

Report on pay and other remuneration to senior management 2021

1 Introduction

1.1 Introduction

This report describes Borregaard's remuneration to senior management during the financial year 2021. The report shall provide relevant information in accordance with the requirements of the Public Limited Liability Companies Act (§6-16 a and b) and be presented to the General Meeting. In addition, the report is available on the company's website under "Sustainability documentation".

The report includes Borregaard's Group Executive Management, which in addition to the CEO, counts eight people. Persons in the Group Executive Management have remained unchanged through 2021. In addition, an overview is provided of the Board's fees (incl. employee-elected members). See item 9 regarding the Board's remuneration.

1.2 Generally about the financial year

Borregaard delivered good financial results in 2021. Return on capital employed (ROCE) increased to above the target level and there was a significant profit increase (EBITDA) for the group as a whole and for the BioSolutions area. The BioMaterials and Fine Chemicals areas declined. 2021 was a good year in terms of personal safety, with the lowest injury figures recorded. Sick leave increased marginally. All of these factors are important measurement parameters for Borregaard and are also included as criteria for management's remuneration.

Furthermore, the company has delivered on important strategic measures such as a high degree of specialisation, acquisition of an ownership position in Alginor and received good marks in sustainability evaluations such as CDP and Ecovadis.

1.3 Case processing and follow-up of guidelines for management compensation

In line with laws and regulations, the General Meeting has adopted the company's remuneration policy for senior management. In recent years the guidelines have been revised and developed and include guidelines for fixed salary, pension, annual bonus and long-term incentives (LTI)/options. In the work with the guidelines, there has been a dialogue with several owner groups and their representatives.

The current guidelines were approved by the Annual General Meeting on 14 April 2021.

Comparable remuneration data are obtained from an independent, external company that are used in the assessment of the compensation level. LTI/option allocations take place in accordance with a more comprehensive regulation that is included in the overall guidelines and which the Board has thus been authorised by the General Meeting to implement.

It is the Board's responsibility to follow up the remuneration policy and make decisions in accordance with it. The Board has its own compensation committee that follows up, discusses and recommends to the Board specific matters concerning the various remuneration elements.

The Nomination Committee follows up matters related to the Board's fees and rules related to these.

1.4 The Board's follow-up of remuneration policy in 2021

The Board has, including through the compensation committee, based the adopted guidelines on remuneration for senior executives. The Board has also reviewed that the exercise of share options and bonus payouts are in line with the guidelines and intentions for the schemes.

The Board declares that the company's wage policy has been followed through 2021.

2 Total remuneration

Table - Remuneration to Group Executive Management for the reported financial year

Name and position of manager	Municipality of residence	Year	Fixed remuneration		Variable remuneration		Pension cost	Total remuneration
			Base salary	Benefits in kind	One-year variable	Multi-year variable - value of share options at grant date		
Per A. Sørliie President and Chief Executive Officer (CEO)	Fredrikstad	2021	3 847 373	243 760	1 900 000	1 427 560	800 093	8 218 786
		2020	3 758 959	254 958	1 034 271	1 597 740	789 897	7 435 825
Tom Erik Foss-Jacobsen Executive Vice President BioSolutions	Sarpsborg	2021	2 546 375	260 129	1 258 850	535 335	394 518	4 995 206
		2020	2 461 917	210 416	280 526	798 870	390 940	4 142 668
Gisle Løhre Johansen Executive Vice President - Speciality Cellulose and Fine Chemicals	Sarpsborg	2021	1 981 090	226 032	513 612	356 890	280 609	3 358 233
		2020	1 929 000	228 576	791 534	532 580	282 320	3 764 010
Ole Gunnar Jakobsen Plant Director - Sarpsborg Site	Sarpsborg	2021	1 888 267	241 264	933 500	356 890	266 114	3 686 035
		2020	1 842 281	243 825	629 733	532 580	265 060	3 513 478
Per Bjarne Lyngstad Chief Financial Officer (CFO)	Fredrikstad	2021	1 943 359	185 621	957 350	356 890	277 594	3 720 813
		2020	1 889 367	222 065	520 926	532 580	276 302	3 441 240
Kristin Misund Senior Vice President - R&D and Business development	Sarpsborg	2021	1 715 926	312 854	848 300	285 512	235 822	3 398 413
		2020	1 659 224	311 836	461 584	399 435	235 160	3 067 239
Liv Longva Senior Vice President - Strategic Sourcing	Vestby	2021	1 683 758	152 288	840 300	285 512	231 923	3 193 782
		2020	1 554 466	181 134	175 942	399 435	233 610	2 544 587
Dag Arthur Aasbø Senior Vice President - Organisation and Public Affairs	Sarpsborg	2021	1 677 062	165 074	840 300	285 512	226 187	3 194 136
		2020	1 630 849	166 343	450 244	399 435	230 790	2 877 661
Sveinung Heggen General Counsel	Bærum	2021	2 309 584	216 303	446 842	285 512	342 540	3 600 781
		2020	2 253 760	236 735	275 231	399 435	346 155	3 511 315

Remuneration is actual remuneration paid for the respective years and includes holiday pay earned on salary in the previous year. Bonus, however, is an accrued bonus earned in the reporting year, which will be paid out the year after the reporting year. Remuneration related to share options is the value of the share options at the time of allocation and is not an actual remuneration paid.

Premiums for the early retirement scheme, "AFP", are not included in the pension costs. Premiums amount to 2.5% of salary between 1G and 7.1G (G is the Norwegian National Insurance Scheme's basic amount) up to and including the year the employee turns 61 years of age.

3 Share-based remuneration

Borregaard's share-based remuneration is a *long-term incentive scheme (LTI)*, which consists of an option or cash-based scheme, linked to developments in the share price. The allocation criteria for options are complementary to the criteria for the annual bonus system (Short term incentives, STI), so that no criteria directly provide "double remuneration" through both STI and LTI.

There is an expectation that the members of the Group Executive Management through the option scheme also acquire and hold Borregaard shares corresponding to 2 annual base salaries for the CEO and 1 annual base salary for the other members of the Group Executive Management.

Allocation criteria

Options may be allocated to leading employees at certain position levels that the company recognises has a special need to form a long-term attachment with.

The CEO and other members of the Group Executive Management have options as a part of the total compensation package with the intention that the Group Executive Management shall jointly deliver on the company's and the owners' long-term goals and strategy.

This presupposes that the management, jointly as a team, contributes to optimising the operation of the company as a whole and thereby creates long-term value for the company and its owners. Borregaard is by nature a company with a complex and integrated business. The bio-refinery concept, where one production system provides many products to several business areas, requires overall optimisation. Borregaard's size and structure have made it appropriate to have a large degree of matrix organisation, where coordination and management across functions is important. Borregaard's Group Executive Management thus, as a group and collegium, has a common function in contributing to the overall optimisation of the business. Furthermore, a long-term perspective is one of Borregaard's core values because the company's development depends on processes that take longer, namely innovation projects, process optimisation, market introductions with new products and investments, which are all measures with a long-term horizon and where gains and value realisations come after several years. This coincides well with the options' long term and with the expectations that management builds up a portfolio of their own shares, which supports the goal of long-term value creation. These conditions, and the Group Executive Management's overall role in this, justify the Board's view that options are a suitable and complementary compensation element in line with the owners' goals.

There are a number of restrictions in the allocations and gains criteria. The restrictions on allocation are partly related to the maximum number of options that can be granted (in total and on an annual basis) and that the value of annual option allocations at individual level should not be more than approximately 30% of the maximum gains (2 annual base salaries for the CEO and 1 annual base salary for the others), given that the share rises by 10% per year for 4 years. Thus, the allocation size is also related to the size of the salary. No share options for the Group Executive Management are subject to performance conditions.

See an overview of overall regulations in the appendix to this report.

4 The company's right to recover variable remuneration

The regulations for the annual bonus programmes for senior management stipulate that if during a period of three years after the annual bonus has been paid out, it turns out that the basis for the bonus calculation was incorrect, the company has the right to make corrections in the form of reduced future bonus payments.

The corrections shall be reviewed by the Group's auditor.

5 Information on how the remuneration complies with the remuneration guidelines and how performance criteria were used

The remuneration paid to senior management is in line with the guidelines adopted by the Annual General Meeting in 2021:

Fixed salary is based on the content of the position and is dimensioned in line with benchmark surveys (up to the median)

The Bonus/STI criteria are strongly based on performance criteria that are consistent with the company's long-term goals and results; ROCE, profit improvement compared to the previous year for the area for which the manager is responsible, as well as ESG/other criteria that correspond to the company's stated goals and strategies. The scheme has been compared through a benchmark and shows that the company's STI schemes are on a par with comparable companies.

The Options/LTI criteria are long-term in nature and require value development of the company before the options pay off. No gain is achieved until the share price has risen by 10% and the options can only be exercised after 3 years, but with the option to wait up to 5 years from allocation. The scheme emphasises compliance with ownership interests in the company, both in connection with the share price, but also in that half of the gain after tax must be used to purchase shares in the company, until the holding reaches 2 annual base salaries for the CEO and 1 annual base salary for the rest of Group Executive Management.

Section 3 shows how a long-term incentive scheme with a 3-8 year horizon (3-5 years earning period followed by share purchases with a 3-year commitment) supports the long-term value creation processes in Borregaard (innovation, market introduction, investment programmes).

The LTI scheme has been compared through benchmarks and shows that the company's LTI schemes, as they are dimensioned and valued at the time of allocation, are somewhat below the benchmark for companies that have LTI schemes.

The performance criteria at the individual level are linked to the Bonus/STI scheme:

Criterion A: ROCE for the Group as a whole.

The financial goal for the company (Group) is to have a return of more than 15% over a business cycle. This criterion gives a bonus payout from 11%, increasing to the maximum bonus at 23% ROCE. The target bonus is given at 15%.

Criterion B: Improvement of EBITDA within own area of responsibility.

Bonus starts when improvement is achieved compared to the previous year, increasing to a maximum bonus at 22.5% result improvement. The target bonus is given at an EBITDA improvement of 7.5%.

Criterion C: Various ESG/other conditions.

There are mandatory criteria related to safety (injuries), health (sick leave) and at least one goal related to other ESG/sustainability conditions. In addition, other defined individual goals may be related to relevant factors in one's own area of responsibility (productivity, innovation, employee development, projects). Targeted performance (Good performance) will on these criteria be able to give a 7.5% bonus.

The target payout (Good performance) for all areas is set at 30% of base salary. The maximum payout for the individual areas can be summed up to 85% of base salary, but the company's regulations set a maximum, total limit for annual Bonus/STI of 50% of base salary.

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Remuneration to Group Executive Management during the financial year							
Name of manager	Description of performance criteria	Relative weighting of performance criteria	Performance target information		Measured performance before cap / max	Actual compensation after cap / max limit	
			Minimum target / threshold for performance and corresponding compensation	Maximum target / threshold for performance and corresponding compensation		In percent	In percent
Per A. Sørli	ROCE	44 %	No bonus before 11% ROCE	Max bonus payment at ROCE from 23% gives a bonus of 37,5% of fixed salary	15,9%	14,2%	
	EBITDA improvement	35 %	No bonus before improvement over 0%	Max bonus at 22,5% improvement gives 30% of fixed salary	30 %	26,7%	
	EHS/Other (Health, safety, sustainability)	21 %	No bonus before agreed criteria are met	All criteria must be met / outstanding performance, gives 17,5% of fixed salary	10,3%	9,1%	
	SUM				56,2%	50,0%	1 900 000
Tom Erik Foss-Jacobsen	ROCE	44 %	No bonus before 11% ROCE	Max bonus payment at ROCE from 23% gives a bonus of 37,5% of fixed salary	15,9%	14,2%	
	EBITDA improvement	35 %	No bonus before improvement over 0%	Max bonus at 22,5% improvement gives 30% of fixed salary	30%	26,7%	
	EHS/Other (Health, safety, sustainability)	21 %	No bonus before agreed criteria are met	All criteria must be met / outstanding performance, gives 17,5% of fixed salary	10,3%	9,1%	
	SUM				56,2%	50,0%	1 258 850
Gisle Løhre Johansen	ROCE	44 %	No bonus before 11% ROCE	Max bonus payment at ROCE from 23% gives a bonus of 37,5% of fixed salary	15,9%	15,9%	
	EBITDA improvement	35 %	No bonus before improvement over 0%	Max bonus at 22,5% improvement gives 30% of fixed salary	0 %	0 %	
	EHS/Other (Health, safety, sustainability)	21 %	No bonus before agreed criteria are met	All criteria must be met / outstanding performance, gives 17,5% of fixed salary	10,3%	10,3%	
	SUM				26,2%	26,2%	513 612
Ole Gunnar Jakobsen	ROCE	44 %	No bonus before 11% ROCE	Max bonus payment at ROCE from 23% gives a bonus of 37,5% of fixed salary	15,9%	15,9%	
	EBITDA improvement	35 %	No bonus before improvement over 0%	Max bonus at 22,5% improvement gives 30% of fixed salary	23,8%	23,8%	
	EHS/Other (Health, safety, sustainability)	21 %	No bonus before agreed criteria are met	All criteria must be met / outstanding performance, gives 17,5% of fixed salary	10,3%	10,3%	
	SUM				50,00 %	50,00 %	933 500
Per Bjarne Lyngstad	ROCE	44 %	No bonus before 11% ROCE	Max bonus payment at ROCE from 23% gives a bonus of 37,5% of fixed salary	15,9%	14,2%	
	EBITDA improvement	35 %	No bonus before improvement over 0%	Max bonus at 22,5% improvement gives 30% of fixed salary	30%	26,7%	
	EHS/Other (Health, safety, sustainability)	21 %	No bonus before agreed criteria are met	All criteria must be met / outstanding performance, gives 17,5% of fixed salary	10,3%	9,1%	
	SUM				56,2%	50,0%	957 350
Kistin Misund	ROCE	44 %	No bonus before 11% ROCE	Max bonus payment at ROCE from 23% gives a bonus of 37,5% of fixed salary	15,9%	14,2%	
	EBITDA improvement	35 %	No bonus before improvement over 0%	Max bonus at 22,5% improvement gives 30% of fixed salary	30%	26,7%	
	EHS/Other (Health, safety, sustainability)	21 %	No bonus before agreed criteria are met	All criteria must be met / outstanding performance, gives 17,5% of fixed salary	10,3%	9,1%	
	SUM				56,2%	50,0%	848 300
Liv Longva	ROCE	44 %	No bonus before 11% ROCE	Max bonus payment at ROCE from 23% gives a bonus of 37,5% of fixed salary	15,9%	14,2%	
	EBITDA improvement	35 %	No bonus before improvement over 0%	Max bonus at 22,5% improvement gives 30% of fixed salary	30%	26,7%	
	EHS/Other (Health, safety, sustainability)	21 %	No bonus before agreed criteria are met	All criteria must be met / outstanding performance, gives 17,5% of fixed salary	10,3%	9,1%	
	SUM				56,2%	50,0%	840 300
Dag Arthur Aasbø	ROCE	44 %	No bonus before 11% ROCE	Max bonus payment at ROCE from 23% gives a bonus of 37,5% of fixed salary	15,9%	14,2%	
	EBITDA improvement	35 %	No bonus before improvement over 0%	Max bonus at 22,5% improvement gives 30% of fixed salary	30%	26,7%	
	EHS/Other (Health, safety, sustainability)	21 %	No bonus before agreed criteria are met	All criteria must be met / outstanding performance, gives 17,5% of fixed salary	10,3%	9,1%	
	SUM				56,2%	50,0%	840 300
Sveinung Heggen	ROCE	24 %	No bonus before 10% ROCE	Max bonus payment at ROCE from 19% gives a bonus of 6% of fixed salary	4,1%	4,1%	
	EBITDA improvement	36 %	No bonus before improvement over 0%	Max bonus at 22,5% improvement gives 9% of fixed salary	9,0%	9,0%	
	EHS/Other	40 %	No bonus before agreed criteria are met	All criteria must be met / outstanding performance, gives 10% of fixed salary	6,5%	6,5%	
	SUM				19,6%	19,6%	443 842

6 Exceptions and deviations from the remuneration policy and the procedure for implementation

The guidelines have been followed up and there have been no exceptions from these with regard to compensation of the Group Executive Management.

7 Annual changes in remuneration and the company's profit

Table - Comparable table of remuneration and the company's performance over the last five reported financial years (RFY)											
	Actual 2016	2017 vs 2016	Actual 2017	2018 vs 2017	Actual 2018	2019 vs 2018	Actual 2019	2020 vs 2019	Actual 2020	2021 vs 2020	Actual 2021
Per A. Sørli	5 441 739	1 152 710	6 594 449	-633 870	5 960 579	602 442	6 563 022	872 804	7 435 825	782 961	8 218 786
Tom Erik Foss-Jacobsen	2 829 993	447 459	3 277 452	-402 798	2 874 654	649 180	3 523 834	618 834	4 142 668	852 538	4 995 206
Gisle Løhre Johansen	2 850 903	218 091	3 068 994	-327 478	2 741 516	175 096	2 916 612	847 398	3 764 010	-405 778	3 358 233
Ole Gunnar Jakobsen	2 643 760	394 696	3 038 456	-426 185	2 612 271	289 520	2 901 791	611 687	3 513 478	172 557	3 686 035
Per Bjarne Lyngstad	2 974 296	273 142	3 247 438	-236 210	3 011 228	15 429	3 026 657	414 583	3 441 240	279 573	3 720 813
Kristin Misund							2 021 546	1 045 694	3 067 239	331 174	3 398 413
Liv Longva					1 969 172	-301 819	1 667 353	877 234	2 544 587	649 194	3 193 782
Dag Arthur Aasbø	2 623 927	223 276	2 847 203	-291 075	2 556 128	-25 433	2 530 695	346 966	2 877 661	316 475	3 194 136
Sveinung Heggen	2 944 696	247 881	3 192 576	18 648	3 211 224	74 467	3 285 691	225 624	3 511 315	89 466	3 600 781
Borregaard Group results											
Sales revenues	4 391 000 000	131 000 000	4 522 000 000	183 000 000	4 705 000 000	246 000 000	4 951 000 000	276 000 000	5 227 000 000	488 000 000	5 715 000 000
Profit before tax, depreciation, amortization and other income and expenses.	1 021 000 000	34 000 000	1 055 000 000	-152 000 000	903 000 000	104 000 000	1 007 000 000	125 000 000	1 132 000 000	240 000 000	1 372 000 000
Average number of man-years (excluding executive management)	1 002	26	1 028	47	1 075	22	1 097	-23	1 074	-21	1 053
Average remuneration (excluding executive management) divided by no. of man-years	697 515	19 402	716 917	5 428	722 345	17 919	740 264	59 875	800 140	21 150	821 290

8 Information regarding shareholder votes

Borregaard's guidelines for management's remuneration were last revised and presented to the General Meeting in April 2021. The guidelines were approved by 89.3% of the votes cast.

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9 The Board's remuneration

The following fee structure and rates were approved at the AGM on 14 April 2021 and apply until the next AGM in 2022: Fees paid in 2021 also include one rate (out of 4) with fees from the previous period.

Remuneration - Board

Chair of the Board: NOK 575,000 (550,000 last period)

Board member, shareholder-elected: NOK 332,100 (324,300 last period)

Board member, employee-elected: NOK 297,700 (290,700 last period)

Observer (employee-elected)**: NOK 99,200 (96,800 last period)

Deputy for observer***: NOK 7 700 (7,500 last period)

Chair of the audit&committee: NOK 92 900 (90,700 last period)

Member of the audit&committee*: NOK 62 300 (60,800 last period)

Chair of the compensation committee: NOK 55 700 (54,400 last period)

Member of the compensation committee*: NOK 43 500 (42,400 last period)

It is recommended to pay the remuneration in instalments during this period.

* Remuneration for an employee-elected board member also covers participation in board committees.

** An observer is also a permanent deputy for an employee-elected board member and remuneration for an observer also covers any function as an acting board member.

*** The same remuneration rate also applies in a situation where a deputy for an observer acts as a board member because both the employee-elected board member and the observer are absent.

Requirement to purchase shares for part of the remuneration

- The Board's shareholder-elected members must use 20% of their gross board remuneration (excluding remuneration for committee work) to purchase shares in the company until they (including their personal close associates/companies that they control) own shares equal in value to one year's gross board remuneration (excluding remuneration for committee work).
- The purchase of shares shall take place in accordance with applicable legislation as well as the Rules for Primary Insiders in Borregaard and the company's Instructions for Handling Inside Information. It is recommended that purchases should be made during the first week following the publication of quarterly figures. The purchase may be distributed over time but must be carried out no later than by the end of the year and involve at least 20% of the gross remuneration for this calendar year.
- The shares must be retained for as long as the board member serves on the Board. A shareholding exceeding one year's board remuneration is not covered by this requirement.
- The nomination committee shall monitor compliance with the share purchase scheme, and this will be part of the committee's assessment of candidates for election to subsequent terms.

All board members are part of a subcommittee. The distribution of fees, is as follows (the employee-elected members do not get committee fees):

Helge Aasen: Chair of the board and chair of the compensation committee

Terje Andersen: Board member and chair of the audit&sustainability committee

Tove Andersen: Board member and member of the audit&sustainability committee

Margrethe Hauge: Board member and member of the compensation committee

John Arne Ulvan: Board member and member of the audit&sustainability committee

Arundel Kristiansen: Receives only fees as an employee-elected board member

Ragnhild Anker Eide: Receives only fees as an employee-elected board member

Roy Appelgren: Receives only fees as an observer

Bente Seljebakken Klausen: Receives only fees as an observer

Appendices:

The company's remuneration policy and share-related remuneration, adopted at the Annual General Meeting on 14 April 2021.

The company's general guidelines for policies on remuneration and associated conditions:

- Overall, the conditions shall be competitive and suitable for the company's need to attract and retain employees
- Remuneration schemes shall contribute to consistency between the company's and the owners' goals and results and the various elements of the individual terms and conditions. The criteria for the various elements of the remuneration schemes must be complementary.
- The schemes must be simple, long-term and sufficiently flexible

In the guidelines for annual bonuses and the option scheme, criteria that correspond to the communicated financial and long-term objectives and strategies for the company have been selected. There are also limitations in the schemes to ensure that payments are at a reasonable level, also when taking into consideration the financial sustainability of the company.

The schemes shall also be designed to motivate and attract the expertise required by the company. The remuneration schemes include balanced criteria to ensure that employees contribute to delivery of good results at company level, while also focusing on matters within their individual areas of responsibility.

The main elements of the remuneration schemes

Base salary - The level shall be up to the median value for comparable companies and positions. Base salary is determined based on the responsibility, complexity, expertise requirements and scope associated with the role.

Pension - Based on the established defined contribution pension schemes, with the intention that the relative pension contributions, including the Norwegian National Insurance Scheme, are independent of income level. The defined contribution pension schemes specify a contribution of 5% of fixed salary up to 7.1G and 20% of salary above 7.1G ("G" is the basic amount in the National Insurance scheme, approx. NOK 105,000).

Annual bonus scheme - Based on pre-defined criteria that are linked to good results and progress.

The criteria include return on capital employed (ROCE) for the Group, improved results (EBITDA) for the area in question, safety and sick leave for the Group, as well as personal targets, including criteria related to sustainability and growth/improvement. The target bonus level for delivery of "good performance" is approximately 30%. The maximum annual bonus is 50% of annual base salary.

The criteria and basis for calculation are reviewed annually by the Board of directors' compensation committee and adopted by the Board. If errors have occurred for bonuses paid during the past three years, the company has the right to correct this in future bonus payments.

Long-term incentive scheme - Option or cash-based scheme linked to movements in the share price. The scheme has complementary objectives and criteria to the annual bonus scheme.

Other benefits - The company's management employees also have access to a car scheme (company car/mileage compensation), a free mobile phone and newspapers, as well as access to insurance schemes available to all Borregaard employees in Norway.

Other matters - Management employees are subject to the same retirement age as other employees in line with Norwegian laws and regulations (flexible between 62 and 70 years of age). There is a mutual notice period of six months for executive management employees, without severance pay. A separate agreement with somewhat deviating terms applies to the CEO; the maximum retirement age is two years lower (68 years of age) with associated pension compensation, a mutual notice period of nine months and six months' severance pay, subject to an exit agreement. (See note 9 of the Annual Report for details).

Further information about the guidelines for Borregaard's share-related option scheme

General information about the scheme

Borregaard's long-term incentive (LTI) scheme is a share option scheme related to the share price and forms part of an overall remuneration programme for senior personnel. The option scheme means that employees in the scheme can obtain share options that entitle them to purchase a defined number of shares at a given value after a fixed period of time. When options are exercised, the sale of shares will realise a gain. In order to adapt the scheme to its objectives, the allocations and potential maximum gains are subject to a number of restrictions.

The Board will consider on an annual basis whether to allocate options and can provide recommendations for such allocation within the framework of these guidelines. The Board can decide whether the options will be physical or synthetic. The Board and its compensation committee will ensure that the allocation of options and the administration of the scheme comply with the intentions. The strike price for all allocations since 2014 has been set at 10% above the share price on the date of allocation.

The purpose of the scheme

There are two main reasons behind the scheme:

- Strengthen the ownership perspective and support the company's long-term objectives by including development of shareholder value (share price) and investment in shares as criteria for this remuneration.
- Providing senior managers and key employees with an incentive to make a long-term commitment to the company.

The allocation criteria for options (long-term incentives, LTI) are complementary to the criteria for the annual bonus scheme (short-term incentives, STI).

Members of the Group Executive Management are expected, including through the share option scheme, to build up and retain a holding of Borregaard shares corresponding to 2 annual base salaries for the CEO and 1 annual base salary for the other members.

Allocation criteria

Options can be allocated to executive personnel at certain job levels who have achieved good results and where the company sees a particular need to ensure that they make a long-term commitment to the company:

- The CEO and other members of the executive management team receive options as part of their overall remuneration package to incentivise the team's cooperation to deliver and execute on the company's and the owners' long-term objectives and strategy.
- The management and key personnel/specialists in the business areas and corporate staff may be allocated options on the basis of the following criteria:
 - The employee has, in line with the company's culture and values, over time, delivered positive results within at least two of the following areas, anchored in the company's long-term objectives and strategy:
 - Organic growth/specialisation
 - Continuous improvement
 - Innovation
 - Sustainability/ESG
 - Development of talent/manager

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- The employee/position is particularly important/critical for achievement of the company's goals. The employee is considered difficult to replace, and there may be a risk that he/she will leave the company. The scheme does not automatically follow a particular position, and one or more allocations do not entitle the holder to subsequent allocations.
- The scheme/rights are only valid as long as the option holder is employed (has not already given notice/resigned) in the Group.

Restrictions on allocations

- The total annual allocation of new share options may be no more than 0.8% of the company's outstanding shares. The total number of outstanding options may be no more than 2.0% of the company's outstanding shares.
- The number of options allocated shall be dimensioned to provide approximately 30% of the maximum allowed gain after four years, assuming an annual growth rate of 10% in the share price.

Restrictions on gains

- The options have a strike price 10% above the market price on the allocation date, which requires a (substantial) increase in the share price before the options gain value. The strike price is adjusted for dividends and other factors relevant to share capital (e.g. buy-backs, write-downs and new share issues).
- The total pre-tax gain per calendar year from exercise of options may not exceed two annual base salaries for the CEO and one annual base salary for other employees.

Time limits

The share options will expire after five years, the vesting period is three years and the options can be exercised during the last two years.

Requirement to purchase shares

Employees must use at least half the gain (after tax) to purchase Borregaard shares, with a lock-in period of three years. This requirement will remain in place for the Group Executive Management until a shareholding equivalent to two annual base salaries for the CEO and one annual base salary for the other members has been achieved.

Discounted shares for employees

For several years, Borregaard has had a scheme allowing employees to buy a limited number of shares at a discount in relation to the market price. The scheme is implemented annually, most recently in February 2022, when employees could purchase shares for a maximum amount of NOK 63,000 including a discount of 25%. The shares purchased via the scheme are subject to a lock-in period of one year.

The scheme is available to all Borregaard employees – including executive management. 400 - 550 employees have participated in the scheme in recent years.

The Board decides each year whether the scheme shall be implemented. The scheme is also planned for the upcoming general meeting period.

Remuneration for Board members and observers elected by employees

Remuneration for Board members and observers elected by employees is proposed by the nomination committee and adopted by the General Meeting through a separate resolution.