are being monitored by quality assessment procedure of Borregaard.

Impact of activity on the status of ecosystems and habitats

Relevance & inclusion

Relevant, always included

Please explain

In 2020 Borregaard used 1 million m3 of wood, and consequently a large player in the Norwegian wood market. Our business model depends on availability of sustainable raw-materials. Sustainable forestry and biodiversity protection is essential for us. At heart of our business strategy is producing renewable and recyclable products which replace fossil-based materials. Borregaard also promotes material efficiency and circular economy. We use the tools of internal company methods as well as national specific tools and databases for assessing our impact on the status of ecosystems and habitats. Risk assessment based on supply areas (FAO Global Forest Resources Assessments), national risk assessments (FSC National Risk Assessment for Norway), and our own risk based on FSC Controlled Wood requirements for the value chain, where we use the National Land Resource Map KILDEN and our yearly PEFC Risk assessment are done to secure conformity with national and FSC and PEFC requirement of forestry management. We assess if earlier identified risks and opportunities, if new ones are required and we assess our ongoing actions and decide applicable new actions. Examples of results from our assessments are: Reputational and financial risks in case of non-compliance with biodiversity are identified and high. Biodiversity has been a key element in Borregaard wood sourcing policy for more than 20 years. We require that our supplier follow all requirement in the FSC and PEFC forest management certification (ISO 14001), and that they take care of biologically valuable habitats. In 2020, indicators and methods to measure biodiversity were developed and monitoring started with its first step by implementing our Supplier Development Action plan (SDA). We also implemented in all our wood sourcing contract "Borregaard Sustainability" targets with reference to UN Sustainable Development Goals. The collected information is used internally to make decisions about strategy as well as daily operations. For instance if a supplier is non-compliant with respect our requirements the supplier is obligated to make corrective actions. We actively follow the results of these actions and if possible support the suppliers with our know-how in order to help them to enhance their performance.

Regulation

Relevance & inclusion

Relevant, always included

Please explain

Borregaard is exposed to a wide range of regulations and laws. The Borregaard businesses, for biofuels and the energy supplies, are to a high degree dependent on the current regulatory framework, and changes to regulation, direct and indirect taxation or subsidies would impact on the performance of Borregaard competitiveness. (Annual Report page 21). For example, the biofuels business markets are totally created by EU regulation and if that regulation on sustainable biofuels would change, it would threaten Borregaard sales of second generation bioethanol and possible biofuels business expansion plans for the future. Regulations are important to our business and in risk assessment is identified as one of the main risk factors that can affect the company's business, financial results and non-financial performance. We use the tools of internal company methods as well as national specific tools and databases for assessing the risks related to regulations. Following our risk assessing framework we assess if earlier identified risks related to regulations are still valid, if new ones are required and we assess our ongoing actions and decide applicable new actions. The regulation risk is considered in the whole value chain, because changes in regulation might restrict Borregaard ability to compete for raw material, as well as end users' ability to purchase the product. Borregaard follows regulation by having dialogue with decision makers and by using tools such as status quo reports and association info letters. Information is used in internal decision-making, both short-term (e.g. discussion needs to influence coming regulation) and long-term (e.g. investment planning to comply regulation). Borregaard environment-related processes and management are based on full compliance with laws and regulations, environmental investments, audits and measurements carried out on a continuous basis

Climate change

Relevance & inclusion

Relevant, always included

Please explain

Climate change exposes Borregaard to variety of risks and it's identified as one main risk factors that can affect the company's business, financial results and non-financial performance. We use the tools of internal company methods as well as national specific tools and databases for assessing the risks related to climate change. Following our risk assessing framework we assess if earlier identified risks are still valid, if new ones are required and we assess our ongoing actions and decide applicable new actions. To identify climate-related risk and opportunities in the whole value chain the method from Task Force on Climate-related Financial Disclosures (TCFD) has been used as a framework. Each member of the group Executive Management is responsible for identifying climate-related risks within their respective areas. The results from the TCFD is used to prioritize the different risk reducing actions. There are regulatory and physical risks related to climate change. Unpredictable regulation and subsidies may distort raw material and final product markets, and another important transitional risk factor is the increase in costs associated with greenhouse gas emissions. The change in chronic physical climate conditions to milder winters will give more challenging harvesting and supply conditions and may result in less wood supply or increased costs for wood in the Nordic region. To reduce the operational risk, Borregaard sources wood from several different areas and we have well-established solutions for transporting wood by road, rail and sea, in addition to flexible storage of wood. Increased competition for wood in connection with the transition to a more bio-based society is an important transitional risk factor. There is a limited amount of wood available for new businesses, and it is important that utilisation lies within both financially and environmentally sustainable business opportunities. Biodiversity protection is helping forests to adapt to climate change. The collected information from the assessment is used internally to make decisions about strategy as well as daily operations as described above and to set our targets and action to reduce our scope 1 and scope 2 emissions by 53% by 2030 and 100% by 2050 from a 2009 base year, and to reduce our scope 3 emissions by 30 percent by 2030 and 75 percent by 2050 from a 2017 base year.

Impact on water security

Relevance & inclusion

Relevant, always included

Please explain

Water is important for the trees to grow. In 2020 Borregaard used 1 mill m3 of wood and therefor water is an important risk factor regarding availability of wood and wood supplies. Water management also plays a significant role in company's license to operate. Negligence in water management may lead to serious reputational damages impacting the value of the company. We use the tools of internal company methods as well as national specific tools and databases for assessing the risks related to water security. Water scarcity risks have been evaluated for Borregaard's operations using The WWF Water risk filter. The overall risk of physical, regulatory, and reputational risks is aligned with the UN Global Compact CEO Water Mandate framework. Physical risk includes scarcity, flooding, water quality and ecosystem status. Regulatory risk includes enabling environment, institutions and governance, management instruments, and infrastructure and finance. Whilst reputational risk includes cultural importance, biodiversity importance, media scrutiny and conflict. Most of the water withdrawal, discharge and consumption are linked to our biorefinery in Norway. Brand damage is considered as a risk related to non-compliance. 100% of Borregaard wood supplies are covered by third-party verified Chain of Custody certificates under FSC and PEFC, which don't accept any form of impact on the water supplies. Requirements to harvesting solution is to leave untouched buffer zones along water courses and aquatic habitats. The collected information is used internally to make decisions about strategy as well as daily operations regarding risk reducing actions such as decided supply areas and modes of transport.

Tariffs or price increases

Relevance & inclusion

Relevant, always included

Please explain

Borregaard main raw material is wood and approx. 5.300 mill NOK in operating revenue depends on wood, including the cost of procuring wood. We use the tools of internal company methods as well as national specific tools and databases for assessing the risks related to tariffs and price increases. We always include tariffs and prices in our risk assessment where we use our internal risk assessment tool based on ISO 31000. As the Group's business model is closely linked to the use of wood, the risk assessment of forest related issues has relevance throughout the organization, including top management and board level. We make risk maps where the quality, the availability, the price, the market, alternative sources, the origin, the social aspects, the emissions and degradation of forest is included in addressing the risks. The risk map is also including all stakeholders' perspective and consideration. We also monitor all changes of regulations of the whole value chain that may influence our business, and cooperate with other stakeholders and NGO's. The risk map matrix is based on Inherent risk, Current risk level and Future risk level and where we decide if the risk consequence and probability is high, medium or low. We also decide the risks trend to be decreasing, neutral or increasing. Consequence is defined as follows Low = 0-5 mill NOK, Medium=5-25 mill NOK and High= Above 25 mill NOK. Probability is defined as Low = less than each 10 year, Medium = between one and ten years and High = each year. Prices of wood has a direct impact on our revenue and hence it is monitored closely. The prices of wood and the lignin raw material is important to secure profit. We monitor the markets for wood including , forestry, sawmills, pulp and paper and board industries to evaluate changes in supply or demand for wood. We use market reports from Wood Resources International, CEPI and our own spend tool Ignite. This information is used for implementing cost reduction activities and risk reducing actions such as deciding how much sawmill chips to use instead of pulplogs in our raw material input to our production in Sarpsborg.

Loss of markets

Relevance & inclusion

Relevant, always included

Please explain

We use the tools of internal company methods as well as national specific tools and databases for assessing the risks related to loss of markets. We always include loss of markets in our risk assessment where we use our internal risk assessment tool which is based on ISO 31000. The risk assessment of loss of markets issues has relevance throughout the organization, including top management and board level. We are making risk maps where the risks are detailed. The risk map matrix is based on Inherent risk, Current risk level and Future risk level and where we decide if the risk consequence and probability is high, medium or low. We also decide the risks trend to be decreasing, neutral or increasing. Consequence is defined as follows Low = 0-5 mill NOK, Medium=5-25 mill NOK and High= Above 25 mill NOK. Probability is defined as Low = less than each 10 year, Medium = between one and ten years and High = each year. Our assessments show that risk of loss of markets is part of our reputational damage risk. Reputational damage risk is a non-compliance risk, that can materially affect the company's business, financial results and non-financial performance. Reputational risk includes cultural importance, biodiversity importance, media scrutiny and conflict. Borregaard environmental performance and social responsibility play a significant role in our ability to operate and influence the long-term success of our business. Negligence may lead to serious reputational damages and in some cases business loss. For instance a negligence in environmental performance may lead to losing our FSC and PEFC CoC Certificates that covering 100% of our wood and fiber sourcing and might result in business losses if customers have a 100% certified fiber policy. The risk of loss of markets can also be in terms of markets for available wood. The information from the risk assessment is used internally to make decisions about strategy as well as daily operations like monitoring the markets for wood including, forestry, sawmills, pulp and paper and board industries to evaluate changes in supply or demand for wood. This help us in choosing our raw material mix (woodchips or pulp-logs) and sourcing area for wood. It will also help us in understanding if there will be a oversupply or undersupply of wood in our sourcing area.

Leakage markets

Relevance & inclusion

Not relevant, explanation provided

Please explain

Assessing the risk related to leakage market is not included in our forests-related risk assessment because we regard having low possibilities for influencing this factor compared to other factors, and we focus our efforts on the factors which we have a possibility to influence and/or remedy. However we anticipate that leakage markets may be relevant for us to include in the future.

Brand damage related to forest risk commodities

Relevance & inclusion

Relevant, always included

Please explain

Borregaard main raw material is wood and is resulting in approx. 5.300 mill NOK in operating revenue. Consequently our brand is closely linked to wood. Brand damage related to wood is a non-compliance risk, that can materially affect the company's business, financial results. We always include brand damage in our risk assessment where we use our internal risk assessment tool which is based on ISO 31000. The risk assessment of loss of markets issues has relevance throughout the organization, including top management and board level. We are making risk maps where the risks are detailed. The risk map matrix is based on Inherent risk, Current risk level and Future risk level and where we decide if the risk consequence and probability is high, medium or low. We also decide the risks trend to be decreasing, neutral or increasing. Consequence is defined as follows Low = 0-5 mill NOK, Medium=5-25 mill NOK and High= Above 25 mill NOK. Probability is defined as Low = less than each 10 year, Medium = between one and ten years and High = each year. Our assessments show that is of great importance that the wood is certified and from sustainable forests, because Borregaard's products are part of the solution to the global sustainability challenges. And are reasons why Borregaard has prioritized the UN Sustainable Development Goals 2: Zero hunger and 13:Climate action, in its sustainability strategy. Examples of such products are: Biovanillin, Bioethanol, Biopolymers, cellulose fibrils and lignin products. Maintaining our brand is very important, in particular related to forest issues. The collected information is used internally to make decisions about strategy as well as daily operations such as deciding to implementing the Supplier Development actions plan (SDA) with all our main wood suppliers where we establish mutual goals to secure no non-compliance of our wood raw material.

Corruption

Relevance & inclusion

Relevant, always included

Please explain

Corruption within our own organisation, stakeholders and the supply chain is considered a non compliance. The Board reviews the company's guidelines on ethics, anticorruption and corporate responsibility annually. The company must perform regular reviews of the risk factors linked to anti corruption at a general level, and review the risk of breaches of the ethical requirements. We always include corruption in our risk assessment where we use our internal risk assessment tool which is based on ISO 31000 and databases. We make risk maps where the origin of supply and the social aspects are included. The risk map includes stakeholders' perspective and consideration. The risk map matrix is based on Inherent risk, Current risk level and Future risk level and where we decide if the risk consequence and probability is high, medium or low. We also decide the risk trend to be decreasing, neutral or increasing. Consequence is defined as follows Low = 0-5 mill NOK, Medium=5-25 mill NOK and High= Above 25 mill NOK. Probability is defined as Low = less than each 10 year, Medium = between one and ten years and High = each year. We assess all our suppliers with respect to corruption through collecting signed Supplier Code of Conduct and questionnaires where corruption is a criteria of non-compliance, and we assess suppliers in Sedex. The collected information is used internally to make decisions about strategy as well as daily operations. For instance Borregaard attaches great importance to sourcing wood from forests that are certified and managed in a proper, sustainable and eco-friendly manner. The company complies with the applicable guidelines, laws and regulations in the countries where the wood is sourced. Borregaard only source wood that is controlled by the EU Timber regulation. Borregaard does not purchase wood that is: Harvested illegally. Felled in protected areas or areas that are subject to review, unless the harvesting clearly complies with national conservation regulations. Harvested in forests with a high conservation value defined by the Living Forest standard in Norway or by the High Conservation Value Resource Network (HCVRN). Genetically modified (GMT/GMOs). If corruption can be an issue we will not purchase wood from that source. We use our procedures for FSC Controlled wood and PEFC risk assessment to identify if there are risk of corruption.

Social impacts

Relevance & inclusion

Relevant, always included

Please explain

Borregaard's core is: "We deliver sustainable solutions based on renewable resources and unique expertise". As sustainability is composed of three pillars: environmental (planet), social (people) and economic (profits), the social aspect is inevitable our core too. Borregaard complies with the UN Global compact's ten principles of conducting business in the areas of human rights, labour, environment, and anti-corruption, which means that our activities are taxonomy eligible for the minimum safeguards. We use the tools of internal company methods and databases for assessing the risks related to social impacts. The Board reviews the company's guidelines on ethics, anticorruption and corporate responsibility annually. Regular reviews of the risk factors linked to Borregaard's corporate responsibility at a general level and review the risk of breaches of the ethical requirements must be performed. We assess our internal organisation as well as our stakeholders, in particular the supply chain. We make risk maps where the origin of supply and the social aspects are included. The risk map matrix is based on Inherent risk, Current risk level and Future risk level and where we decide if the risk consequence and probability is high, medium or low. We also decide the risk trend to be decreasing, neutral or increasing. Consequence is defined as follows Low = 0-5 mill NOK, Medium=5-25 mill NOK and High= Above 25 mill NOK. Probability is defined as Low = less than each 10 year, Medium = between one and ten years and High = each year. We assess all our suppliers with respect to social impact through collecting signed Supplier Code of Conduct and questionnaires where corruption is a criteria of non-compliance, and we assess suppliers in Sedex. The collected information is used internally to make decisions about strategy as well as daily operations. For instance Borregaard attaches great importance to sourcing wood from forests that are certified and managed in a proper, sustainable and eco-friendly manner. The company complies with the applicable guidelines, laws and regulations in the countries where the wood is sourced. We use our procedures for FSC Controlled wood and PEFC risk assessment to identify and if there are any risk of social impacts from our wood sourcing supply chain, we will not purchase wood from that source.

Other, please specify

Relevance & inclusion

Not considered

Please explain

F2.1c

(F2.1c) Which of the following stakeholders are considered in your organization's forests-related risk assessments?

Customers

Relevance & inclusion

Relevant, always included

Please explain

In 2020 we conducted a stakeholder analysis in which we surveyed the groups, organizations and individuals that are either impacted by the company's operations or which, in a variety of ways, have an impact on the company's strategy and goal achievement. Borregaard's stakeholders include investors and lenders, current and potential employees, the authorities, current and potential customers, suppliers, local communities and neighbors, partners, organizations (NGO) and the media. Our customers are considered as stakeholders in our forest-related risk assessment because they demand wood based products. The method of engagement with the customer is meetings, conferences, when we are being evaluated and audited, responding to RFQs, We have written contracts. The customers requests confirmation that products are certified and about our supply of wood to avoid shortage of wood.

Employees

Relevance & inclusion

Relevant, always included

Please explain

In 2020 we conducted a stakeholder analysis in which we surveyed the groups, organizations and individuals that are either impacted by the company's operations or which, in a variety of ways, have an impact on the company's strategy and goal achievement. Borregaard's stakeholders include investors and lenders, current and potential employees, the authorities, current and potential customers, suppliers, local communities and neighbors, partners, organizations (NGO) and the media. Our employees are considered as stakeholders in our forest-related risk assessment because they provide the competence to purchase and supply our production with wood based raw-material, and to produce the correct products with the correct quality as well as selling and distribution our wood-based products. Borregaard engage with its employees at all levels from the board where the employees have 2 members to every single employees. One example is that all employees are encouraged to report safety incidents and unsafe conditions in a dedicated reporting system which is open and available to the whole organization. In 2020, Borregaard also conducted a digital introduction program for 30 new employees from Borregaard units worldwide and provided new employees with an introduction to Borregaard's strategy, corporate governance, culture and values. New employees also receive training in continuous improvement and innovation

Investors

Relevance & inclusion

Relevant, always included

Please explain

In 2020 we conducted a stakeholder analysis in which we surveyed the groups, organizations and individuals that are either impacted by the company's operations or which, in a variety of ways, have an impact on the company's strategy and goal achievement. Borregaard's stakeholders include investors and lenders, current and potential employees, the authorities, current and potential customers, suppliers, local communities and neighbors, partners, organizations (NGO) and the media. Investors are considered as stakeholders in our forest-related risk assessment because they demand information regarding supplies and price for the wood based raw material as well as sets requirements with respect to sustainability, such as in the new EU Taxonomi where it is defined what is sustainable or not. The method of engagement with investors are meetings, in person and conference calls, press releases, the stock market. Borregaard also arranges Capital Markets Days for investors.

Local communities

Relevance & inclusion

Relevant, always included

Please explain

In 2020 we conducted a stakeholder analysis in which we surveyed the groups, organizations and individuals that are either impacted by the company's operations or which, in a variety of ways, have an impact on the company's strategy and goal achievement. Borregaard's stakeholders include investors and lenders, current and potential employees, the authorities, current and potential customers, suppliers, local communities and neighbors, partners, organizations (NGO) and the media. Local communities are considered as stakeholders in our forest-related risk assessment because our supplies and operations have environmental consequences and impact local communities with emissions from our production and supply chain activities. The method of engagement with local communities are meetings and dialogue to ensure that complaints and other enquiries are dealt with in a proper manner. The need to implement improvement projects in areas with specific challenges must be assessed on an ongoing basis.

NGOs

Relevance & inclusion

Relevant, always included

Please explain

In 2020 we conducted a stakeholder analysis in which we surveyed the groups, organizations and individuals that are either impacted by the company's operations or which, in a variety of ways, have an impact on the company's strategy and goal achievement. Borregaard's stakeholders include investors and lenders, current and potential employees, the authorities, current and potential customers, suppliers, local communities and neighbors, partners, organizations (NGO) and the media. Our NGO's are considered as stakeholders in our forest-related risk assessment because they are important regarding wood harvesting regulations and public opinion regarding wood harvesting and use of wood product. The method of engagement with the NGOs are done through our participating in the Norwegian Pulp and Paper Association, meetings, and conferences. An example on how we work with NGOs is the Norwegian FSC Standard. To promote FSC certification in Norway, Borregaard has through the active membership with two board members in the Norwegian Pulp and Paper Association (TFB) strongly participated in establishing a workgroup to develop a National Risk Assessment for Norway and a Norwegian FSC Standard. The NRA was developed in co-operation with the NGOs and was approved in 2019. The Norwegian FSC standard is developed in co-operation with different stakeholders (Social, Economic and Environmental) The standard is now for approval at FSC International in 2021.

Other forest risk commodity users/producers at a local level

Relevance & inclusion

Relevant, always included

Please explain

In 2020 we conducted a stakeholder analysis in which we surveyed the groups, organizations and individuals that are either impacted by the company's operations or which, in a variety of ways, have an impact on the company's strategy and goal achievement. Borregaard's stakeholders include investors and lenders, current and potential employees, the authorities, current and potential customers, suppliers, local communities and neighbors, partners, organizations (NGO) and the media. Other users/producers at a local level are considered as stakeholders in our forest-related risk assessment because they demand or deliver wood based products. The method of engagement with other users or produced of wood is meetings, conferences, auditing and selling or buying contracts.

Regulators

Relevance & inclusion

Relevant, always included

Please explain

In 2020 we conducted a stakeholder analysis in which we surveyed the groups, organizations and individuals that are either impacted by the company's operations or which, in a variety of ways, have an impact on the company's strategy and goal achievement. Borregaard's stakeholders include investors and lenders, current and potential employees, the authorities, current and potential customers, suppliers, local communities and neighbors, partners, organizations (NGO) and the media. Regulators are considered as main stakeholders in our forest-related risk assessment because we are exposed to a wide range of laws and regulations. Through public affairs work Borregaard aims to affect decisions makers for necessary prerequisites for our operations. The method of engagement with the regulators is meetings, conferences, strategy work together with authorities (Skog 22), workshops and lobbying with politicians.

Suppliers

Relevance & inclusion

Relevant, always included

Please explain

In 2020 we conducted a stakeholder analysis in which we surveyed the groups, organizations and individuals that are either impacted by the company's operations or which, in a variety of ways, have an impact on the company's strategy and goal achievement. Borregaard's stakeholders include investors and lenders, current and potential employees, the authorities, current and potential customers, suppliers, local communities and neighbors, partners, organizations (NGO) and the media. Suppliers are considered as stakeholders in our forest-related risk assessment because our supplies and operations are totally dependent on suppliers of forest products. The method of engagement with suppliers is meetings and dialogue, supplier development actions and in negotiations to ensure that all supplies and operations are dealt with in a proper manner. We have written contract with our suppliers. The need to implement improvement projects in areas with specific challenges is assessed in the supplier development action plans.

Other stakeholders, please specify

Relevance & inclusion

Please explain

F3. Risks and opportunities

F3.1

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

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

F3.1a

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

The Substantive financial impact definition for Borregaard Group:

EBITDA is defined by Borregaard as operating profit before depreciation, amortisation and other income and expenses. In 2020 EBITDA was 1,132 mill NOK and in 2019, 1,007 mill NOK. The financial impact is defined as substantial within a short-term (3-years) period for the following quantifiable indicators

Low EBITDA effect:	0-25 mill NOK
Medium EBITDA effect:	25-50 mill NOK
High EBITDA effect:	> 50 mill NOK

In 2020 a loss in EBITDA of 50 mill, would have reduced the EBITDA margin by 0.90%-points from 21.2% to 20.3 %. A close to 1%-point drop (or increase) in Borregaard's total EBITDA margin from a single indicator is, in the company's opinion, a substantive impact. Borregaard's different business units are closely linked together as they mainly are different parts of the large integrated biorefinery in Norway. As a consequence, it makes sense for Borregaard, as well as for shareholders and customers, to primarily consider the size of the impact on the totality instead of the different business units.

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

F3.1b

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

Forest risk commodity

Timber products

Type of risk

Reputational and markets

Geographical scale

Country

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Shifts in consumer preference

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

Primary potential impact

Increased operating costs

Company-specific description

The market for wood based products is increasing in connection with transition to a more bio-based society, because of the positive impact on reduction in climate gas emissions. This could also tighten the competition for wood and give increased cost of the wood raw material. Borregaard source wood from the Nordic Region, and there are several new initiatives from other business that will produce biofuel or biobased products from the same raw material. There is a limited amount of wood available in Norway for new business in the markets where Borregaard sources wood from. Increased capacity in the biobased industry and restriction in harvesting activities will put pressure on the prices for biomass in our supply area, hence the cost of the raw material will increase. At present the supply area is in balance, but with further new investments in biobased industry it will be a lack of wood. In addition, the change in physical climate condition to milder winters will give more challenging harvesting and supply conditions, and may result in less wood supplies or increased cost for wood in the Nordic region. Furthermore, it is expected that the requirements linked to the management of the forests and harvesting operations will be stricter to secure biodiversity and ecological standards, thus Borregaard buy certified wood accordance to PEFC/FCS, 98% of the wood purchased in 2020 was certified. The rest of the purchased wood was controlled in accordance with PEFC/FSC®11

Timeframe

4-6 years

Magnitude of potential impact

High

Likelihood

Very likely

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

50000000

Potential financial impact figure - maximum (currency)

200000000

Explanation of financial

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

Primary response to risk

Engagement with suppliers

Description of response

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

Cost of response

1100000

Explanation of cost of response

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

F3.2

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

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

F3.2a

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

Forest risk commodity

Timber products

Type of opportunity

Products & services

Where in your value chain does the opportunity occur?

Other parts of the value chain

Primary forests-related opportunity

Increased R&D and innovation opportunities

Company-specific description & strategy to realize opportunity

Bio-vanillin is a low emission product produced at Borregaard in Sarpsborg and can document 90% lower CO2 footprint compared to oil based vanillin, shown in its published environmental product data sheet (EPD). "Clean label" is a trend that has been driving the food market in recent years. The consumer wants to buy food with natural and sustainable raw materials, presented on the ingredients label in a way that is easy understandable. Food producers and their suppliers, like the flavour and fragrance industry are therefore working to eliminate synthetic ingredients made from oil and replace it with renewable bio-based alternatives. 90% of the global production of the vanilla flavour (vanillin) is synthetic, made from mineral oil. The consumer would prefer to have natural vanilla flavour from the vanilla bean, but this only accounts for

less than 1% of the global production of vanillin. To significantly increase the production of vanilla beans has proven to be extremely difficult and is not likely to happen in the foreseeable future. The second-best alternative to vanilla beans is vanillin made from natural and sustainable raw materials like wood, rice or other plants. Borregaard has produced vanillin from wood since 1962 in its biorefinery in Sarpsborg. The product has historically sold at a price close to synthetic vanillin. During the last few years, the price and demand has increased substantially, in line with the change in customers preferences for natural and sustainable raw materials. The unique selling points for Borregaard's vanillin is now focused around three key factors; - Natural raw material, the product is made from wood (Norway spruce). - The wood used to produce vanillin are all sourced from certified forests. - Documented sustainable product, a LCA (Life cycle) analysis has been conducted for vanillin produced at Borregaard, and is documenting 90% lower CO2 footprint compared to oil based vanillin. - Unique flavour, the product has subtle but important flavour differences versus other types of vanillin. With the positive trend as outlined above, the board of directors in Borregaard decided in mid 2019 to expand the capacity of wood based vanillin with 250 MT up to a total capacity of 1500 MT/year at the site in Sarpsborg, Norway. Total investment is NOK 130 mill will be completed in 2021.

Estimated timeframe for realization

1-3 years

Magnitude of potential impact

Medium-low

Likelihood

Likely

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

20000000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

The increased production volume will be phased in gradually to existing and new customers. The actual price level and time to phase in the volume will depend on volume expansion from competitors and also how fast the demand actually will be growing. We expect global capacity for this segment to be in line with/slightly above the demand in the years to come and prices to be around today's level. With these assumptions we expect to achieve minimum 15% return on the investment of NOK 130 mill, which is NOK 20 mill in EBITDA. The EBITDA impact at the end of the short-term period (2024) will thus be minimum NOK 20 mill, mainly driven by increased contribution margin of NOK 23 mill, partly offset by an increase in fixed costs of NOK 3 mill.

Forest risk commodity

Timber products

Type of opportunity

Products & services

Where in your value chain does the opportunity occur?

Direct operation

Primary forests-related opportunity

Increased R&D and innovation opportunities

Company-specific description & strategy to realize opportunity

Borregaard produces second generation bioethanol at its production facilities in Sarpsborg. The minimum content of biofuel in fuel for road traffic will increase to 24,5 % in 2021 in Norway. The renewable energy directive RED II require that member states must require fuel suppliers to supply a minimum of 14% of the energy consumed in road and rail transport by 2030 as renewable energy. A major part of the bioethanol produced at Borregaard is used for biofuel in the Norwegian and European market and the changes in the biofuel regulations will increase the demand for bioethanol from Borregaard. The bioethanol from Borregaard has low CO2 footprint compared to other biofuels, and because it is second generation (advanced) the bioethanol from Borregaard counts double in the mixing with fossil fuels. In 2018 Borregaard invested in upgrading of its bioethanol plant to produce qualities that could be used for biofuel. The technology that have been installed has reduced the specific energy use in the plant by 67%, thus reducing the CO2 footprint of the bioethanol produced. The plant has since been subject to continuous improvements. In 2019, Borregaard's second generation bioethanol achieved ISCC EU sustainability certification. The certification was successfully renewed in 2020. The continuous change in the regulations for biofuels in fuel for road traffic represents an important transitional climate opportunity for Borregaard, which has resulted in investments to mitigate the demands in a new and emerging market.

Estimated timeframe for realization

1-3 years

Magnitude of potential impact

Medium-low

Likelihood

Very likely

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

6000000

Potential financial impact figure – maximum (currency)

12000000

Explanation of financial impact figure

The demand for Borregaard's second generation bioethanol has increased due to the requirements of increasing content of biofuel in fuel for road traffic. Borregaard has increased the production capacity of 99% (absolute) bioethanol after realization of an investment in the bioethanol plant in 2018. The plant has since been subject to continuous improvements to enhance the production capacity and reduce waste factors. The capacity of the plant was increased by approximately 11-12 million liters of 99% bioethanol, which then increased the contribution margin of NOK 12 mill/year. The contribution margin will increase in the short-term period (2020-2023) due to

increased sales volumes and potentially better sales prices. We have estimated a range for the financial impact on the annual EBITDA improvement in the end of the short-term period. The fixed cost factor and the sales volume are the same in both the minimum and the maximum potential. The financial minimum, lowest expected average sales price times volume which gives a positive effect on EBITDA of NOK 6 mill. compared with EBITDA 2020. The financial figure maximum, highest expected average sales price times volume which gives a positive effect on EBITDA of NOK 12 mill. compared with EBITDA 2020. The financial impact is in the low range of our definition of substantial financial impact, but represents an important case for the company to demonstrate its ability to meet transitional opportunities due to climate changes.

F4. Governance

F4.1

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

Yes

F4.1a

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

Position of individual	Please explain
Director on board	The board of directors decides Borregaard's business model and strategy. The board of directors has decided that the business model is to exploit wood resources to manufacture valuable speciality products. These are alternatives to petroleum-based products and therefore address long-term, global challenges related to population growth, resource access and environmental and climate impacts. The strategy is long-term and is annually operationalized into a three-year rolling plan where important issues are discussed, and strategical actions are defined. For the current strategy period the board of directors has decided that sustainability is one of the important issues, with the accompanied strategic action to secure long-term sourcing of sustainable forest raw material. In which the targets are to 1) source the required amount of stable quality logs and wood chips, 2) 100% of the forest raw material shall be certified and 3) addressing sustainability: CO2 emissions and biodiversity
Chief Procurement Officer (CPO)	The person on the board responsible for forests-related issues is the CPO. The rationale behind this is that the Borregaard's business model is based on using natural, sustainable wood raw materials in producing advanced and environmentally friendly biochemicals and biomaterials that replace oil-based products. The CPO is responsible for the procurement and supplies of wood; the strategy and the operational aspect, as well as risk management. Decisions, operational as well as long term are continuous taken. A forest-related decision made by the CPO in 2020 was to include Borregaard's sustainable goals and objectives in all contract for wood raw material. An other decision made by the CPO in 2020 was to increase the target for certified wood raw material in accordance with PEFC/FSC from 98% to 100%.

F4.1b

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

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

F4.2

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

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

F4.3

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

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

F4.3a

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

	Role(s) entitled to incentive?	Performance indicator	Please explain
Monetary reward	Chief Purchasing Officer (CPO)	Achievement of commitments and targets	The CPO is part of the company's bonus scheme and receives a monetary reward in terms of a salary bonus if given commitments and targets are met by the end of the year. The bonus scheme consist of three elements/level of measures: Financial results of the company, EHS performance of the company and an individual part. As Borregaard's core value is: "We deliver sustainable solutions based on renewable resources and unique expertise" and wood is the major renewable resource, there is a direct link between the CPO's individual achievements with respect to wood supply and the company's forests-related goals. In order to provide sustainable solutions based on renewable resources , the CPO has to procure sustainable wood in a sustainable matter. The CPO receives a monetary award based on achievement of the following (individual): 1) To provide the required amount of wood (One mill solid cubic metres per year where 60% shall be logs and 40% wood chips) 2) 98 % of the purchased forest raw material shall be certified in accordance with FSC or PEFC and provided at lowest total cost possible. 3) Addressing sustainability; CO2 emissions and biodiversity. Regarding CO2 emissions, these are related to the transportation of wood, with the following goals: 50% of wood transport by truck shall have 60 ton payload, 23% of the transportation of log shall be by train and 85% of trucks transporting wood shall be euro 6. Purchasing certified wood contributes to securing biodiversity. The achievements of the CPO are measured by a yearly review in which the agreed goal and objectives are addressed. The thresholds for success are: Outstanding performance: Expected bonus level 7-10%, Good Performance - targets achieved: 4-6% and Low performance - targets not achieved: 0+3%.
Non-monetary reward	No one is entitled to these incentives	No indicator for incentivized performance	Non-monetary rewards for C-Suite employees or board members are not part of our company culture or policies and consequently not given for the management of forests-related issues either.

F4.4

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

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

Borregaard-annual-report-2020.pdf

Wood and fiber sourcing_BRG.docx

F4.5

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

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

F4.5a

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

Scope	Content	Please explain
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	Scope	Content	Please explain
Row 1	Company-wide	<p>Commitment to eliminate conversion of natural ecosystems</p> <p>Commitment to eliminate deforestation</p> <p>Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE)</p> <p>Commitment to remediation, restoration and/or compensation of past harms</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to transparency</p> <p>Commitment to stakeholder awareness and engagement</p> <p>Commitment to align with the SDGs</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural habitats</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound milestones and targets</p> <p>Description of forests-related performance standards for direct operations</p> <p>Description of forests-related standards for procurement</p>	<p>Borregaard's core value is "We deliver sustainable solutions based on renewable resources and unique expertise" and the major renewable resource is wood. We have companywide policies that include all the listed forests-related issues because wood is Borregaard's primary raw material, and the basis for our business. In this we have to contribute to well managed forest in order to be a continuous long-term source of supply. Our major contribution to sustainable managed forests is to be a responsible purchaser of wood. This commitment is described in our policies and procedures for procurement which are reviewed annually by a cross functional team and updated when applicable.</p> <p>Compliance with Borregaard's Supplier Code of Conduct, our commitment and policies ensure our wood sourcing is in accordance with international principles of sustainable development and applicable requirements. Our sustainable wood policy requirements are implemented in our standard wood buying contracts, and we have a yearly review where internal decision makers are attending. These policies provide information to the purchasers so that they make sure that Borregaard does not purchase wood which has been: •illegally harvested, to avoid conversion of natural ecosystems, to eliminate deforestation, no deforestation, no planting on peatlands, no exploitation (NDPE), remediation, restoration and/or compensation of past harm and transparency. •logged in protected areas or areas currently undergoing official processes of designation for protection, unless the logging is clearly in line with national conservation regulations, to protect rights and livelihoods of local communities, to be beyond regulatory compliance, stakeholder awareness and engagement and to be with the SDGs •harvested in forests where High Conservation Values as defined by the Living Forest standard in Norway or by High Conservation Value Resource Network (HCVRN) to recognition of the overall importance of forests and other natural ecosystems</p>

F4.5b

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

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Timber products	Yes	Company-wide	Commitment to eliminate conversion of natural ecosystems Commitment to eliminate deforestation Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE) Commitment to remediation, restoration and/or compensation of past harms Commitment to protect rights and livelihoods of local communities Commitments beyond regulatory compliance Commitment to transparency Commitment to stakeholder awareness and engagement Commitment to align with the SDGs Recognition of the overall importance of forests and other natural ecosystems Description of business dependency on forests Recognition of potential business impact on forests and other natural ecosystems Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy List of timebound commitments and targets Description of forests-related standards for procurement	Borregaard has a specific sustainability policy for wood, "Renewable raw material – Borregaard" because our business model is closely linked to dependency on forests. Consequently we support sustainable forest management and promote forest certification on all land used to supply us with wood, so as protect, verify and communicate a wide range of economic, social and environmental values. The policy is reviewed annually by a cross functional team and updated when applicable. Except for "Description of forests-related performance standards for direct operations" our policy includes all the listed options because we regard them all as valid for us as a buyer of wood but not the one for direct operations. The policy covers potential business impact on forests and other natural habitats and of forest risk commodities as part of our business, and all stages of value-chain. Together with Borregaard Supplier Code of Conduct and our other commitments and policies related to procurement, this policy provides instructions to our purchasers to source wood in accordance with international principles of sustainable development and applicable requirements and hence contribute to fulfill the following: Eliminate conversion of natural ecosystems, Eliminate deforestation, no deforestation, no planting on peatlands, and no exploitation (NDPE), Remediation, restoration and/or compensation of past harms, Protect rights and livelihoods of local communities, Beyond regulatory compliance, Transparency in the supply chain, Stakeholder awareness and engagement, Alignment with the SDGs, Recognition of overall importance of forests and other natural ecosystems, Description of business dependency on forests, Recognition of potential business impact on forests and other natural ecosystems, Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy, List of timebound commitments and targets, and Description of forests-related standards for procurement.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

Wood and fiber
sourcing_BRG.docx

F4.6

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

Yes

F4.6a

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

Other, please specify (Norwegian Living Forest Standard, FSC)

F4.6b

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

Forest risk commodity

Timber products

Criteria

No conversion of natural ecosystems
Zero gross deforestation/ no deforestation
Zero net deforestation
No new development on peat regardless of depth
Restoration and compensation to address past deforestation and conversion
Avoidance of negative impacts on threatened and protected species and habitats
No trade of CITES listed species
No land clearance by burning or clearcutting
No conversion of High Conservation Value areas
No conversion of High Carbon Stock forests
Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities
Operations are in accordance with the UN Declaration on the Rights of Indigenous Peoples
Promotion of gender equality and women's empowerment
Remediate any adverse impacts on indigenous people and local communities
Adoption of the UN International Labour Organization principles
Resolution of complaints and conflicts through an open, transparent and consultative process
Facilitate the inclusion of smallholders into the supply chain
No sourcing of illegally produced and/or traded forest risk commodities
No sourcing of forest risk commodities from unknown/controversial sources
Restricting the sourcing and/or trade of forest risk commodities to credible certified sources

Operational coverage

Direct operations and supply chain

% of total production/ consumption covered by commitment

100%

Cutoff date

2006

Commitment target date

2021-25

Please explain

Borregaard has publicly committed the criteria described above, communicated through the Borregaard strategy , our sustainability report, our supplier Code of Conduct, forest certification rules, and Borregaard requirements, for all our supplies of wood in all regions. And taken various actions to secure that the commitments are being fulfilled. No conversion of Natural ecosystem: Borregaard is FSC and PEFC CoC certified , and we are committed to sourcing 100% Controlled Wood to secure no conversion of HCVA , no conversion of natural ecosystems , zero gross deforestation / no deforestation, no trade of CITES listed species. Each month we conduct random sampling of wood and we do annual field audits by our FSC/PEFC CoC system and our FSC CW DDS to ensure fulfillment of our commitments in this respect. An example of actions taken to No conversion of Natural ecosystem is a field audit at the harvesting area in Øyer municipality in Norway. The purpose was to verify that the harvesting did no harm to the natural ecosystem by securing that the harvesting was in accordance with all rules and regulations to secure the biodiversity and natural ecosystem. The field audit was conducted in 2019 together with an external consultant, a biologist. No field audit was possible in 2020 due to Covid 19 restrictions. In 2020 we took actions towards all our Norwegian pulpwood suppliers to get confirmation that no wood can come from areas where there is a conversion of natural ecosystems. This requirement is made for the whole purchasing area of our Norwegian wood supplies, Viken County and Innlandet county. An example of actions regarding zero deforestation /no deforestation is that we in 2020 made agreement with one of our main suppliers of wood in Norway about a KPI, measuring number of trees planted and a mutual target to increase the number of trees planted by 5% in the county of Viken and Innlandet for the set period. In 2020 Borregaard decided to increase the target for certified wood at our site in Sarpsborg, Norway from 98% to 100% to secure no conversion of HCVA , no conversion of natural ecosystems , zero gross deforestation / no deforestation, no trade of CITES listed species. Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities: Our FSC CW DDS, PEFC Risk assessment and that all our wood is covered by the EU timber regulations, guarantees that we are not sourcing illegally produced and/or traded forest risk commodities or from unknown/controversial sources, and avoidance of negative impacts on threatened and protected species and habitats and our sourcing are in accordance with the UN Declaration on the Rights of Indigenous Peoples and Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities. As an example of action taken to Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities we verified in 2020 that all our wood suppliers to Sarpsborg, Norway have sign our Supplier Code of Conduct to be in accordance with the UN Declaration on the Rights of Indigenous Peoples and Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities and gender equality and women's empowerment and adoption of the UN International Labour Organization principles. Restoration and compensation to address past deforestation and/or conversion: In the Supplier Development Action plans (SDA) of 2020 we have included for all our strategic wood suppliers in Norway a mutually agreed KPI of total area set off for voluntary protection in their sourcing area. All certified suppliers are also imposed to compensate past deforestation. Borregaard 's public commitment to PEFC and FSC CoC system restricts our sourcing and/or trade of forest risk commodities to credible certified sources, and the resolution of complaints and conflicts to be handled through an open, transparent and consultative process.

F5. Business strategy

F5.1

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

	Are forests-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, forests-related issues are integrated	>30	Borregaard's main objective is to deliver sustainable solutions based on renewable resources and unique expertise. Utilising the different components of wood, we produce biopolymers, speciality cellulose, biovanillin, cellulose fibrils and bioethanol for a variety of applications, in sectors such as agriculture and aquaculture, construction, pharmaceuticals and cosmetics, foodstuffs, batteries and biofuels. The products are alternatives to petroleum-based products and therefore address many long-term, global challenges related to population growth, resource access and environmental and climate impacts. Our long-standing research and development have resulted in responding to these long-term global challenges. We pursue a consistent strategy over time, and we have a long-term perspective on innovation and investments. We believe that a high focus on continuous improvement leads to better ways of making products through new use of technology, digitalisation, competence development and a more efficient organisation. Borregaard's innovation success is a result of world class in-house R&D and close co-operation between sales, manufacturing, customers and external institutes and universities in several countries. Our Board of Directors emphasizes the importance of sustainability as an integral part of the our operations and development. As an of example of integrating forests-related issues into strategic business plan aspect is that Borregaard has prioritized six of the seventeen Sustainable Development Goals (SDGs) set out in the UN 2030 Agenda for Sustainable Development. The priorities were selected based on the global challenges the world faces, as well as the solutions the company can contribute. The six prioritised SDGs are: (2) Zero hunger; (8) Decent work and economic growth; (9) Industry, innovation, and Infrastructure; (12) Responsible consumption and production; (13) Climate action; and (15) Life on land. The six prioritised SDGs are closely linked to Borregaard's core operations and are in line with our business strategy with respect to the sourcing of natural raw materials, our production processes and the impact our products have in our customers' value chains.
Strategy for long-term objectives	Yes, forests-related issues are integrated	>30	Because wood is our major renewable resource and the centre for our business model sustainable sourcing of wood together with R&D and improvements of the manufacturing processes and facilities for wood-based products together with development and sales of sustainable wood-based products are key elements in our long-term strategic business plan. As an example, wood procurement is specified as a key element in our strategy, with the target of securing long-term sourcing of sustainable forest raw materials. Another examples of forest related issues in the strategy are the target to increase the value added from the unique Sarpsborg biorefinery based on sustainable wood raw-material, the target to further obtain specialization and diversification within wood based BioSolutions and the target to development/sales of sustainable/climate friendly products that can replace oil-based products. The six of the 17 Sustainable Development Goals (SDGs) Borregaard has prioritized are closely linked to our core operations and are in line with our business strategy with respect to the sourcing of natural wood raw materials, our production processes and the impact our products have in our customers' value chains. The six SDGs are reflected in Borregaard's stakeholder and materiality analysis and are used as a framework for guiding, communicating and reporting on the company's strategy, goals and activities. In our Annual report 2020 specific targets and KPIs are presented. For SDG 15 Life on land, - Sustainably managed forests, combat desertification, halt and reverse land degradation, halt biodiversity loss we have the following three: Sustainability criteria are stressed when purchasing wood (SDG 15.1). Active cooperation with stakeholders in the forest value chain (SDG 15.2) Chain of Custody certified in accordance with FSC and PEFC forest certification standards (SDG 15.1 & 15.2)
Financial planning	Yes, forests-related issues are integrated	>30	Borregaard's main challenges centre around four areas: • Reduction of GHG emissions, • Reduction of effluents of organic compounds to water, • Securing long-term sustainable sourcing of forest raw material • Successful development and sales of sustainable and climate-friendly products that can replace oil-based products. The transition to a more bio-based society as well as a growing demand for wood-based products makes the sourcing of sustainable wood raw material increasingly important, as all our main products are wood based. This could also tighten the competition in the markets for wood and hence give increased raw material costs and operations costs as described in F3.1b. Furthermore, it is expected that the requirements linked to the management of the forests and harvesting operations will be stricter to secure biodiversity and ecological standards. However, if forests are managed in a sustainable way, they can represent an everlasting resource (SDG 15) As an example of how forests-related issues are integrated into our financial planning: During 2020 we have adjusted the organization in several areas to support strategy execution. The NOK 450 million upgrade and specialization of the production facilities for biopolymers at the Sarpsborg site included new drying capacity, tanks for storage of liquid materials and improved solutions for logistics, infrastructure and energy. This investment will enable further specialization on the unique raw material base and will over time further reduce our exposure to cyclical market segments. In addition, the increased drying capacity at the Sarpsborg site reduces the need for drying products at other production sites. As a consequence, the operations in Germany have been restructured to reflect future needs. This optimization of the operations in Norway and Germany is targeted to deliver cost reductions of NOK 60 million from 2021.

F6. Implementation

F6.1

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

Yes

F6.1a

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

Target reference number

Target 1

Forest risk commodity

Timber products

Type of target

Third-party certification

Description of target

Borregaard Sarpsborg has a target that all wood supplied shall be 100% certified by 2022. This means that 100% of all wood shall be sourced from certified forests by 2022. Most forests are double certified so Borregaard have no separate targets for FSC or PEFC certification, but a common target for both certification scheme.

Linked commitment

Zero net/gross deforestation

Traceability point

<Not Applicable>

Third-party certification scheme

FSC Chain of Custody
FSC Controlled Wood
PEFC Chain of Custody

Start year

2018

Target year

2022

Quantitative metric

<Not Applicable>

Target (number)

<Not Applicable>

Target (%)

100

% of target achieved

98

Please explain

To achieve the goal we will stop buying wood from suppliers who are not able to deliver certified wood to Borregaard from 2022. This will be agreed during negotiations and fixed in the contracts. Borregaard is actively participating in development and implementation of certifications scheme in Norway and Europe through the Norwegian Pulp and Paper Association (TFB) and Confederation of European Paper Industries (CEPI).

Target reference number

Target 2

Forest risk commodity

Timber products

Type of target

Engagement with direct suppliers

Description of target

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

Linked commitment

No conversion of natural ecosystems

Traceability point

<Not Applicable>

Third-party certification scheme

<Not Applicable>

Start year

2020

Target year

2023

Quantitative metric

<Not Applicable>

Target (number)

<Not Applicable>

Target (%)

100

% of target achieved

50

Please explain

We have implemented a program that all our wood suppliers shall have mutually agreed Supplier Development Actions plan within 2023. The Supplier Development Actions plan include the following initiatives: Risk&Compliance Quality Service Cost Innovation Sustainability (social, climate and biodiversity)

Target reference number

Target 3

Forest risk commodity

Timber products

Type of target

Traceability

Description of target

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

Linked commitment

Zero net/gross deforestation

Traceability point

Forest management unit

Third-party certification scheme

<Not Applicable>

Start year

1990

Target year

2021

Quantitative metric

<Not Applicable>

Target (number)

<Not Applicable>

Target (%)

100

% of target achieved

100

Please explain

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

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

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

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

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

F6.3

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

	Third-party certification scheme adopted?	% of total production and/or consumption volume certified
Timber products	Yes	98
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

F6.3a

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

Forest risk commodity

Timber products

Third-party certification scheme

FSC Controlled Wood

Chain-of-custody model used

<Not Applicable>

% of total production/consumption volume certified

100

Form of commodity

Softwood logs

Volume of production/ consumption certified

975369

Metric for volume

Cubic meters

Is this certified by more than one scheme?

Yes

Please explain

All our volume is FSC Controlled Wood (FSC CW). Our FSC CW risk assessment secure that all our volumes are FSC CW by having documentation of the suppliers FSC CW certificates. If the suppliers are not certificated in accordance with FSC CW Borregaard follow the FSC CW risk assessment and pick random measurement id's to collect and evaluate maps where the harvesting area is outlined. We compare received maps with Official maps where forests with high conservation values are indicated and also with the FSC National risk assessment (NRA) to assure no illegally harvested wood, no wood harvested in violation of traditional and human rights no wood from forests being converted to plantations or non-forest use and no wood from forests in which genetically modified trees are planted. This to secure that no deforestation or degradation of natural ecosystem take place.

Forest risk commodity

Timber products

Third-party certification scheme

PEFC (any type)

Chain-of-custody model used

<Not Applicable>

% of total production/consumption volume certified

98

Form of commodity

Softwood logs

Volume of production/ consumption certified

956263

Metric for volume

Cubic meters

Is this certified by more than one scheme?

Yes

Please explain

Borregaard have a goal to achieve 100% certified wood to Borregaard from 2022. To achieve the goal we will stop buying wood from suppliers who are not able to deliver certified wood to Borregaard from 2022. This will be agreed during negotiations and fixed in the contracts. Borregaard is actively participating in development and implementation of certifications scheme in Norway and Europe through the Norwegian Pulp and Paper Association (TFB) and Confederation of European Paper Industries (CEPI).

Forest risk commodity

Timber products

Third-party certification scheme

FSC Chain of Custody

Chain-of-custody model used

<Not Applicable>

% of total production/consumption volume certified

0

Form of commodity

Softwood logs

Volume of production/ consumption certified

0

Metric for volume

Cubic meters

Is this certified by more than one scheme?

Yes

Please explain

FSC certified wood is very limited in Norway because no Norwegian FSC standard has been established and there was a lack of a National Risk Assessment for Norway . To promote FSC certification in Norway, Borregaard has through the active membership with two board members in the Norwegian Pulp and Paper Association (TFB) strongly participated in establishing a workgroup to develop a National Risk Assessment for Norway and a Norwegian FSC Standard. The NRA was developed in co-operation with stakeholders as NGO's was approved in 2019. The Norwegian FSC standard is developed in co-operation with different stakeholders (Social, Economic and Environmental) The standard is for approval at FSC International in 2021.

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

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

F6.4a

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

Forest risk commodity

Timber products

Operational coverage

Supply chain

Description of control systems

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

Monitoring and verification approach

Third-party verification

% of total volume in compliance

100%

% of total suppliers in compliance

100%

Response to supplier non-compliance

- Retain & engage
- Suspend & engage
- Exclude

Procedures to address and resolve non-compliance with suppliers

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

Please explain

Third Party verification is done annually by Orbicon and in 2020 EY did, on behalf of GRI, a third party verification of our wood sourcing. A deviation is recorded and handled in the implemented deviation tool Kairos (SAP). The applied action(s) depends on the consequences in the following three categories Health and safety, Environment and Economic. We assess the type of non-compliance, the severity, the impact on our business and our possibility to impact the respective supplier before deciding the actual action(s). We mark a deviation with green (no further actions), yellow (actions to get the supplier in line with our expectations) or red colour (loss meeting with the supplier where we go through the incident in a meeting). Subject to the response on yellow or red consequences we decide further actions and state a timeframe when the corrective actions shall be closed by the supplier. In the case of severe breaches of the requirements, illegal matter or lack of progress over time, the contract will be terminated. We provide the following support help our suppliers achieve compliance: Develop time-bound targets and milestones to bring suppliers back into compliance. Provide information on appropriate actions that can be taken to address non-compliance. Assess the efficiency and efforts of non-compliant supplier actions through consistent and quantified metrics. Re-integrate suppliers back into supply chain following successful and verifiable completion of activities.

F6.7

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

	Are you working with smallholders?	Type of smallholder engagement approach	Smallholder engagement approach	Number of smallholders engaged	Please explain
Timber products	Yes, working with smallholders	Supply chain mapping Financial and commercial incentives	Long term contracts linked to forest related commitments	1000	In Norway the market for wood can be described as a market consisting of a few large buyers and many small suppliers. The main strategy of engagement with the smallholders is to provide predictability and maintaining a balance between the large buyers and the small suppliers. To ensure the small suppliers' rights and obligations when interacting with the large buyers, the suppliers are organized in forest associations (co-operations). We have long-term contracts with the smallholders through the co-operations for the supply of wood. These contracts include our requirements for sustainable forestry, including requirements for certified wood. The financial incentive for supplying certified wood is that the supplier will be paid less if the wood is not certified. One example of smallholder engagement activities completed in 2020 was to introduce measuring the number of trees being planted to increase the scope of three planting.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.8

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

	Are you working with direct suppliers?	Type of direct supplier engagement approach	Direct supplier engagement approach	% of suppliers engaged	Please explain
Timber products	Yes, working with direct suppliers	Supply chain mapping Capacity building Financial and commercial incentives	Supplier questionnaires on environmental and social indicators Financial incentives for certified products Long-term contracts linked to forest related commitments	100%	Borregaard's core value is: "We deliver sustainable solutions based on renewable resources and unique expertise". As wood is our primary renewable resource, and the basis for our business, the supply of wood and our engagement with the suppliers of wood are essential to the company. For Borregaard to deliver sustainable solutions, requirements regarding sustainability must be passed through the supply chain, starting with the direct suppliers. Our main strategy of engagement with our suppliers for them to comply with our forests-related policies, commitments and other requirements is to ensure that our requirements are known to the suppliers and enable the suppliers to fulfill them. This is done by only source from suppliers that have signed our Supplier Code of Conduct, which describes Borregaard's requirements for suppliers related to human rights, work standards, the environment and business practices. Secondly our suppliers shall have been approved in accordance with our company guidelines for supplier approval, which includes assessing the supplier's response to a questionnaire covering environmental and social indicators. In 2020 the number of approved direct suppliers related to wood was 120. Our requirements shall be communicated to the suppliers and agreed in signed, contracts. Should a supplier fail to fulfill the requirements, the established deviation process is activated to uncover the reason(s) and the necessary action(s) to be taken. The Supplier Development Action Plan (SDA) is an example of direct supplier engagement activities that we conducted in 2020. Some suppliers have a large impact on our business. These suppliers are subject to engagement through SDA in which the relation is assessed and potential areas of improvement identified. In 2020 eight wood suppliers were engaged with SDAs. An example of results from this engagement is the agreement with a major supplier to start measuring and documents its climate footprint in order to reducing the emission. We have long term contracts linked to forest related commitments in that approximately 70% of our wood is sourced through 3- years contracts and most of the wood suppliers have been a supplier to us the last 20 years. We provide financial incentives for certified products as the supplier is paid less if the wood is not certified, and in in some cases not allowed to deliver.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.10

(F6.10) Do you participate in external activities and/or initiatives to promote the implementation of your forests-related policies and commitments?

Forest risk commodity

Timber products

Do you participate in activities/initiatives?

Yes

Activities

Involved in multi-partnership or stakeholder initiatives

Initiatives

UN Global Compact

Global Reporting Initiative (GRI) Community Member

Forest Stewardship Council (FSC)

Programme for the Endorsement of Forest Certification (PEFC)

Jurisdictional approaches

<Not Applicable>

Please explain

Borregaard business model is based on sustainable wood raw materials, and it is important for Borregaard to increase supply of sustainable wood based on certification schemes. Our involvement with multi-partnership or stakeholders initiatives are important to achieve our goal of 100% certified wood within 2022. Borregaard is therefore an active member of PEFC and FSC through our membership in the Norwegian Pulp and Paper association (TFB), where we have two board-members including the board-leader. Since 2019 an NRA for Norway has been established by the FSC Working group where multi stakeholders participated. Foreningen Skogen in Norway is established to be in accordance with FSC requirements and will be FSC Norway when the Norwegian standard is established in 2021. The following stakeholders are board members in Foreningen Skogen: Norges skogeierforbund, Treindustrien, Sapmi, Norsk friluftsliv, Sabima and WWF. Borregaard co-operate with a wide range of stakeholders relating to ecolabels and standards related to environmental issues, such as SEDEX and Ecovadis. Borregaard has also been a member of UN Global Compact since 2014. Our suppliers to Sarpsborg, Norway sign Supplier Code of Conduct (SCoC) where they confirm to comply with, or actively pursue compliance with: The standards given by the International Labour Organization (ILO). www.ilo.org and The Ten Principles of the UN Global Compact. through the whole supply chain. Borregaard see opportunities though collaboration with these stakeholders to improve its risk assessment and strategy for sourcing and production.

Forest risk commodity

Timber products

Do you participate in activities/initiatives?

Yes

Activities

Engaging with policymakers or governments

Initiatives

<Not Applicable>

Jurisdictional approaches

<Not Applicable>

Please explain

Borregaard as a major buyer of wood in Norway participates in numerous forums to secure proper management of forests, harvesting, transportation and use of wood. Example of forums are: Process 21 - Strategy for Norwegian Process industry towards zero emissions i 2050 Skog 22 - Strategy for the Norwegian Forest industry Norwegian measurement association Norwegian pulp and paper industry (TFB) CEPI - CONFEDERATION OF EUROPEAN PAPER INDUSTRIES Borregaard participates in public consultations for new or revised legislations related to forest issues and other areas in which Borregaard is a stakeholder. An example is the public consultation for the national transportation plan for the period 2022-33 (Nasjonal transportplan 2022–2033 (NTP)

Forest risk commodity

Timber products

Do you participate in activities/initiatives?

Yes

Activities

Involved in jurisdictional approaches

Initiatives

<Not Applicable>

Jurisdictional approaches

Other, please specify (Dialogforum for skog og trenæringen)

Please explain

Through being member of the board for the Norwegian Pulp and Paper association (TFB) Borregaard participates in "Dialogforum for skog og trenæringen" cheared by the Minister of Agriculture and Food. The purpose of the forum is to increase the R&D and innovation with inn forestry and the forest industry through dialog between relevant stakeholders. Important issues for discussions are sustainable forestry, documentation, standardisation and industrialisation, sharing of knowhow and competence building, politics and regulations to increase the demand for green, wood-based products.

F6.11

(F6.11) Is your organization supporting or implementing project(s) focused on ecosystem restoration and protection?

Yes

F6.11a

(F6.11a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).

Project reference

Project 1

Project type

Biodiversity offsetting

Primary motivation

Voluntary

Description of project

Establish a standard in line with the FSC Standard. It is important to establish a Norwegian National Forest Stewardship Standards (NFSS Norway) that take into consideration national and regional characteristic such as natural conditions, forest ownership structure and legislation in Norwegian Forests. It is established 240 indicators within FSC 10 principles that are related to ecosystem restoration, reforestation and protection of forests and other ecosystems and biodiversity offsetting by securing sustainable forestry in accordance with FSC 10 Principles. The goal of the project is to increase available volume of FSC certified wood in Norway. It will be established a Norwegian FSC office to make it easier to become FSC Certified in Norway. The establishment of a Norwegian FSC Standard is voluntary initiative by the industry (treindustrien og treforedlingsindustrien) to increase the FSC volumes available in Norway, to make sure we would be able to have sufficient sustainable forest raw material available in Norway. 240 indicators in the new standard will be secure biodiversity offsetting in Norway. A pre approval draft was sent to FSC International 16th of February 2020, after two public consultations in in 2018 and 2019. The goal is to have the new standard approved by the end of 2021.

Start year

2017

Target year

2022

Project area to date (Hectares)

681000

Project area in the target year (Hectares)

2000000

Country/Area

Norway

Latitude

60

Longitude

11

Monitoring frequency

Annually

Measured outcomes to date

Biodiversity

Financial

Please explain

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

F7. Verification

F7.1

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

Yes

F7.1a

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

Disclosure module

F1. Current State

Data points verified

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

Verification standard

GRI

Please explain

EY has performed an independent verification of selected indicators related to Borregaard ASA's Sustainability reporting for 2019. EY has performed controls in order to establish a limited level of assurance for the percentage of purchased wood which is certified under Borregaard's selected certification program

Disclosure module

F2. Procedures

Data points verified

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

Verification standard

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

Please explain

Our FSC and PEFC certification where audited in September 2020 by WSP Denmark.

F8. Barriers and challenges

F8.1

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

Forest risk commodity

Timber products

Coverage

Supply chain

Primary barrier/challenge type

Complexity of certification requirements

Comment

Forest certification is an excellent tool to ensure sustainable use of wood. However the complexity of the certification requirements can be a barrier for eliminating deforestation. In 2020 Borregaard set the target of 100% certified wood. Since 2018 we have increased the amount of certified wood from 85% to 98% in 2020. But the two last percent of certified wood is challenging as the forest certification is a voluntary system and the question is how to motivate the forest owners become certified. 1. The market acknowledgement should reach the point where the value of certified products is recognized. The market acknowledgement all depends on the increasing environmental awareness of the end users/consumers 2. To maintain the clarity of the forest certification systems to avoid bureaucratic costs and maintain a lucrative system to the forest owners. To maintain the clarity there is a tendency to produce more regulation to certified forestry in the regions where deforestation and forest degradation are not a serious problem. Certified forest area is 28% in North America, 16% in Europe incl CIS (Commonwealth of Independent States), 8% in Oceania, 4% in Asia, 1,7% in South America and 1,5% in Africa (Source: FAO Global forest Resources Assessment 2020). As an example, in Norway certified forest area is almost 100%. Forest certification systems should do their best to promote and expand forest certification in Africa, Latin America, Asia and Oceania instead of fine-tuning the systems in the countries where there is already high coverage of certified forests. There is a risk that overdoing the schemes will result in resignation of forest owners in the high certification degree regions and impair the opportunities in low certificate degree regions. In latter regions even a less demanding forest certification scheme would improve the situation as the governance of the forests by government authorities is typically weak. In addition to the need for well-functioning and usable forest management certification systems, also Controlled Wood system of FSC needs attention. The basic problem is that FSC CW risk assessments and national risk mitigation procedures are very complicated and not harmonized with each other. This adds a lot of administrative work and possibly can limit the possibilities for uptake of the system, especially for new areas.

F8.2

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

Forest risk commodity

Timber products

Coverage

Supply chain

Main measure

Greater transparency

Comment

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

F17 Signoff

F-FI

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

F17.1

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

	Job Title	Corresponding job category
Row 1	Senior Vice President (SVP), Strategic Sourcing	Director on board

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I am submitting to	Public or Non-Public Submission
I am submitting my response	Investors	Public

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I have read and accept the applicable Terms