



Borregaard

HUMAN RIGHTS & DECENT WORKING CONDITIONS

REPORT 2022



OVERALL SUMMARY

We have identified no breaches of human rights and decent working conditions in our own operations, with our business partners or within our supply chain. No significant actual and potential negative social impacts have been identified in the supply chain. However, we operate and have business partners in some high-risk countries and, consequently, our value chain shows potential exposure.

Our targets for 2023 are zero violations of human rights, to secure compliance with laws and regulations related to decent working conditions in our business and to work actively to promote the same with our business partners and suppliers.

We will keep monitoring the risk and implement measures as more specifically accounted for below both in our own business, with our business partners and in the supply chain.

This report accounts for Borregaard's due diligence assessments pursuant to the *Norwegian Transparency Act*.



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1. INTRODUCTION

Borregaard is working actively to promote respect for human rights and decent working conditions throughout our whole value chain.

Norwegian authorities have adopted the *Norwegian Transparency Act*¹ (entered into force as of 1 July 2022) to ensure compliance with fundamental human rights and decent working conditions in the enterprises themselves, in their supply chains and with their business partners. Further, the *Transparency Act* shall secure the public access to information on how companies are working with these areas. The *Transparency Act* is based on the UN's Guiding Principles on Business and Human Rights (UNGP) and OECD's guidelines for multinational companies². This entails that organisations shall conduct a due diligence assessment which includes the following six steps:

1. Ensure accountability in policies and management systems
2. Monitor and assess negative impact/risk based in the enterprise itself, supply chains and business partners
3. Stop, prevent or reduce negative impact/risk
4. Supervise implementation and results
5. Communicate with direct parties concerned and rights holders on how the impact is handled
6. Ensure or collaborate on remedies where necessary

This report accounts for Borregaard's due diligence assessments pursuant to the *Norwegian Transparency Act*. It describes the process of how we work to assess if there are any actual, or risks of, adverse impacts on human rights or decent working conditions in our own operations, our supply chain or in other business relationships. Furthermore, the report accounts for how we follow up on any potential negative impact.

Borregaard defines human rights and decent working conditions in line with the definitions in the Transparency Act. This means that human rights are understood as the internationally recognised human rights that are enshrined in the Universal Declaration of Human Rights³ and in the International Labour Organization's declaration on Fundamental Principles and Rights at Work⁴. Decent working conditions means work that safeguards fundamental human rights and health, safety and environment in the workplace, and that provides a living wage.

This report covers Borregaard's global operations including all subsidiaries, the supply chain and business partners.

The report is structured in the following way: First, we account for how Borregaard works on the topics on an overall level, hereunder we present an overview of our relevant policies, the overall responsibility in Borregaard and how we assess the different topics as part of our materiality analysis (Item 2.1 to 2.4). Secondly, we detail our risk assessment, measures implemented and further follow-up in the categories own operations (Item [3.1.1] – [3.1.2]), business partners (Item [3.2.1] – [3.2.2]) and suppliers (Item [3.3.1] – [3.3.2]). Finally, we account for how the report is communicated and how we otherwise comply with the *Transparency Act*, including the public request for information.

¹Lov om virksomheters åpenhet og arbeid med grunnleggende menneskerettigheter og anstendige arbeidsforhold (åpenhetsloven) - Lovdata
48004323.pdf (oecd.org)

³Universal Declaration of Human Rights | United Nations

⁴ILO Declaration on Fundamental Principles and Rights at Work (DECLARATION)

2. OVERVIEW

2.1 Borregaard's business

Borregaard's headquarter, corporate research and development centre and largest production unit is located in Norway. Additional production units are located in the US (Wisconsin and Florida), United Kingdom, Germany and the Czech Republic. The sales offices are located in Borregaard's main markets, primarily in OECD countries, but also in India, China, Singapore and Brazil. In India, Borregaard also has a laboratory facility.

As of 31 December 2022, Borregaard employed 1,072 full-time employees (FTE) in plants and sales offices in 13 countries.

In 2022, Borregaard sourced from 3000 suppliers from 44 different countries. More than 75% of spend (cost of purchased goods and services) is by the biorefinery in Norway, out of which 57% is direct spend (energy and raw materials) and logistics. Out of the 3000 suppliers, 63% of spend originated from Norway, Sweden and Germany. We classify our suppliers into strategic, bottleneck, leverage and non-critical suppliers to determine the respective supplier's importance and identify those with the largest impact.

Borregaard received platinum rating from EcoVadis in 2022. Furthermore, Borregaard expanded its involvement by starting to use EcoVadis as a tool for assessing suppliers.

2.2 International standards and our policies

Borregaard is a signatory to the UN Global Compact and specifically focus on the principles 3, 4, 5 and 6; uphold freedom of association, right to collective bargaining, zero tolerance for forced labour, zero tolerance for child labour and discrimination.

The commitment to combat human and labour rights violations is also expressed in our policies and guidelines:

Human Rights Policy⁵ describes Borregaard's guiding principles for handling human and labour rights relevant for our daily operations. It applies to all wholly owned subsidiaries and to joint ventures where adherence to Borregaard's group directives is agreed upon as part of the ownership contract. The principles in the policy should be regarded as a minimum standard. The policy is available in Norwegian and English.

Code of Conduct⁶ consists of our defined values for all employees to provide guidance on our approach to ethical business practices, environmental values, and human and labour rights. These values are applied for all operations and employees. The Code of Conduct specifically prohibits the use of child labour and forced labour. The Code of Conduct is available in Norwegian, English, Chinese, Czech, French, German, Portuguese and Spanish.

The Supplier Code of Conduct⁷ is a document all suppliers receive and sign. This document ensures that our suppliers commit to respecting human and labour rights, occupational health and safety, environmental protection, and secures responsible business practices throughout the value chain. The document is based on the principles of the UN Global Compact and the standards given by the International Labour Organisation (ILO). Borregaard requires the suppliers to comply with Suppliers Code of Conduct or its equivalent, irrespective of their country of origin. The Supplier Code of Conduct is available in Norwegian, English, Polish, Spanish and Chinese.

⁵ [Human rights policy - Borregaard](#)

⁶ [Code of conduct - Borregaard](#)

⁷ [Supplier Approval Supplier Code of Conduct \(borregaard.com\)](#)

2.3 Responsibility

Borregaard's Group Executive Management is responsible for the above referred guidelines and the overall compliance with the *Transparency Act*. The work is led by SVP, Procurement and Strategic Sourcing. A work group consisting of employees with different competence within sustainability, legal, procurement and risk has been established to conduct due diligence assessments. This group reports to Borregaard's Compliance Board.

2.4 Materiality assessment

Borregaard's stakeholder and materiality assessment determines material topics for the company. The assessment documents the approach taken,

decisions, assumptions and subjective judgements made, as well as sources analysed and evidence gathered. UN's Sustainable Development Goals (SDGs) is used as a framework. Different stakeholders such as customers, employees, business partners, suppliers and organisations have been included in the evaluation of human rights and decent working conditions impacting employees, workers in the value chain, people in the local society and end-users.

Uphold freedom of association, right to collective bargaining, discrimination (equality, discrimination), and zero tolerance for forced- and child labour are Borregaard's most relevant areas related to human rights and decent working conditions.



3 DUE DILIGENCE ASSESSMENT

We use the *Democracy Index*, developed by The Economist and published by The United Nations, as the basis for risk assessments of our own business operations and business partners. Borregaard regards this as a sound basis to evaluate country risk related to human rights and decent working conditions as it covers more countries compared to alternative sources. Based on the democracy index, we have rated the countries based on how high or low the country scores on securing human rights. All countries with lower than a 6.0 score have a high risk (red), 6.1 - 8.0 (yellow) are medium risk and countries with a score of 8.1 or higher is low risk (green).

Two different EcoVadis modules, IQ and Ratings, are used to assess the suppliers.

Through EcoVadis IQ, we conduct a continuous risk assessment across the entire supplier base, highlighting potential environmental, ethical and human rights risks. We detect the suppliers' overall risk, which is calculated based on the supplier's inherent sustainability risk intelligence from the EcoVadis platform and our own procurement data. EcoVadis IQ scans our entire supply base over time. We have implemented a process where the supplier information, spend and criticality is updated every six months. Changes in supplier spend, classification, areas of operation and other supplier information can lead to a change in risk profile, consequently, updating supplier data in EcoVadis IQ is crucial.

While EcoVadis IQ is applied to the supplier portfolio, EcoVadis Ratings is comprehensive assessments of selected companies and its sustainability performance in the areas; environment, labour and human rights, ethics and sustainable procurement. The ratings are based on a thorough analysis of a company's policies, practices and documented evidence. The companies are rated on the material issues as they pertain to their size, location and industry.

3.1 Own operations

3.1.1 Risk assessment

To minimise risk, there are several activities in place to get a better overview of all subsidiaries in Borregaard. Activities related to diversity, equality and the absence of discrimination are explained in detail in our publicly available report⁹. Regular meetings are conducted with employee representatives and trade unions.

Borregaard's labour and human rights management system covers all Borregaard sites. Today, 86% of the total workforce across all locations are represented in joint management-worker health and safety committees.

Borregaard also conducts a global employee engagement survey which covers topics related to diversity, harassment and working conditions. This survey is distributed annually among all Borregaard employees. An internal audit team reviews the subsidiaries biennially covering EHS related issues. The results are reported to the Group's Executive Management and the Board of Directors.

Borregaard has identified four company offices in high-risk countries pursuant to the democracy index: India, China, Brazil and Singapore. These offices have undergone an assessment of type of activities, local laws on human rights, reported breaches on

⁸ [Demokratiindeksen \(fn.no\)](#) & [Democracy Index 2021 download success - Economist Intelligence Unit \(eiu.com\)](#)

⁹ [Report on work on diversity, equality and inclusion \(incl. equal pay report\) 2022](#)

human rights, internal audits or reviews performed, as well as suppliers in risk countries. For all four offices, one or several internal reviews have been conducted.

The results from the annual global employee engagement survey showed that the vast majority of the employees confirm that they are not exposed to discrimination and that people of all backgrounds are accepted in Borregaard. There were no specific cases that stood out from the internal audit, except a health and safety topic at the sales office in India related to a damaged roof. Measures were put in place to repair the roof as soon as possible and were followed up by our internal audit team.

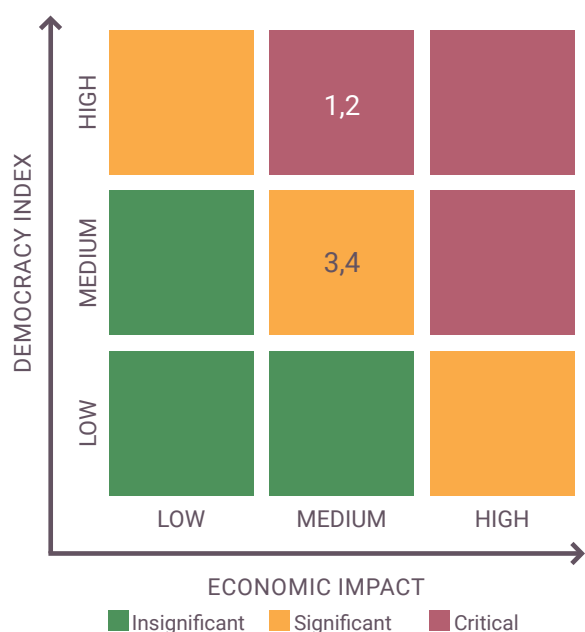


Figure 1: Risk level of the identified four Borregaard companies (sale offices) in high-risk countries pursuant to the democracy index: China (1), India (2), Singapore (3) and Brazil (4).

The assessments did not uncover any negative impacts on human rights or decent working conditions related to these four sales offices. However, we will keep monitoring these offices due to their locations in high-risk areas.

3.1.2 Measures implemented and further follow-up

Based on the assessment, we have implemented several measures and follow-up procedures. One measure is to extend Borregaard's internal audit

checklist to cover human rights and decent working conditions in more detail. Another measure is to expand the internal HR review to cover human rights and decent working conditions to a larger extent. We will also enhance the quality of the employee engagement survey by specifying the questions even further in order to catch any potential breaches.

We conduct an annual organisational review of systematic leadership, competence evaluation and succession planning. During the review, the managers are challenged to evaluate diversity within their teams and conduct succession planning with focus on gender balance, age distribution and diversity in general. A summary of findings and actions are presented to the Executive Management Group and the Board of Directors.

Pursuant to our annual Diversity and equality report, we increased our focus on measures to avoid any form of discrimination. This included all obstacles to equality and diversity and implemented a career and pay tool for objective pay determination and development opportunities for parts of the organisation.

Any deviations or areas of concern will be followed up within the departments in a separate health and work environment survey and in the annual appraisal dialogues. We have also established KPI's concerning diversity and inclusion, and results and progress will be measured in 2023.

To be able to keep working on minimising the risk and keep securing human rights and decent working conditions, we will keep communicating and setting up training sessions with the offices.

Furthermore, Borregaard has implemented a system that gives both internal and external people the opportunity to report any concern related to breaches on human rights and decent working conditions anonymously or by name. This is a system that ensures correct treatment of each case and ensures full anonymity for whistle-blowers who wish to do so. The notifications go to a notification

council, which decide the handling of the case in accordance with internal instructions. This system (called "MittVarsel") became operational in the first half of 2023.

3.2 Business partners

3.2.1 Risk assessment

Business partners to Borregaard are primarily identified as agents and distributors engaged by the company to sell our products in various countries. We have mapped all agents and distributors pursuant to the democracy index and identified those in "high" and "medium" risk countries. We have also gathered an overview of gross sales for the previous year for all agents and distributors. Agents and distributors with a sale of over 1mNOK, located in medium risk countries will be followed up as explained in more details in section 3.2.2. Agents and distributors with a sale above 5 mNOK in high-risk countries, in total 10 distributors, have been assessed more thoroughly.

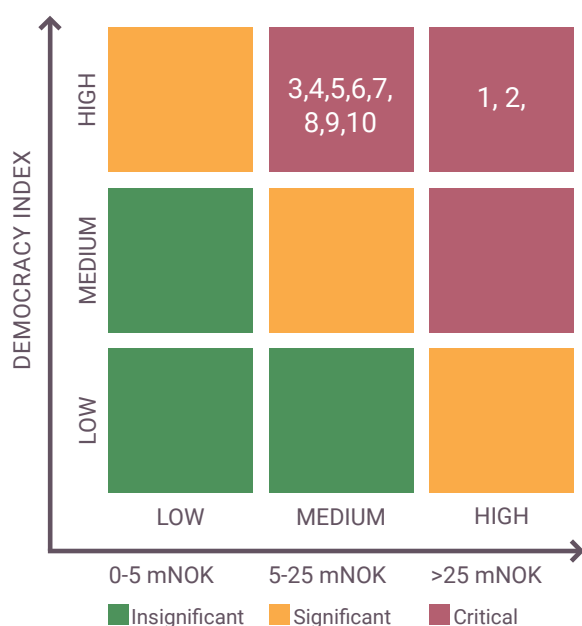


Figure 2: Risk level of agents and distributors with a sale above 5 mNOK in high-risk countries, numbered from 1-10.

The 10 identified distributors were assessed on several factors: which industry they operate in, whether they have production, local human rights laws in their area, reported breaches, audits, clauses in their contract covering human rights as well as whether they have customers in high-risk countries. Internal sales representatives were contacted to get a better understanding of the risk level per factor mentioned above.

During our investigations we did not identify any negative impacts on human rights or decent working conditions related to the 10 identified distributors. However, we will keep monitoring this in 2023.

3.2.2 Measures implemented and further follow-up

Going forward we will review all contracts for distributors and agents with respect to regulation of human rights and decent working conditions. The reviews are based on the risk assessment of all agents and distributors. If we discover that the overall risk picture is not sufficiently covered, we will assess the possibility to amend the contract. This will emphasise Borregaard's focus on this topic and clarify our expectations to our business partners.

We will further conduct a risk assessment in 2023 for all agents and distributors in medium-risk countries where the aim is to identify any potential risk related to the markets they operate in.

3.3 Suppliers

3.3.1 Risk assessment

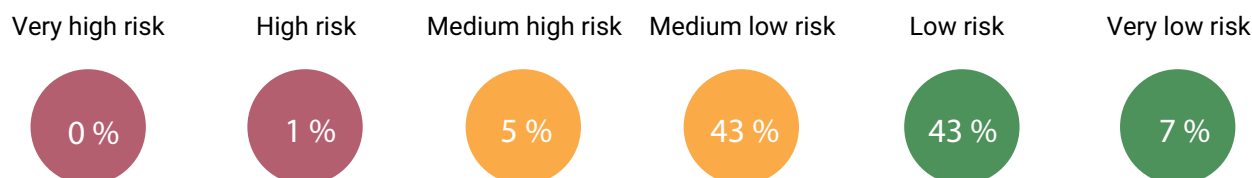
We have uploaded our entire supplier base for our biorefinery in Sarpsborg, as well as Borregaard Group's strategic suppliers into EcoVadis IQ. By the end of 2022 1356 suppliers have been assessed for social impacts and identified the suppliers that pose high risk with respect to labour and human rights in our supply chain. The result is shown in the figure below.

In 2022, we focused on suppliers with "very high" and "high" labour and human rights risks. In 2023, we will expand the assessment to cover suppliers with "medium high" risk under the labour and human rights risk profile. We can investigate areas of concern through EcoVadis comprehensive sustainability rating.

Simultaneous with EcoVadis IQ, we have initiated EcoVadis Ratings, or requested a scorecard if the supplier is already assessed, for all strategic suppliers. Out of 63 strategic suppliers, 17 has shared their scorecards with us. Suppliers with a score <45, are requested to work on selected corrective actions.

Results:

% suppliers per overall risk level:



In 2022, 89% of the suppliers to the Borregaard Group signed the Supplier Code of Conduct and 84% was assessed with respect to responsible sourcing, non-critical suppliers excluded. For Borregaard's biorefinery in Norway, the respective figures are 100% and 99%. Further, in Norway 100% of all new suppliers in 2022, including non-critical, have signed the Supplier Code of Conduct and have been subject to risk assessment.

3.3.2 Measures implemented and further follow-up

As stated above we have prioritised measures where the risk of negative impact is greatest, starting with suppliers with "very high" and "high" risk. None of our suppliers are identified as "very high" risk in terms of labour and human rights, but four were identified as "high risk". In 2022, we conducted business with one of the suppliers with "high risk". This is a non-critical supplier with a spend below one MNOK, which have been subject to our risk assessment (Sarpsborg, Norway) and signed our Supplier Code of Conduct. In 2023, we will invite the supplier to be assessed with EcoVadis Ratings.

Rather than immediately cut ties with high-risk suppliers Borregaard will endeavour to encourage and work with the suppliers to act in accordance with basic human rights and decent working conditions. This is in line with the OECD guidelines and UN's sustainability goals.

Reference is also made to the regulation in the Supplier Code of Conduct: *"We confirm that if breaches of guidelines are uncovered through internal audits, complaint mechanisms or external audits, the necessary measures will be taken. We are aware that Borregaard considers compliance and willingness to implement the necessary measures. Furthermore, we confirm that persistent non-compliance with the guidelines or a lack of willingness to cooperate on the necessary measures will be considered a breach of the agreement"*.

If any negative consequences are discovered in the form of human rights violations or poor working conditions related to the supply chain, proper measures shall be put in place. These measures will be followed up through surveys, assessments, and anonymous grievance mechanisms.

We have ended the relationship with three out of four suppliers identified with "high risk" since their products/services were no longer needed. No significant actual negative labour and human rights impacts have been identified in the supply chain of these suppliers.

A new e-learning tool for suppliers was released in 2021 and distributed to all strategic suppliers. In 2022, leverage and bottleneck suppliers were included. Sustainability engagement with our suppliers will continue in 2023 through our new supplier engagement strategy.

4 COMMUNICATION AND INFORMATION

This report is available on our website and a reference is made to it in our annual report 2022¹⁰. The report presents the status as of 31 Desember 2022 and is in line with the requirements in the Transparency Act. It is published at Borregaard's website and it will be updated prior to 2024 and otherwise as required in line with material changes in the overall risk assessments.

The public can request information related to the *Transparency Act* through an email address available on our web pages¹¹.

Approved by Borregaard's Board of Directors March 2023

¹⁰Annual report 2022

¹¹Human rights - Borregaard or Menneskerettigheter og åbenhetsloven - Borregaard