

SUSTAINABILITY FRAMEWORK BORREGAARD

STAKEHOLDER ENGAGEMENT, IDENTIFICATION OF MATERIAL TOPICS AND OUR MANAGEMENT APPROACH

GRI Attachment to Borregaard Sustainability Report 2020



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INTRODUCTION

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

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

Borregaard follows Euronext guidance on ESG reporting of January 2020 and the reporting is in accordance with the GRI standard.

STAKEHOLDER ENGAGEMENT - OUR APPROACH

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

BORREGAARD'S MOST IMPORTANT STAKEHOLDERS

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

OUR STAKEHOLDERS' EXPECTATIONS

The individual units in the Borregaard Group continuously assess issues that are relevant for the relationship between the company and society. Complaints and enquiries from external stakeholders are dealt with efficiently, and we strive to maintain a constructive dialogue. The implementation of improvement projects in areas with specific challenges are continually assessed.

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



The most important stakeholders in Borregaard

Stakeholder group	Expectations of the company	Arena for dialogue	The company's measures
Customers	Security of supply	Customer meetings	Delivery agreements, preventive maintenance, long-term planning, stock, etc.
	Compliance with regulations	The company's website and marketing communication	Certifications
	Product safety, quality and performance	Documentation	Compliance with guidelines
	Predictability	Day-to-day operations	Purchasing policies
	Availability, service and communication	Audits	Proactive communication
	Sustainable sourcing and production		Customer satisfaction surveys
	Ethical standards (anti-corruption, ethical purchases, etc.)		Innovation efforts
	Competitive terms and conditions		Competence-driven organisation
	Development of new and improved products/services		Documentation (LCA/EPD) and reporting to relevant benchmark surveys
	Market position and reputation		
Documentation on ESG topics/ESG score			
Investors and lenders	Sustainability reporting	Investor meetings and seminars	Sustainability reporting according to GRI standards, including reporting on greenhouse gas emissions and targets for emission cuts
	Good governance	Quarterly presentations	Environmental reporting to CDP, Global Compact, Responsible Care
	Transparent and available information	Shareholder general meetings	Availability of information
	Clear and consistent reporting on important and relevant factors	Annual report with sustainability report	Establishing relevant and quantifiable goals
	Quantitative goals	Third-party analyses and audits	Preparing and highlighting policies
	Good ESG score	The company's website	Communicating responsibilities
			Surveying risks and opportunities
Employees	Safe workplaces	Employee interviews	Zero harm program
	Good reputation	General meetings/departmental meetings	Reputation building/employer branding
	Responsible and attractive workplaces	Company democracy	Management development
	Good working environment, health and safety	Good cooperation with trade unions	Internal and external communication measures
	Management and employee participation	Whistle blowing procedure	Competitive conditions
	Compliance with employee rights	Employee surveys	Competence mapping and evaluation
	Good working terms and conditions	Intranet	
	Qualified and competent workforce	Competence programmes and on-the-job-training activities	
	Short decision-making paths		
The authorities	Compliance with laws and regulations	Dialogue meetings and conferences	Reporting on progress/ sustainability reporting
	EHS, energy and climate measures	Supervision, audits and controls	Transparency and availability
	Comprehensive risk management	Public consultation submissions	Clear goals for EHS and climate
	Preparedness	Participation in industry NGO's and special interest organisations	Proactive dialogue with authorities and politicians
	Taxes and duties	Environmental and climate reporting	Complying with both the intention and letter of the law, as well as international guidelines for taxes and duties

Suppliers	Defined quality requirements/security of supply/service level	Supplier meetings	Enquiries, with a description of requirements and scope
	Predictability/ long-term perspective	Enquiries	Description of selection criteria
	Willingness to pay, ability and punctuality	Negotiation meetings	Paying on time
	Reference	Day-to-day operations	Act on the basis of a long-term perspective and predictability in the market
	Integrity	Audits	Qualifying suppliers based on criteria regarding EHS, quality and code of conduct
			Certified forest raw material
		IP strategy	
Local communities	Jobs	24-hour availability	Apprentice programme
	Support local business	Communications unit	Dedicated employees who respond to questions/receive enquiries/give lectures/home visits, etc.
	Apprentice schemes	Protection organisation	Sponsorship and partnerships
	Transparency on matters that impact neighbours and local communities (smell, noise, pollution, etc.)	Represented in various local forums	Proactive and reactive information
	Risk reduction	Local media	Being a responsible player
	Availability and ability to respond to questions	Guided tours/visits	Improvement work in production (smell, emissions, noise, etc.)
	Participation in local support and sponsorship measures	Close contact with schools and colleges/ universities	Pupil and Student programmes
Business partners	Clear communication	Board and owner meetings	Balanced and long-term agreements
	Compliance with agreements	Coordination and operational cooperation	Integrity
	Integrity	Development projects	Predictable and recognisable Communication and transparency

MATERIALITY ANALYSIS - OUR MOST IMPORTANT TOPICS

Borregaard has identified the company's most important and relevant risks and opportunities based on the location and nature of the company's operations, customers and suppliers. This is an integrated and multidisciplinary part of the Groups management processes. The results are based on our values, policies, risk analyses and strategy, as well as how we as a company impact our stakeholders financially, environmentally and socially. These overarching areas also reflect the topics our stakeholders are concerned with, as well as impacted by.

Sustainability is an integrated 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 and overall goals. Borregaard's fundamental understanding of sustainability and corporate responsibility is that the business model itself and the company's products are sustainable and meet global needs. The Sustainability context of our reporting is linked to the six prioritised sustainability goals: zero hunger, economic growth, innovation, responsible production, climate action and life on land. The areas are closely associated with Borregaard's operations and are in line with the company's business strategy to use natural and renewable raw materials to produce biochemicals that are sustainable and environmentally friendly substitutes for petrochemicals. The prioritised sustainability goals are used as a framework for guiding, communicating and reporting on the company's vision, strategy, goal and activities going forward. Based on population growth and climate change, two key challenges the world will face in the years ahead, Borregaard will continue its work on identifying future business opportunities associated with specific sustainable goals. Borregaard has selected topics that are material, cover different part of the value chain and in line with the company's strategy to develop the sustainable business model in an even more specialised direction.

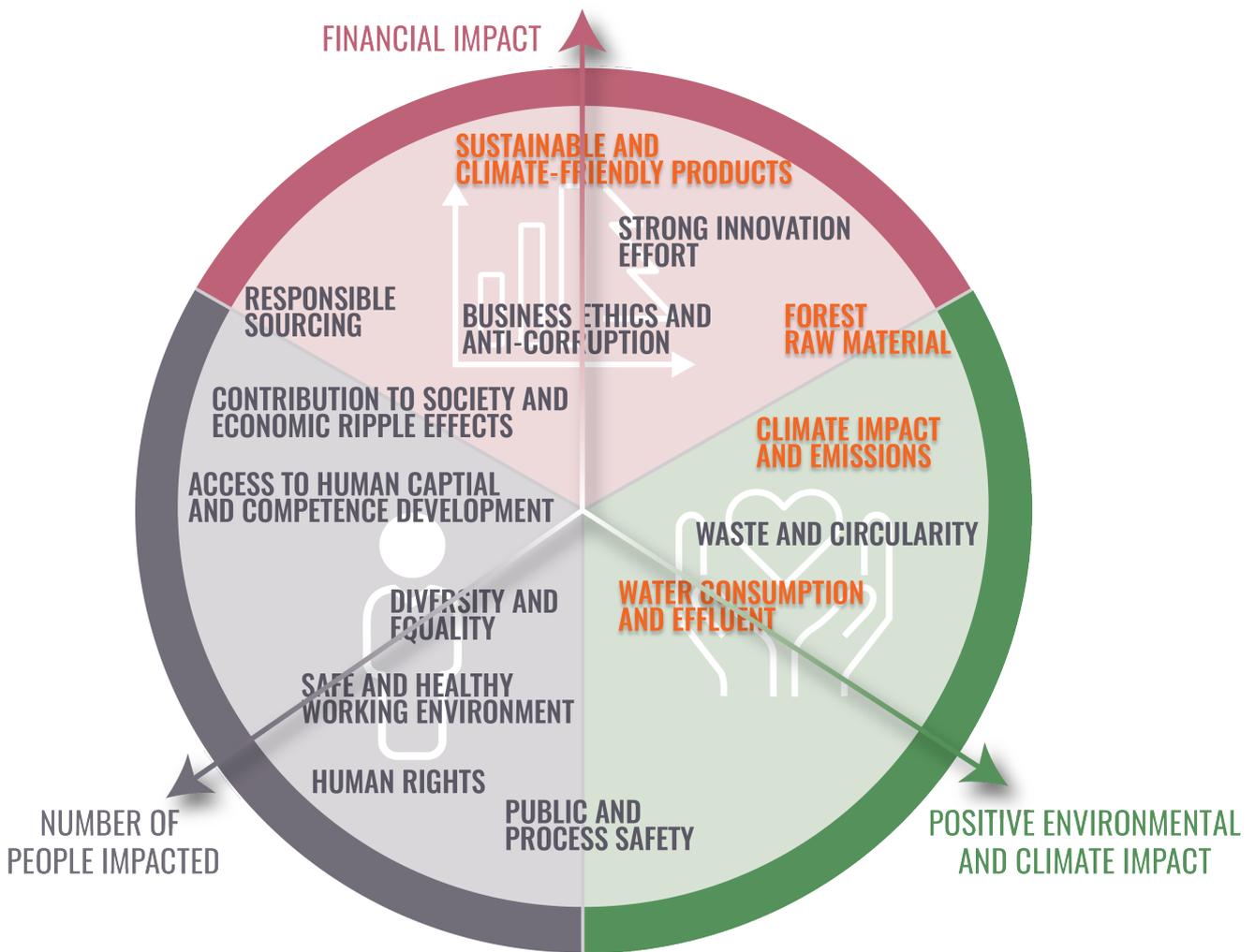
The Table below shows how each material topic is relevant for the company's economic, social and environmental impacts. The topics are linked to the SDG's which they influence, and to the relevant GRI standard for reporting. The important topics are within areas where Borregaard has responsibility or can influence, the boundary of each topic is shown in the table below. The topics cover different part of the value chain. The results from the indicators we are reporting on are discussed in the Sustainability report. Why the topics are important, and our management approach are described from page 10 in this document.

Main Topic	Subtopic	Related GRI topic	Impacted SDG	Topic Boundary
Sustainable Business Model	Sustainable and climate friendly products	Company specific, Number of approved Environmental Product Declarations (EPD).	SDG 2, SDG 6, SDG 7, SDG 9, SDG 11, SDG 13,	Customers, Entire value chain
	Strong innovation effort	Company specific, Innovation rate.	SDG 9, SDG 17	Entire value chain
	Forest Raw materials	Company specific, % certified wood	SDG 15	Supply chain for raw materials
	Sustainable Sourcing	GRI 414, 308, 305-3 (scope 3)	SDG 8, SDG 12, SDG 13	Supply chain
Climate and environmental engagement (Planet)	Climate impact and emissions	GRI 201-2 Climate risk/ opportunities GRI 305 Emissions GRI 302 Energy	SDG 12, SDG 13	Entire value chain
	Water and effluents	GRI 303 Water and Effluents GRI 307 environmental compliance	SDG 6, SDG 12	Entire value chain
	Waste and circularity	GRI 306	SDG 12	Own operations
	Public and Process safety	Company specific, number of fires.	SDG 12	Own operations
Care for people and competence development (People)	Safe and healthy working environment	GRI 403 Occupational health and safety	SDG 8	Entire value chain
	Access to human capital and competence development	GRI 404 Training and Education	SDG 4, SDG 8	Own operations
	Diversity (incl. gender) and equality (opportunities)	GRI 405	SDG 8, SDG 5	Own operations
	Business ethics and anti-corruption	GRI 205, GRI 206	SDG 8, SDG 16	Entire value chain
	Human rights	GRI 412,	SDG 8	Entire value chain
Contribution to society (Profit)	Contribution to society and economic ripple effect	GRI 201	SDG 4, SDG 8, SDG 11, SDG 17	Community, own operations.

The illustration below shows the results of the stakeholder and materiality analysis, "Significance for the stakeholders and Borregaard's environmental, economic and social impacts of the world" in the three sustainable dimensions, people, profit and planet. The axes represent the impact of the three dimensions. The analysis guides our main challenges and points out our strategic priorities for improving the positive impact of our main topics in all the sustainability dimensions and the SDGs we have

prioritised. Our topics have an impact in different parts of the value chain, thus our priorities cover sourcing, own operations and our customers.

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



Stakeholder and materiality analysis in the three sustainable dimensions, people, profit and planet. The colours in the illustration refer to the chapters A to C in the Sustainability report.

MANAGEMENT APPROACH TO OUR MAIN TOPICS

The purpose of Borregaard's strategic priorities and how the company's material topics are managed is to develop Borregaard into an even more specialised

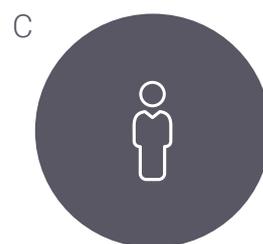
and competitive company, that delivers sustainable solutions and strong results over time. The topics reflect the company's four main areas:



Sustainable business model



Climate and environmental engagement



Care for people and competence development



Contribution to society

The material topics and its concerns are described in more detail in Borregaard's Sustainability report, chapters A to D. In this report we have described why the material topic is important and how the topics are managed.

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

In general, our management approach follows the principles of Borregaard's governance framework and is described in the Corporate Governance chapter in the annual report. The Board of Directors has clear objectives, strategies, and risk profiles for the company's business activities.

The Sustainability Board will address and follow up on material topics and initiate processes aimed at

developing policies, actions, and goals within the topic boundaries for sustainability. The Board reports to the President and CEO. The members of the Sustainability Board represent the whole value chain within Borregaard and have relevant background and experience within sustainability aspects in the company.

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

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

Inquiries or complaints from our stakeholders are registered and dealt with according to our procedures for stakeholder dialog.

A

SUSTAINABLE BUSINESS MODEL



Borregaard's business model is to use natural and renewable raw materials to produce sustainable biochemicals that replace petrochemicals. In this way, the business model in itself throughout the whole value chain, from raw materials to finished products and their end-use, is sustainable. The purpose of the management approach is to enhance the positive impact of the business model and make the business model even more sustainable and specialised. Thus, Borregaard has prioritised innovation and continuous improvement to increase specialisation and value-added from the biorefinery, and to increase the focus on ESG aspects throughout the whole value chain. Borregaard has selected strategic projects to deliver on the specialisation strategy to develop the biorefinery and its unique sustainable products. Since 2015, Borregaard has invested close to NOK 2 billion in projects aimed at increasing both the value, volumes and sustainability performance of our wood-based products.

SUSTAINABLE AND CLIMATE-FRIENDLY PRODUCTS

Borregaard's customers are mainly producers of biochemicals and materials to various applications and consumer markets. The company produces solutions for a variety of applications in sectors such as agriculture and fisheries, construction and infrastructure, diagnostics, personal care, foodstuffs, batteries and biofuels.

We are giving customers an opportunity to use sustainable and climate-friendly products.

Other customers, especially those who operate in consumer markets, prefer using natural ingredients or ingredients made from bio-based raw materials in their products. The market for Borregaard's biovanillin is growing rapidly. This trend is expected to continue and is likely to be reinforced in parallel with the world's growing sustainability focus. Health and safety aspects influence customers' purchasing behaviour. Borregaard's wood-based products represent a non-toxic substitute for chemicals with negative health exposure. Borregaard's biopolymers and cellulose fibrils are good examples of products replacing harmful chemicals in applications such as coatings, agriculture and adhesives. Our products are part of several important value chains in the circular economy and includes products that play important roles in achieving the SDG goals.

Our management approach is to document the sustainability of the products. Borregaard has engaged an independent third party, Norsus, to conduct a life cycle assessment (LCA) based on the ISO 14044/48 standard. The LCA analyses documents the environmental impact of Borregaard's products, from raw materials to finished products and monitors how environmental improvement in the value chain can reduce this impact. Environmental Product Declarations (EPD) are made from the LCA data and verified by a third party. The EPD data is compared with relevant competing products. LCA tools are also used in the innovation process. For bioethanol, ISCC EU certification is used to document that sustainability criteria for the use of bioethanol in transportation is met. In addition, Borregaard's sustainability reporting is verified according to the GRI standard. The standards for sustainability documentation are developing in a direction of strictly using third party verified data, standardised methods for calculation of biogenic CO₂ and more comprehensive product category rules to define environmental impact. The result of our management approach review is that we will increase the number of EPDs and develop them in line with new requirements.

We aim to influence our customer's choices by documenting the sustainability performance of our products through life cycle analyses. Borregaard has established a communication strategy to ensure that this message reaches the markets.

STRONG INNOVATION EFFORT

Strong innovation effort is one of Borregaard's strategic priorities and a part of our culture and enables our specialisation strategy. Long-standing research and development have resulted in solutions that respond to important long-term global challenges. To maintain our position as the world's most advanced biorefinery, Borregaard is dependent on developing the biorefinery concept by finding new bio-based raw materials, as well as new products and markets for specialised bio-based chemicals and materials with the highest value and best environmental profile.

Borregaard's use of about 4% of revenues for R&D, results in high innovation rate for new products.

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

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

The innovation success is evaluated by measuring the innovation rate, which is defined as sales of new products and applications introduced during the previous five years. This is our company specific indicator to disclose the progress of our innovation performance and is used to evaluate our management approach.

FOREST RAW MATERIAL

Since the majority of Borregaard’s products are made from wood, they have documented low CO₂ footprint compared to petroleum-based alternatives. Wood is one of the few renewable raw materials that can be produced in large quantities. Forests are important in a climate perspective. While trees are growing, they capture and store CO₂ from the atmosphere. As the trees grow old, they capture less CO₂ and are ready to be harvested to become biomass for sustainable products that can replace oil-based alternatives.

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 will increase the competition for wood and give increased cost of the wood raw material. Borregaard sources most of the wood from the Nordic Region, and there are several new initiatives from other businesses that will produce biofuel or bio-based products from the same raw material. There are limited amounts of wood available in Norway for new businesses (Biobasert prosessindustri (prosess21.no)). Increased capacity in the bio-based 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 bio-based industry there will most likely 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. Borregaard has increased value creation from wood by developing more sustainable biochemicals and biomaterials over time.

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

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

This KPI was used to evaluate our management approach regarding sourcing of forest raw material, the conclusion is that we have the necessary measures in place to reach our target.

SUSTAINABLE SOURCING

The sourcing of Borregaard’s supplies and services is built on the three pillars of sustainability: People, Planet and Profit with social, environmental and economic factors being integrated in the selection of suppliers and the supplier management.

This commitment is embedded in Borregaard’s top governing documents, and guidelines are implemented to regulate activity and help employees cultivate good relationships and sound business practices. The guidelines cover all purchasing activities within Borregaard and are available for all employees in the company’s Corporate Manual.

Responsible sourcing and criteria for supplier selection and management are included in the various processes and in Borregaard’s top governing

documents and guidelines.

Vision and information are provided to procurement personnel to enable them to integrate sustainable sourcing into their work. And finally, transparency is provided through internal and external reporting of the sustainable sourcing activities.

The GRI standards 414 and 308 have been used to define topic-specific disclosure that is relevant for sustainable sourcing.

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

We use this information to investigate if there are any significant actual and potential negative social and environmental impacts by the supplier and their supply chain. We evaluate the risk and categorise the supplier as high, medium, or low risk. If they are considered medium or high risk, we will collect additional information prior to entering a relation with the supplier. We apply a systematic approach, and we document our findings.

Borregaard puts most effort into high and medium risk suppliers, those who will be providing important products and/or services and suppliers of limited available product and services.

Should we identify significant actual and potential impacts, we will estimate our purchasing power and

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

Our expectations are primarily stated in the SCoC which the supplier has signed. Our standard clause regarding sustainability, describing our approach, goals, and the need for the supply chain to work together are included in the bidding documents as of 2020. Some contracts include specific clauses, and our suppliers of forest raw material must comply with the requirements of PEFC/FSC, which specifies social and environmental criteria.

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

We assess our supplier portfolio annually, each November, with the aim to reviewing the suppliers' performance with respect to our requirements and expectations and identify risks and weaknesses. Non-critical suppliers are excluded from the evaluation. We have a given set of criteria, social and environment amongst them, and each year we have a specific topic of interest. In the evaluation we review last year's supplier audits, and we decide which suppliers shall be audited the following year, for which reasons and which criteria to be applied.

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

In 2020, Borregaard launched the Supplier Development Action (SDA) program at the biorefinery in Norway, in which suppliers classified as strategic and bottleneck are subject to supplier development in accordance with set instructions, involving supplier assessment of People, Planet and Profit criteria.

As described above, several new activities with our suppliers were initiated in 2020, we evaluate that our management approach for sustainable sourcing in 2021 will be sufficient to reach our targets.

B

CLIMATE AND ENVIRONMENTAL ENGAGEMENT



Reduction of climate and environmental impacts are an integrated part of the development of the sustainable business.

Borregaard's ambitions and guidelines within climate and environment are set out in a separate policy document. The policy is rooted in the company's business model, corporate culture and values. The aim of the guidelines is to enhance commitment, awareness and continuous improvement in these areas and determine the company's specific procedures and practices. The scope is the entire Borregaard Group with its wholly owned subsidiaries. Borregaard's overall environment and climate goals are that the company and its activities will contribute to sustainable solutions, with no harm to people or to the environment.

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

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

The operation in Norway and in Germany are certified by ISO 14001 Environmental Management and ISO 50001 Energy Management. Our main impact on the environment is from the production units. Our biggest operational unit, the biorefinery in Norway has the major share of the impacts. The other units are much smaller and are processing lignin raw material into various biopolymer products, as liquid or powder. Emissions from the various production units are regulated by national and/or local authorities.

To improve the environmental performance of its products and to mitigate risks from emissions, Borregaard has established action plans to cut emissions in several areas, and substantial reductions in emissions have been achieved over time. From the biorefinery in Norway, effluents of organic material to water, measured as COD, has been cut by 42% and SO₂ emissions to air has been cut by almost 90% during the past ten years.

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

CLIMATE IMPACT AND EMISSIONS TO AIR

Borregaard's innovative solutions can play an important role in addressing climate change. To reduce our climate impact, including the climate footprint of our products, we have established Science based target (SBT) for GHG emission reduction throughout the value chain.

Borregaard's direct (scope 1 and scope 2) GHG emission stems from use of energy in the production processes, thus the climate and energy strategy for reducing GHG emissions are closely linked. 86 % of the GHG emissions derive from Borregaard's biorefinery in Norway. Borregaard's indirect GHG emissions (scope 3) stems mainly from transportation of raw materials and products, as well as from purchased goods and services. The company's direct emissions from its operations can be impacted by the environmental performance of raw materials, energy or sourcing of more environmental efficient equipment. Purchased goods and services together with upstream and downstream transportation counts for 43% of Borregaard's scope 3 GHG emissions and 28% of Borregaard's total GHG emissions. Emissions can be impacted by selecting raw materials or transport solutions with more favourable CO₂ footprint.

An energy and climate policy has been established for Borregaard's biorefinery in Norway. Borregaard's plants in Norway and Germany holds ISO 50001 Energy certificates, which enhance a systematic management approach for energy and climate. GHG emissions, energy consumption and the progress for reduction targets, are reported monthly or quarterly. This is done at Borregaard's different sites and at Group level (scope 1 and scope 2). The biorefinery in Norway has established a Climate and Energy Committee. The committee holds monthly meetings where development in energy prices are reviewed and different energy alternatives, renewable energy consumption as well as progress in relevant KPI's are evaluated. Changes in framework conditions within energy and climate (EU Green Deal) and development in new technologies, for instance Carbon Capture and Storage, is a part of the committee's responsibility. The committee reports its progress to the Sustainability Board. The evaluation of the management approach is done annually as part of the management review process, the results from 2020 was to continue with action plan to achieve the SBT goals.

For the part of the Group that holds a ISO50001 certificate, investment proposals for new projects, must include energy consumption as a selection criterion.

The Group has established an interdisciplinary long-term task force, "Borregaard Emission Free Transport 2020-2050", aiming to implement alternatives for more environmentally friendly transport solutions in

the short and long term. The task force reports to Borregaard's Sustainability Board.

Greenhouse gas emissions are reported in accordance with the Greenhouse Gas Protocol (GHG Protocol), which is a standard for calculating and reporting greenhouse gas emissions associated with operations, both direct and indirect, from the production of products, as well as from all activities in the value chain. Norsus calculates the emissions from Borregaard's input data, a separate scope 3 emission report is published on our web site, www.borregaard.com. In 2020, we have increased the scope of emission calculation from downstream transportation. The calculation of GHG emissions is performed according to international standards. The direct GHG emissions and the GHG emission from the purchased steam from Borregaard in Norway are within the EU-ETS system, emission factor and calculation method are according to the EU-ETS permit given by Norwegian Environmental Agency. The GHG emission from electricity is calculated as consumption times emission factor, physical mix for electricity is used. The sources for the emission factors are, International Energy Agency (IEA) and Emissions & Generation Resource Integrated Database (eGRID). Borregaard's full year GHG emission data are approved by a third-party.

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

The management review of our approach to climate change resulted in keeping the existing initiatives, new initiatives as described in the Sustainability report.

WATER CONSUMPTION AND EFFLUENTS

More than 95% of Borregaard's water withdrawal is linked to Borregaard's biorefinery in Norway. Water is used for cooling, steam production and hot water production, as well as washing and transporting biomass in the production processes, thus water is an important input factor. Water scarcity is a main challenge in the world, but this is a low risk in the

areas where Borregaard operate according to our risk assessment, <https://waterriskfilter.panda.org/en/Explore/Map>.

Borregaard in Norway is self-sufficient and has access to water from the river Glomma via its own water treatment facility. The volume of water withdrawal is high, but we discharge almost all the water back to the recipient, thus the net water consumption is relatively low. We report the discharge of cooling water (GRI 303-4b,i) and process water (GRI 303-4b,ii) as to separate indicators. We are planning to report on the subject "water" to CDP in 2021. We are in process of improving our water related reporting and will set reduction targets in some areas.

More than 99% of the Groups effluents to water stems from the biorefinery in Norway. Organic matter (measured as COD) in the water discharge, impact the water quality in the river Glomma negatively. According to the definition in GRI 303, the impact of the effluent on the ecological status of the river is defined as water stress. The EHS policy guides the water-related risk the impact the discharge of effluents has on the ecological status in the river Glomma. Borregaard will improve the discharge water quality by cutting the effluents of COD. A plan for how to cut the effluents will be sent to the Norwegian Environmental Authorities in 2021. Process owners are responsible for the reduction of COD within their plant. A steering committee chaired by the Plant Director (Member of Executive Management Group), review the progress at a regular frequency, are responsible for development of a long-term plan for cuts in COD. The progress is evaluated as a part of the management review process. The results from 2020 was to continue with action plan for reduction in COD.

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

Best available Techniques Reference Document standards (BREF's) are used for emission permit settings in EU/EEA countries, the documents describe different manufacturing processes, their

respective operating conditions and emission rates. Based on the latest review of these standards, Borregaard's operations in Norway received a new discharge permit from 01.07.2019. The permit has stricter limits for several substances in the effluent, including sub-streams, in shorter average periods. This means that the number of single limits in the permit has increased. The new permit (Norske utslipp, Virksomhet) for COD in the effluent is reduced from 69 tonnes to 59 tonnes per 24-hour period (on average over the year) in order to comply with BAT levels for emissions to water. Components in the effluents to water are measured after Norwegian standards or International standards. The most important parameters to water from our operations are COD, AOX (Adsorbable Organic Halogen), Copper, Suspended Solids (fibers), Nitrogen and Phosphor. In addition to reporting the type of substance (303-4d), we report the amount discharged to water.

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

WASTE AND CIRCULARITY

Most of Borregaard's waste is generated at the biorefinery in Norway, the operations outside Norway generates 20% of the waste.

Recovered energy for waste incineration is an important part of the energy supply for our biorefinery in Norway. This is a part of the daily base load needed for energy supply, and all the energy is utilised in our continuous production. Our waste incineration plant alone recovers energy from 66,563 tonnes of municipal waste. This process generates ash. While the bottom ash is classified as non-hazardous waste, the fly ash is classified as hazardous waste. The alkaline fly ash is treated externally to form a stable gypsum phase before it is landfilled. 80% of the hazardous waste and 27% of the non-hazardous waste is ash, generated from the energy recovery of municipal waste. The alkaline fly ash is treated externally to form a stable gypsum phase before it is landfilled, there is several ongoing initiatives in Norway to find other solutions for the fly ash generated at the country's several municipal waste incineration plants. Borregaard is monitoring the progress in this work. From the non-hazardous bottom ash, the metals are removed and recycled by our waste operator, and the rest is reused as fill mass.

The most common non-hazardous waste fractions from our operations are gypsum and sludge with some residual organic content, which is mostly

landfilled, this is 35% of the non-hazardous waste. This is from our operations in Norway, Wisconsin USA and Germany. We are seeking possibilities within the circular economy to find solutions for material recovery, and we are a part of several initiatives.

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

98% of the waste from operations in Norway was source separated and processed by certified waste treatment providers in 2020. Waste plans for the industrial facilities, projects and the company's own harbour have been established. The hazardous waste is reported in declaration system operated by the Norwegian Environment Agency. Waste generated is reported monthly, data is received from our waste operators, from weight bridge tickets and declaration systems, the data is controlled by our internal control routines. The waste treatment providers are selected as described in the sustainable sourcing chapter above.

The management approach is evaluated as a part our management review process. In 2020, we improved the waste reporting for the entire Borregaard Group and we will reduce waste through increased material recovery.

PUBLIC AND PROCESS SAFETY

A prerequisite for a sustainable production is to do no significant harm on the environment and its surroundings. Borregaard's biorefinery in Norway has established a strategy for preventing major accidents in line with Seveso III (Section 7, Annex 3). The process safety management system is according to the standard OSHA 3132 for process safety. A cross functional process management team has monthly meeting supervising the progress within improved process safety. Main activities are updating the process hazard analysis (PHA), improving the mechanical integrity of the maintenance system, update the emergency plans and provide procedures and training of Borregaard employees and external contractors.

The management approach is evaluated in the management review process. The results from the last review was to improve the KPI's from process safety.

C

CARE FOR PEOPLE AND COMPETENCE DEVELOPMENT



A sound corporate culture provides a vital basis for developing the company and strengthening the business model. Borregaard's culture and value document, "The Borregaard Way", highlight high competence and competence development as one of our main competitive advantages. In this context, diversity is highly valued as being a factor for attracting people with different backgrounds, skills and competencies. A safe and healthy working environment is a key factor for a sound working environment and is essential for ensuring a sustainable business. Equal opportunities are important to capitalise on the resources and skills our employees hold.

SAFE AND HEALTHY WORKING ENVIRONMENT

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

Norwegian EHS legislation (Internal Control Regulations) includes a requirement for a management system that systematically monitors safety, identifies hazards and involves employees. Borregaard has also added its own requirements and guidelines to ensure high EHS standards for its operations. A health and safety committee monitors and advises the occupational safety programs for all employees at Borregaard's biorefinery in Norway in line with the Norwegian Working Environment Act (AMU).

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

Borregaard has a worldwide safety management system called Zero Harm. Each of Borregaard's manufacturing plants outside Norway has

established an EHS/Zero Harm organisation. An EHS leadership team consisting of all Managing Directors and safety professionals are leading the safety work together with the EHS manager for each plant. At our biorefinery in Norway, we hold a weekly safety meeting where the management and employee representatives address various safety issues.

Occupational health services are available for all employees, the health of our employees is regularly monitored through medical examinations and working environment surveys.

Important measures for eliminating injuries include basic EHS training to strengthen the safety culture, focusing on personal responsibility for one's own safety, clear safety management, reviews of rules for and the practical use of protective equipment, and requirements for order and tidiness in the workplace. All new employees are going through a special training program. From 2021, external contractors, transport operators with dangerous goods and visitors must have conducted a specific e-learning program to get access to the biorefinery in Norway. We will introduce an app to conduct Personal Safety Job Analysis for external contractors before their work task is started.

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

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

1. Intervention in equipment: Exposure to energy in the form of chemicals (liquid, gas), high pressure, liquids with harmful temperatures, electricity, potential energy (falling objects, torque)
2. Entering into confined space
3. Work at height
4. Hot work

5. Trips and falls.

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

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

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

Borregaard particularly focuses on and has an ambitious goal of further reducing sick leave. The close follow-up of employees on sick leave and adapting tasks for individuals with suitable duties or shorter working hours for a limited time are examples of applied measures. Training, health and lifestyle counselling, vaccinations and stress management are other examples. Most of the sick leave is due to musculoskeletal disorders, and there is a strong focus on ergonomic measures to prevent this.

The management approach is evaluated as a part of our management review process. In 2020, we improved the training and our reporting for external contractors. Our training for external contractors has been successful as the number of injuries has been reduced from 16 (2019) to 2(2020).

ACCESS TO HUMAN CAPITAL AND COMPETENCE DEVELOPMENT

Unique competence is one of the key elements in Borregaard's specialisation strategy, as stated in "The Borregaard Way document". The combination of high competences in sales and marketing, R&D and production drives the specialisation strategy and differentiates Borregaard from its competitors.

Borregaard has a comprehensive portfolio of internal training programmes that cover the core competencies such as lean production and operations, innovation seminars, sales and application academies, introduction programmes for new employees, in addition to management programmes. Training programmes are followed up by a common reporting system where attendances on group, company and individual levels are documented. The system gives valuable data for

securing sufficient training activities and diversity among the attendances on the various training sessions. As recruitment activities collaboration with several educational institutions is done to encourage interest in an industrial career and relevant qualifications.

Indicators used for monitoring competence development include attendances (number and diversity) in training programmes, identification of internal succession candidates and turnover which are reported in the annual organisation audits that includes competence mapping and plans. The reports and indicators are evaluated as a part of the annual management review processes in the Top management group and the Board. The results from 2020 showed that the organisation is robust regarding the general competence level. Most positions have internal succession candidates and the turnover is generally low. Training programmes had been conducted through e-learning alternatives to compensate for lack of physical seminars and meetings due to the coronavirus situation.

BUSINESS ETHICS AND ANTI-CORRUPTION

A strong governance structure and culture for sound business ethics and anti-corruption is a prerequisite for a sustainable business. Borregaard has a set of guideline documents for corporate responsibility and ethical guidelines, as well as manuals and more specific guidelines for different areas such as anti-corruption, competition legislation, responsible sourcing, environment, health and safety, and human rights. The ethical guidelines, the Borregaard Code of Conduct, based on UN's Global Compact were revised in 2019 in a process that involved many parts of the organisation, including the unions. The guidelines have been implemented by using a new e-learning system. Borregaard's guidelines for corporate responsibility are integrated into the Group's introduction and managerial training programmes.

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

Borregaard has established a whistleblowing system and a separate channel, operated by Borregaard's General Counsel to deal with issues if an employee

sees or experience conflicts with our guidelines or expectations.

Business ethics and anti-corruption are among prioritised topics that Borregaard's Compliance Board works with and include in reports and follow up activities. The annual Compliance report is evaluated and approved by the Board of Directors, in 2020 it was no non-compliance incidents.

DIVERSITY AND EQUAL OPPORTUNITIES

Borregaard wishes to enhance diversity among its employees and is committed to avoid discrimination based on gender, ethnicity, religion and age. Diversity is a positive factor that gives a variety of different inputs and views in the internal discussions and processes. Diversity is also important in recruitment processes to secure that we have a large recruitment base that includes people from different backgrounds, skills and competencies. Equal opportunities are an important factor to capitalise on the resources and skills that our employees have.

To acknowledge diversity, based on cultures, gender, age and different backgrounds will result in a sound and productive working environment with cross functional skills that contribute to high motivation and low sick leave.

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

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

retirement or termination of employment.

Borregaard measures the number of female employees and managers, the number of nationalities in training programmes, age profile, internal recruitment in addition to sick leave rate and injury rates. The indicators are evaluated as a part of the management review processes. From the review in 2020, we have identified that we need to establish guidelines within the recruitment process to enhance inclusive and diversity parameters.

HUMAN RIGHTS

Borregaard has no tolerance for breakage of human rights principles, this is a prerequisite for a sustainable business model with a high focus on ESG. Human rights are a minor issue for Borregaard since our operations and most of our suppliers are in low risk countries (OECD countries). According to our values (Integrity and respect for individuals) as well as laws and regulations, it is important for Borregaard to maintain compliance within human rights issues.

Borregaard has a human right policy with guiding principles for handling human and workers' rights which we see as having relevance for our daily operations. We define human rights as the human rights enshrined in the Universal Declaration of Human Rights and the workers' rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

Borregaard monitors and follow up compliance with the requirements through internal sustainability reporting and internal audit processes. The status of the companies' human rights activities is reviewed annually as part of the business areas' board meetings. Any cases on Human Rights breakages reported to legal head will be reported to the Compliance Board and to the Board. In 2020, we have conducted a survey to a selection of employees to evaluate knowledge about Borregaard's human rights policy and whistleblowing routines. When incidents are reported, Borregaard will follow up through our whistleblowing channel.

D

CONTRIBUTION TO SOCIETY AND ECONOMIC RIPPLE EFFECTS



Our stakeholder and materiality analysis states Borregaard's contribution to society and economic ripple effects as material for the company's stakeholders. Profitable and sustainable jobs are a prerequisite for welfare and social security. This manifests itself through income and meaningful activity for individuals, as well as through financial contributions through taxes and duties that companies, and their employees pay in the countries and local communities in which they operate. The communities where Borregaard has production units, see significant ripple effects from suppliers and other activities around our plants. These factors are important not only for the society, but for Borregaard that in many ways have shared interests with the local community when it comes to recruitment, attractiveness as a business partner, acceptance among neighbours and citizens and to earn a "licence to operate" from the public in general.

Borregaard measures its performance and reputation among the public through annual surveys conducted by independent polling institutes. Borregaard's reputation has improved over time, and the public in the local region scores Borregaard's performance and attractiveness high in areas such as employer attractiveness and contribution to society. In 2020, the score for "employer attractiveness" was 7.4 (scale 1-10) and the score for "contribution to society" was 7.5. The figures for the Sarpsborg public were 8.0 and 7.9 respectively.

TAX PAYMENTS PER COUNTRY

Borregaard seek to meet the tax laws requirements in the countries where we have commercial activity. Borregaard uses the OECD guidelines for internal pricing, which is an important factor in ensuring that profits and taxes are distributed fairly among different countries. The company will not enter into arrangements which could be considered artificial or which have tax avoidance as their sole or main objective.

SUPPORT TO INCREASE ATTRACTIVENESS FOR THE REGION AND INTEREST FOR SCIENCE AND INDUSTRY

Borregaard participates in various forums and organisations involved in urban and regional development and has also provided venues for socially beneficial activities.

In 2020, Borregaard contributed between 4 and 5 million NOK to support measures that benefit both the company and the region, with the overall goal of strengthening our long-term attractiveness as an employer. Borregaard's support/sponsorships to cultural and sports experiences and activities make the city and region more attractive, which contribute to easier recruitment and retainment of employees. Borregaard also supports measures intended to stimulate young people to understand and become interested in disciplines important to Borregaard and society, such as nature, science and entrepreneurship.

COLLABORATION WITH EDUCATIONAL INSTITUTIONS

Borregaard works closely together with schools and educational institutions. We offer educational programmes that tie in with schools' curricula, using examples taken from the company.

Every year, students from a number of higher education colleges and universities carry out practical tasks and projects or get internships at our company.

Borregaard has programmes and instructors for apprenticeship schemes involving cooperation with vocational schools in the region. These schemes provide apprentices with relevant experience to supplement their theoretical training. We also cooperate with several universities in Norway and other countries.

CHANGES IN OUR REPORTING COMPARED TO LAST YEAR

The main areas for Borregaard in the context of the whole value chain are emphasised in the sustainability reporting compared to last year. Some of the material topics have been renamed to emphasise the importance for Borregaard. We have also specified the scope for some of the material topics, to prioritise and manage the areas in the value chain where the topics are important. We have also made some changes to include all information that is necessary for being GRI compliant and verified according to the GRI standard by 3rd party.