



ANNUAL REPORT

2021







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THE BORREGAARD GROUP

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

BORREGAARD IN A NUTSHELL

- A biorefinery with high value-added
- Specialisation in global niches
- Strong innovation ability and continuous improvement
- Competence as the main competitive advantage

A BIOREFINERY WITH HIGH VALUE-ADDED

The Group's business model is closely linked to the integrated nature of its biorefinery in Norway, which utilises the three key components of wood – cellulose fibres, lignin and sugars – to produce a diversified portfolio of products.

The biorefinery utilises 94 percent of the feedstock to make biochemicals, biomaterials and energy that can replace oil-based products.

In addition to its biorefinery in Sarpsborg, Borregaard has five production sites outside Norway dedicated to producing lignin-based products. In total, the company has manufacturing operations and sales offices in 13 countries in Europe, Asia and the Americas serving its global customer base. At the end of 2021, the Group had 1,072 full-time equivalent (FTE) employees.



BioSolutions

- Market and technology leader in lignin-based biopolymers.
- Only producer of wood-based vanillin.

BioMaterials

- Leading speciality cellulose supplier.
- Pioneer in cellulose fibrils.

Fine Chemicals

- Leading producer of fine chemical intermediates for contrast agents.
- Significant producer of 2nd generation bioethanol.

SUSTAINABILITY INTEGRATED IN STRATEGY

Borregaard provides sustainable products and solutions with a documented favourable environmental impact which improve the customers' climate footprint. The Group has also committed to science-based targets (SBTi) to further reduce greenhouse gas emissions and strengthen its sustainability platform.

Borregaard's business model and products are well positioned to support the UN's Sustainability Development Goals (SDGs). The company has prioritised six SDGs based on its ability to contribute to solving these global challenges (see pages 33-34).

SPECIALISATION IN GLOBAL NICHES

Borregaard is a supplier of specialised biochemicals and biomaterials to a global customer base. The Group's main products are lignin-based biopolymers and biovanillin, speciality cellulose, cellulose fibrils, fine chemical intermediates and second-generation bioethanol.

The products are used in a variety of applications in sectors such as feed and agriculture, construction and building materials, food and pharma, personal care, batteries, biofuel and various other industries.

The Group's strong market positions have been developed through in-depth understanding of its markets, production of advanced and specialised products and local presence in the form of a global sales and marketing organisation.

COMPETENCE AS THE MAIN COMPETITIVE ADVANTAGE

Borregaard is a competence-driven company with production, research and development (R&D) and sales and marketing as its core competencies. To maintain its leading position, the Group has a strong focus on training programmes and cooperation between the various disciplines.

Borregaard has a leading research centre combining various chemicals disciplines, biotechnology and microbiology, developing new or improved products, applications and production technologies. The Group had 90 employees in R&D as of 31 December 2021.

BORREGAARD'S THREE BUSINESS SEGMENTS

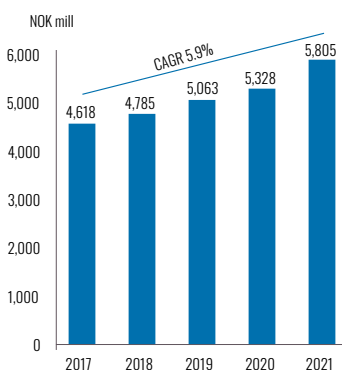
BioSolutions develops, produces and sells biopolymers and biovanillin from lignin. Biopolymers are used in a wide range of end-market applications, such as agrochemicals, batteries, industrial binders and construction. Biovanillin is supplied to flavour and fragrance companies, as well as to the food and beverage industry.

BioMaterials develops, produces and sells speciality cellulose mainly for use as a raw material in the production of cellulose ethers, cellulose acetate and other speciality products. BioMaterials also includes cellulose fibrils for industrial applications, which is in the commercialisation phase.

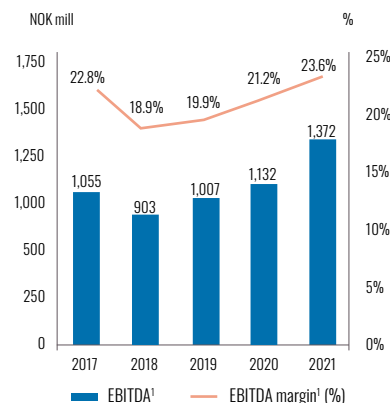
Fine Chemicals consists of second-generation bioethanol and fine chemical intermediates mainly for contrast agents.

KEY FIGURES

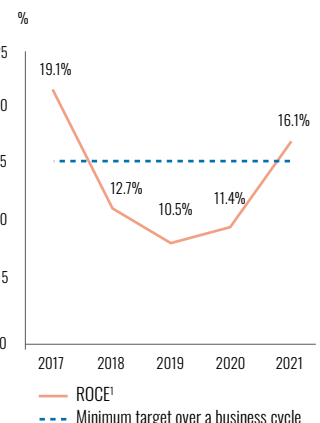
OPERATING REVENUES



EBITDA¹



ROCE¹



/ ¹ Alternative performance measures, see page 150 for definition.

MESSAGE FROM THE CEO

Calendar year 2021 marked the 30th anniversary of Borregaard's specialisation strategy. This strategy was originally developed back in 1991 to drive the transition from a commodity-based forest products company to a speciality chemicals company.

Thirty years later, we can safely conclude that the strategy has served us well and stood the test of time. Looking into the future, we see multiple opportunities for further specialisation of our product portfolio. The combination of strong innovation efforts and biobased products represents an attractive proposition to customers seeking sustainable solutions to improve their environmental footprint.

STRATEGY

The specialisation strategy can be summarised in four short statements:

- Global niche player in markets with high barriers to entry
- Leading market positions through application knowledge and proximity to markets
- Strong innovation efforts and continuous productivity improvement
- Competence is the main competitive advantage

To make this 'timeless' strategy operational, we have introduced a set of strategic priorities. These priorities are defined as the key actions to be executed over the next three to five years to deliver on the long-term strategy. These actions are renewed and replaced over time as we progress the company in a more specialised direction.



STRATEGIC PRIORITIES

Specialisation and diversification within BioSolutions

- Specialisation through innovation and market development
- Balance market risk through diversification of product portfolio
- Timing of further volume expansion guided by demand development and profitability

Increased value added from the unique Sarpsborg biorefinery

- Leverage high-value lignin raw material base in biopolymers and biovanillin
- Enhance product mix in speciality cellulose and bioethanol
- Strong focus on innovation and productivity efforts

Development of the cellulose fibrils business

- Continued market development across multiple applications and geographies
- Timing of second step expansion guided by demand development

Sustainability

- Continued emphasis on ESG aspects along the entire value chain

SUSTAINABILITY

Sustainability is a key component of Borregaard's business model and one of our three core values. The company offers sustainable products with good climate and environmental properties that replace oil-based products.

We work along the entire value chain to control and improve the sustainability of our business model. In addition, we engage with independent third parties to assess and verify the quality of our actions. Borregaard has been recognised for our sustainability leadership in climate change, forests and water security by the global environmental non-profit organisation, CDP, securing a place on its prestigious 'A' lists for climate change and forest. Borregaard also received an A- for water security. We are one of a small number of companies that achieved an 'A' in two or more categories, out of over 13,000 companies that were scored based on data submitted through CDP's questionnaires in 2021.

Borregaard has committed to major reductions in greenhouse gas emissions in the years to come. We are now in the process of revising our target to a 1.5°C temperature increase in line with Science Based Targets initiative's Business Ambition for 1.5°C campaign following the IPCC's¹ Sixth Assessment report.

Sustainability has also become a key driver in our innovation processes. We firmly believe that this strong trend represents a great opportunity for our company. As

part of our market offering, an independent third-party conducts life cycle assessments (LCAs) of our entire product portfolio, mapping the environmental impact from raw materials to finished products.

INVESTMENT IN ALGINOR

In the second half of 2021, Borregaard announced an investment in the Norwegian marine biotech company Alginor. The company aims to develop, produce and market high-value ingredients to global markets for pharmaceutical and nutraceutical applications based on biorefining of kelp. We see several similarities between Borregaard's business model and Alginor's biorefinery concept. Borregaard has acquired 25% of the shares in Alginor, representing a total investment of NOK 144 million.

STRATEGIC EXECUTION

We will continue to execute on our specialisation strategy and strategic priorities in 2022. We are confident that our business model and the increasing momentum to improve global sustainability will represent attractive business opportunities for Borregaard.

Kind regards,

Per A. Sørli,
President and CEO

¹ Intergovernmental Panel on Climate Change, the United Nations body for assessing the science related to climate change.



THE BOARD OF DIRECTORS



**HELGE
AASEN**
Chair

Member of the Board since April 2018, and was elected chairman in 2021. Helge Aasen was appointed CEO of Elkem ASA for a second

term in 2021 after having previously held the position from 2009 to 2019. He has held a number of positions in the Elkem Group since 1990 including experience from various divisions in the Group as well as sales, marketing and commercial positions. Mr Aasen has held board member positions in Elkem ASA and China National Bluestar Company and chair of REC Solar and the board of the Federation of Norwegian Industries (Norsk Industri). He holds a degree in Metallurgy from the Norwegian University of Science and Technology and has participated in an executive leadership development programme at IMD, Switzerland. Mr Aasen has attended 9 out of 9 board meetings in 2021. Helge Aasen holds 3,900 shares in Borregaard.¹



**TERJE
ANDERSEN**
Member

Member of the Board from October 2012 and member of the Board of Borregaard Industries Limited 2005-2012.

Terje Andersen is Senior Advisor, Orkla Industrial Investments. He has held various positions within the Orkla group including CFO of Orkla ASA and CEO and Head of Orkla Investments. Mr Andersen holds a number of positions in various boards, such as Saudafaldene AS (chair) and Jotun AS. He holds a degree in Business Administration (siviløkonom) from the Norwegian School of Economics and Business Administration in Bergen. Mr Andersen has attended 9 out of 9 board meetings in 2021. Terje Andersen holds 4,371 shares in Borregaard.¹



**TOVE
ANDERSEN**
Member

Member of the Board since April 2018. Tove Andersen is President and CEO of Tomra Systems ASA. Before that Ms Andersen has held a number

of different positions at Norsk Hydro/Yara, including EVP Europe, EVP Production, EVP Supply Chain, VP Marketing and New Business and Director Specialities and Retail Marketing. She has also held the position as a researcher at the Norwegian Computing Center. Ms Andersen is a board member of Equinor ASA. She holds a degree in Applied Physics and Mathematics from the Norwegian University of Science and Technology, and an MBA from BI Norwegian Business School. Ms Andersen has attended 9 out of 9 board meetings in 2021. Tove Andersen holds 6,000 shares in Borregaard.¹

/ ¹ Shareholding as of 31 December 2021.



**MARGRETHE
HAUGE**

Member

Member of the Board since April 2018. Margrethe Hauge is CEO of Goodtech ASA and has held management positions within production, supply

chain, service and sales in aqua, agriculture, maritime and oil and gas industries, including CEO at Teknisk Bureau AS, Regional Managing Director at MRC Global Inc. and EVP Services at TTS Group ASA. She has also held several management positions at Kverneland Group. Ms Hauge started her career as trainee at Norsk Hydro ASA. She is deputy chair and head of the audit and risk committee of Salmar ASA and member of the board of Mesta AS. She holds a Master's degree in Economics & Business Administration, University of Mannheim, Germany. Ms Hauge has attended 9 out of 9 board meetings in 2021. Margrethe Hauge holds 4,077 shares in Borregaard.¹



**JOHN ARNE
ULVAN**

Member

Member of the Board from April 2021. John Arne Ulvan is CEO of Mantena AS. Before that Mr Ulvan was CEO of Felleskjøpet Agri SA from 2011

to 2020. Prior to this period, he had a number of positions at Norsk Hydro/Yara within strategy, business development and marketing. Mr. Ulvan has held a number of board positions in connection with his roles at Felleskjøpet Agri, including member of the Executive Committee of InterCOOP (Switzerland) and deputy chairman of the corporate assembly of Moelven Industrier ASA. He holds a degree in Chemical Engineering from the Norwegian University of Science and Technology. Mr Ulvan has attended 7 out of 9 board meetings in 2021 (all meetings since he joined the board). John Arne Ulvan holds 2,000 shares in Borregaard.¹



**RAGNHILD
ANKER EIDE**

Employee representative

Member of the Board since October 2012. Ragnhild Anker Eide works as Logistics Manager at Borregaard Sarpsborg. She is chair of

The Norwegian Society of Graduate Technical and Scientific Professionals (Tekna) at Borregaard and chair of the board of the Joint Union for Officials and Engineers at Borregaard. Ms Eide has attended 9 out of 9 board meetings in 2021. Ragnhild Anker Eide holds 3,699 shares in Borregaard.¹



**ARUNDEL
KRISTIANSEN**

Employee representative

Employee representative Member of the Board since August 2020. Mr. Kristiansen is Leader of The Norwegian United Federation of Trade

Unions at Borregaard Sarpsborg (Fellesforbundet Borregaard Fagforening), as well as Chair of the Board of the Norwegian Confederation of Trade Unions (LO) at Borregaard Sarpsborg. Mr Kristiansen has attended 9 out of 9 board meetings in 2021. Arundel Kristiansen holds 493 shares in Borregaard.¹



**BENTE SELJEBAKKEN
KLAUSEN**

Observer

Observer of the Board since October 2012. Bente Seljebakken Klausen works as a Laboratory Technician at Borregaard R&D, Sarpsborg.

She is chair of the Norwegian Engineers and Managers Association (FLT) at Borregaard, treasurer of the Norwegian Engineers and Managers Association (FLT), Sarpsborg branch and secretary of the board of the Norwegian Confederation of Trade Unions (LO) at Borregaard Sarpsborg. Ms Seljebakken Klausen has attended 8 out of 9 board meetings in 2021. Bente Seljebakken Klausen and close relatives hold 1,094 shares in Borregaard.¹



**ROY KÅRE
APPELGREN**

Observer

Observer of the Board from October 2012 and member of the Board of Borregaard Industries Limited 2010-2012. Roy Kåre Appelgren

works as a Senior Engineer in Mechanical Maintenance at Borregaard Sarpsborg. He is chair of The Norwegian Society of Engineers and Technologists (NITO) at Borregaard and a member of the Joint Union for Officials and Engineers at Borregaard. Mr Appelgren has attended 9 out of 9 board meetings in 2021. Roy Kåre Appelgren holds 1,498 shares in Borregaard.¹



REPORT OF THE BOARD OF DIRECTORS

In 2021, Borregaard achieved an all-time high EBITDA¹ and a strong improvement in the return on capital employed¹ (ROCE). Overall strong demand for the Group's products and a significant improvement in BioSolutions were the main reasons for the improved financial performance. The pandemic had limited financial impact. Sustainability aspects of Borregaard's business model continued to be promoted and received increasing attention and recognition from the Group's stakeholders.

OVERVIEW

Borregaard is a leading global supplier of sustainable products and solutions within selected niches of biochemicals, biomaterials and fine chemicals. The Group operates one of the world's most advanced biorefineries with high value-added through full utilisation of the wood raw material base. Borregaard's strong innovation competence contributes to continuous specialisation of existing operations as well as the development of new products and applications.

The head office and main production facilities are in Sarpsborg, Norway, where industrial activity based on sulphite pulping started in 1889. The Group has manufacturing operations and sales offices in 13 countries. See Note 7 to the Financial Statements of Borregaard ASA.

HIGHLIGHTS 2021

The COVID-19 pandemic situation has been challenging for Borregaard's operations and employees also in 2021. However, only minor disturbances have occurred in production, sales, logistics and investment projects thanks

to the strong efforts of the company's employees.

The markets for the Group's products have been strong throughout the year, resulting in improved financial performance. In particular, BioSolutions has improved its performance through optimisation, diversification and specialisation following the discontinued raw material supply in South Africa and Spain in 2020.

Sustainability is a key element in Borregaard's business model and one of the Group's three core values. Borregaard contributes to a sustainable development, both through minimising negative environmental impact from own production, as well as improving environmental impact in customers' value chains. Borregaard's business model and products are well positioned to support the UN's Sustainability Development Goals (SDGs). The company has prioritised six SDGs based on its ability to contribute to solving these global challenges (see pages 33-34). Borregaard has presented its systematic work within diversity and equal opportunities in a separate report that comply with Norwegian laws. The report is found on Borregaard's website.

¹ Alternative performance measures, see page 150 for definition.

The Group has committed to major reductions in greenhouse gas emissions in the years to come. Borregaard is now in the process of revising its target to a 1.5°C temperature increase following the IPCC's Sixth Assessment report. Borregaard has also signed the Science Based Targets initiative's 'Business Ambition for 1.5°C Commitment Letter'.

During 2021, Borregaard has further developed its long-term action plan to deliver the science-based targets for 2030 and 2050. Energy conservation and increased use of bioenergy and electricity from renewable sources are important measures to achieve the company's ambitious science based GHG emission reduction targets. In 2021, Borregaard has formally applied for additional power grid capacity which will be key to reach the long-term targets.

Borregaard has been recognised for its sustainability leadership in climate change, forests and water security by the global environmental non-profit organisation CDP, securing a place on its prestigious 'A' lists for climate change and forest. Borregaard also received an A- score for water security. This is a recognition of Borregaard's work to develop the low carbon economy further and reduce emissions and climate risk. Efforts to increase market awareness of Borregaard's sustainable products continued in 2021. Documentation of environmental, social and governance (ESG) aspects through life cycle analyses and environmental product declarations is an integral part of these efforts.

Expansion investments¹ completed during the last five years had a significant positive impact on results in 2021 and contributed to bringing Borregaard's return on capital employed¹ (ROCE) in line with the Group's target to be above 15% pre-tax over a business cycle. The upgraded biopolymer operation in Sarpsborg, the installation of Borregaard's Ice Bear technology for high purity speciality cellulose, the capacity expansion for water-free bioethanol and the added biovanillin capacity all delivered results above the initial targets. The results for the biopolymer plant in Florida and the cellulose fibrils plant for Exilva in Sarpsborg continued to improve in 2021. However, the financial performance of these two investments is still below the targeted levels.

In the 2nd half of 2021, Borregaard invested a total of NOK 144 million to acquire 25% of the shares in the marine biotech company Alginor ASA. There are many similarities between Borregaard's business model and the biorefinery concept under development by Alginor. Borregaard

has relevant expertise from development, scale-up, manufacturing and sales of similar products in global markets.

Innovation efforts contributed to an improved innovation rate² (13.7% in 2021, see page 47) and strengthened market position. In 2021, Borregaard's gross expenditure on research and innovation was NOK 173 million, representing 3.0% of the Group's operating revenues. Borregaard recognised NOK 30 million of public funding for ongoing research projects, both from the Norwegian Government and the European Union. Digitalisation is an important part of Borregaard's improvement efforts. In 2021, the Group performed a feasibility study to define a strategy and roadmap for digitalisation across business and production processes. A large number of digital opportunities were identified and evaluated based on costs and benefits. The opportunities have been prioritised and the implementation of selected projects within data driven insight and operational excellence has started. In parallel, necessary technical enablers will be put in place. Borregaard's digitalisation competence has been strengthened through recruitment and competence development.

Environment, health and safety (EHS) are integral parts of Borregaard's business model. In 2021, the total recordable injuries per million worked hours (TRIF) were at an all-time low of 3.5 (5.0)³. Sick leave was 3.7% (3.7%). Greenhouse gas emissions (scope 1 and scope 2) increased by 11% in the Group compared with 2020. The main reasons for the higher GHG emissions are high spot prices for alternative energy sources, increased use of LNG due to increased powder production in the new spray driers, higher energy consumption due to increased specialisation and a cold winter.

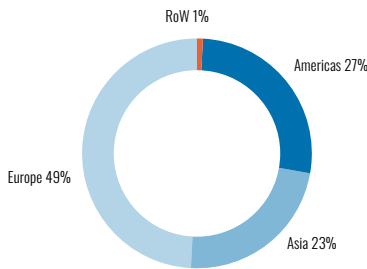
Emissions of organic material (COD) to the river Glomma, have been reduced by 42% since 2010. In 2021, COD emissions decreased to 55 t/day (57 t/day), mainly due to activities in the emission reduction plan for COD. See the Sustainability and Corporate Responsibility Report from page 29.

Borregaard's strategic priorities are specialisation and diversification within BioSolutions, increased value-added from the unique Sarpsborg biorefinery, development of the cellulose fibrils business and sustainability through continued emphasis on ESG aspects along the entire value chain.

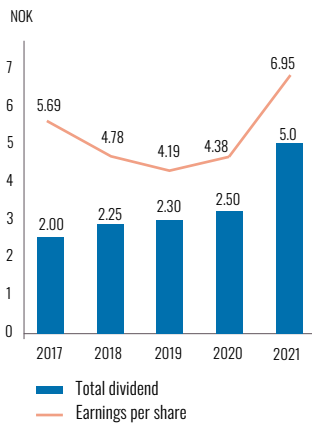
/ ² Innovation rate = sales of new products and applications introduced during the previous five years.

/ ³ Figures in parentheses are for the corresponding period in the previous year.

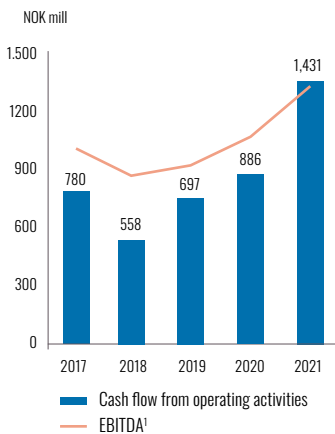
SALES REVENUES BY GEOGRAPHICAL AREA 2021



EARNINGS PER SHARE AND TOTAL DIVIDEND



CASH FLOW FROM OPERATING ACTIVITIES

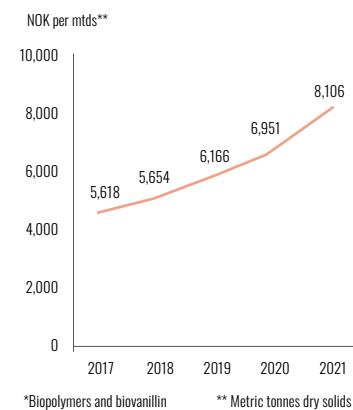


MARKET TRENDS

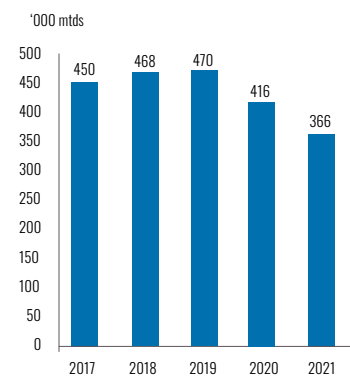
Borregaard’s diversified product portfolio and global market exposure provide flexibility and an inherent hedge against market fluctuations. In 2021, the diversified market strategy again proved its value and enabled Borregaard to reduce the exposure to cyclical market segments through reallocation of volumes across several applications and geographical markets.

In BioSolutions, reduced raw material supply following the closure of the South African and Spanish operations primarily impacted sales of biopolymers to concrete admixtures and low-value industrial applications. Demand for lignin-based biopolymers has been strong, and optimisation and diversification of the product portfolio driven by value growth and preference for sustainable solutions have been a success. Specialisation through innovation and market development of advanced applications with high value-added has further improved with increased sales volume and a positive effect on results. So far, the market introduction of the new biovanillin capacity is ahead of expectations due to solid demand for biovanillin, partly influenced by reduced global supply of synthetic vanillin and ethyl vanillin following downtime among Chinese producers.

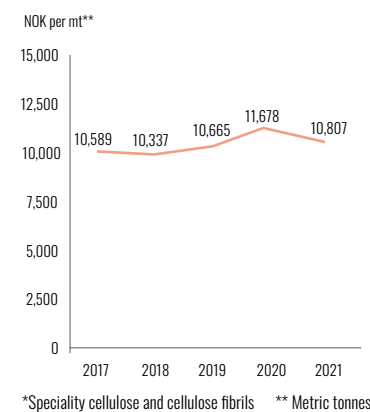
GROSS AVERAGE PRICE



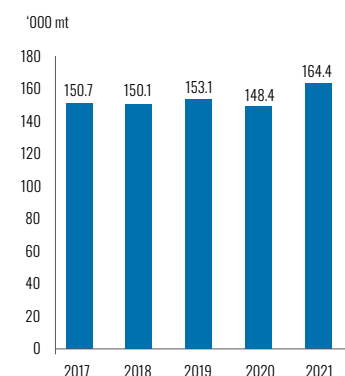
SALES VOLUME⁴



GROSS AVERAGE PRICE



SALES VOLUME



/ ¹ Alternative performance measures, see page 150 for definition.

/ ⁴ Average sales price and sales volume reflect 100% of sales and volume from the J/V in South Africa till the end of the 2nd quarter 2020. Average sales price is calculated using actual FX rates, excluding hedging impact.

In BioMaterials, demand was strong for most speciality cellulose grades in 2021, and deliveries were higher than production, resulting in a considerable inventory reduction. Demand was particularly strong for cellulose ethers to construction, food and pharma. The sales of cellulose fibrils continued to grow.

For Fine Chemicals, deliveries of fine chemical intermediates were stable with full capacity utilisation. Both production and sales volume increased for bioethanol. Bioethanol sales were mainly to biofuels in 2021.

FINANCIAL PERFORMANCE IN 2021

Borregaard's operating revenues increased to NOK 5,805 million (NOK 5,328 million) in 2021. EBITDA¹ increased to an all-time high of NOK 1,372 million (NOK 1,132 million). BioSolutions had a significantly improved result compared with 2020, whereas BioMaterials and Fine Chemicals had slightly weaker results. The net currency impact on EBITDA¹ was negative by approximately NOK 60 million compared with 2020.

In BioSolutions, the EBITDA¹ improvement was due to price increases and a favourable product mix, partly offset by increased energy costs. The result in BioMaterials decreased, mainly due to lower sales prices and higher energy spot prices. A weaker product mix and increased raw material costs for fine chemical intermediates and non-recurring bioethanol sales to disinfectants in 2020 were the main reasons for the decline in Fine Chemicals.

Operating profit increased to NOK 952 million (NOK 568 million). Net financial items amounted to NOK -79 million (NOK -72 million). Profit before tax was NOK 873 million (NOK 496 million). Tax expense of NOK -213 million (NOK -117 million), gave a tax rate of 24% (24%).

Earnings per share was NOK 6.95 (NOK 4.38). Borregaard ASA's share price was NOK 222.00 at the end of 2021. Compared with the end of 2020, the share value increased by 53% assuming reinvestment of dividends.

CASH FLOW AND FINANCIAL STRUCTURE

In 2021, cash flow from operating activities was NOK 1,431 million (NOK 886 million). The strong cash flow was due to the cash effect of an increased EBITDA¹ and a substantial reduction in net working capital, partly offset by higher tax payments.

Investments amounted to NOK 701 million (NOK 503 million). Replacement investments were NOK 398 million (NOK 344 million). Expansion investments¹ totalled NOK 303 million (NOK 159 million), where the largest expenditure was related to the investment in Alginor ASA and the biovanillin capacity expansion.

Dividend of NOK 249 million (NOK 229 million) was paid out in the 2nd quarter. In 2021, the Group has sold and repurchased treasury shares with a net payment of NOK 59 million (NOK 27 million). Realised effect of hedging of net investments in subsidiaries was NOK -14 million (NOK 10 million).

On 31 December 2021, the Group had net interest-bearing debt¹ totalling NOK 1,417 million (NOK 1,794 million), a decrease of NOK 377 million from year-end 2020. At the end of December, the Group was well capitalised with an equity ratio¹ of 60.1% (53.9%) and a leverage ratio¹ of 1.03 (1.58).

BUSINESS SEGMENTS

BioSolutions' operating revenues reached NOK 3,469 million (NOK 3,082 million) in 2021. EBITDA¹ increased to NOK 942 million (NOK 632 million). The EBITDA¹ improvement was due to price increases and a favourable product mix, partly offset by increased energy costs and negative net currency effects.

Total sales volume was 12% lower than in 2020. Discontinued raw material supply in South Africa and Spain was partly offset by increased sales volume from the Florida plant and inventory reductions. Raw material deliveries from the pulp mill in Park Falls, Wisconsin, ceased in the 1st quarter of 2021, and the pulp mill is in liquidation.

The average price in sales currency was 24% higher than in 2020 due to price increases, a favourable product mix and the effect of reduced sales volume to low-value applications.

Operating revenues for BioMaterials increased to NOK 1,878 million (NOK 1,732 million). EBITDA¹ was NOK 284 million (NOK 318 million). The weaker EBITDA¹ was mainly due to lower sales prices and higher energy spot prices partly offset by reduced wood costs, an improved product mix and high deliveries of speciality cellulose compared with 2020. The net currency impact was slightly negative.

/ ¹ Alternative performance measures, see page 150 for definition.

The average price in sales currency for BioMaterials was 1% lower than in 2020. Demand was strong for most speciality cellulose grades in 2021. The sales of cellulose fibrils continued to grow.

Operating revenues in Fine Chemicals were NOK 491 million (NOK 543 million) in 2021. EBITDA¹ was NOK 146 million (NOK 182 million). The net currency impact in Fine Chemicals was slightly negative.

The result for fine chemical intermediates decreased in 2021, due to a weaker product mix and increased raw material costs. Bioethanol had lower sales while production volume increased with improved yield and lower costs. In 2020, EBITDA¹ was positively affected by non-recurring sales to disinfectants.

CORPORATE GOVERNANCE

Borregaard's governance systems are based on principles set out in the Norwegian Code of Conduct for Corporate Governance. See report on Corporate Governance at Borregaard (from page 18). This report is an integral part of the Report of the Board of Directors.

Borregaard's internal compliance board (see page 26) reviews and controls compliance matters and reports to the Board annually.

Borregaard has purchased and maintain a Directors and Officers Liability Insurance on behalf of the members of the Board of Directors and the CEO. The insurance additionally covers any employee acting in a managerial capacity and includes subsidiaries owned by more than 50%. The insurance policy is issued by a reputable, specialised insurer with appropriate rating.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Sustainability is an integral part of Borregaard's business model. This is reflected in the Group's main objective: Providing sustainable products and solutions based on renewable raw materials and unique competence. Borregaard's 2021 Report on sustainability and corporate responsibility (from page 29) outlines ambitions and achievements within climate and EHS, and Borregaard's commitment to business ethics and compliance. The report also covers topics within competence development, human rights, inclusion and diversity. This report is an integral part of the Report of the Board of Directors. Borregaard's ESG information is reported according to the GRI⁵ standard and an independent third party has issued an assurance report on Sustainability reporting (see EY's assurance report from page 147). A separate report

on Equality and Inclusion for 2021 is published on the company's website.

The reporting requirements for sustainable financing in EU are under development. Borregaard monitors the process and will make necessary preparations for future reporting.

FINANCIAL AND OPERATIONAL RISKS

Borregaard is financially exposed to currency risk for most of its sales, primarily in USD and EUR. A substantial part of this exposure, defined as estimated net cash flow in USD and EUR, is routinely hedged with a nine-month time horizon. Subject to certain criteria being met, the hedging horizon for USD and EUR exposure may be extended up to 36 months. In 2021, substantial EUR and USD amounts were hedged within a 3-year time horizon. See Note 28.

Borregaard is also exposed to price risk for energy, wood and other strategic raw materials. There is also a supply risk for lignin raw material. In sales, all Borregaard's business segments are exposed to price risk in international and domestic markets. Furthermore, there are production, environmental and safety risks inherently associated with the operation of manufacturing sites. To mitigate these risks, Borregaard has a strong commitment to continuous improvement throughout its worldwide operations, calling on a wide range of measures affecting both revenues and costs. Climate risk assessment comply with the Task Force on Climate-related Financial Disclosures (TCFD). The short and medium-term climate risk is considered to be low. Credit risk for Borregaard is perceived to be modest due to the quality of its customer base and its stringent credit management policy. Short-term liquidity risk associated with cash flow fluctuations is low because Borregaard has ensured ample short-term and long-term credit facilities from a group of leading Scandinavian banks. As of 31 December 2021, the undrawn portion of available long-term facilities amounted to NOK 1,500 million.

The company's business activities and financial position, together with the factors likely to affect its future development and performance, are set out above. With its considerable financial resources, together with long-standing relationships with customers and suppliers across different geographic areas and industry sectors, the company is well placed to manage its ongoing business risks. With a strong equity ratio¹ and good liquidity, the company has adequate resources to continue its operations for the foreseeable future. Hence, in accordance with the Norwegian Accounting Act §3-3a, we confirm that the financial statements have been prepared

/ ¹ Alternative performance measures, see page 150 for definition.

/ ⁵ Global Reporting Initiative.

under the assumption of a going concern. See Note 28 to the Group's financial statements for further disclosure of financial and operational risks.

REMUNERATION OF GROUP EXECUTIVE MANAGEMENT

The Board of Directors has established a Compensation Committee which deals with all important matters related to salary and other remuneration of senior executives before such matters are decided by the Board. In accordance with Norwegian legislation, the General Meeting has approved the guidelines for remuneration of executive personnel in 2021. The Guidelines and actual remuneration are included in the report "Remuneration of Group Executive Management 2021" that is found on the company's website. The report is subject to approval by the General Meeting in 2022. The Equality & Inclusion report is also found on the company's website.

SHAREHOLDER MATTERS

All shares in Borregaard ASA have equal rights and are freely traded. The company has established a programme enabling employees to purchase shares at a discounted price. In connection with this programme and the share option programme for the Group Executive Management and other key employees, Borregaard ASA held 414,862 treasury shares as of 31 December 2021 and 248,027 as of 14 March 2022. See Note 9 regarding share options.

Total number of shares outstanding as of 31 December 2021 was 100 million, including 414,862 treasury shares. Total number of shareholders was 7,846. Borregaard ASA's share price was NOK 222.00 at the end of 2021, compared with NOK 141.80 at the end of 2020.

OTHER MATTERS AND SUBSEQUENT EVENTS

Shares to employees

As part of the employee share programme, Borregaard sold a total of 162,810 shares to employees in February 2022. The share price was NOK 152.50 per share after deduction of a 25% discount. See notifications to the Oslo Stock Exchange on 7 and 14 February and 1 March 2022.

Share options issued

In February 2022, 200,000 share options at a strike price of NOK 228.75 were granted under the long-term incentive programme. The options will expire after five years, the vesting period is three years and the options may be exercised during the last two years. See notification to the Oslo Stock Exchange on 17 February 2022.

There have been no events after the balance sheet date that have had a material impact on the financial statements, or the assessments carried out.

ALLOCATION OF PROFIT

The Board has proposed an ordinary dividend for 2021 of NOK 2.75 (NOK 2.50) per share for the 2021 financial year, corresponding to 40% of net earnings per share for the Group. In addition, the Board has decided to propose an extraordinary dividend of NOK 2.25 per share due to increased earnings and a strong cash flow. In total, the proposed dividend is NOK 5.00 per share. Total dividend payment is estimated at NOK 498 million. The exact amount will depend on the number of treasury shares held at the date of the General Meeting.

In 2021, Borregaard ASA had a profit of NOK 475 million (NOK 250 million). Borregaard ASA is well capitalised with an equity ratio¹ of 67% after pay-out of the proposed dividend. The Board proposes the following allocation (NOK million):

Dividend	498
Retained earnings	-23
Total	475

OUTLOOK FOR 2022

In 2022, the total sales volume for BioSolutions is expected to be largely in line with the 2021 volume. The positive market development within several biopolymer applications is expected to continue, improving both product mix and average price in sales currency. The market for biovanillin is expected to remain positive and the new capacity will be phased gradually into the market. Cost increases, primarily driven by freight and energy costs, are expected to largely offset the effect of a positive market development. Energy spot prices represent the largest uncertainty.

In BioMaterials, the average price in sales currency is expected to be approximately 20% above the 2021 level, mainly driven by strong demand and a tight speciality cellulose market balance in general. Total sales volume is expected to be lower in 2022, while volume of highly specialised grades is expected to be in line with 2021. The positive impact from price increases and improved product mix will be partly offset by increased freight, raw material and energy costs. Sales growth will continue for cellulose fibrils, but new development and customer trials continue to be delayed due to the COVID-19 pandemic.

The market conditions for biofuel in several EU countries are favourable. Bioethanol sales are expected to be mainly into these markets in 2022. The product mix for fine chemical intermediates is expected to improve, partly offset by increased raw material costs.

Borregaard monitors potential consequences of the war in Ukraine closely. Sales to and sourcing from Russia,

Belarus and Ukraine are limited. Indirect consequences may occur in case suppliers, customers and infrastructure are affected. Potential implications on energy costs represent the largest uncertainty for Borregaard.

Sarpsborg, 14 March 2022

THE BOARD OF DIRECTORS OF BORREGAARD ASA

Signed

HELGE AASEN

Chair

Signed

TERJE ANDERSEN

Signed

TOVE ANDERSEN

Signed

MARGRETHE HAUGE

Signed

JOHN ARNE ULVAN

Signed

ARUNDEL KRISTIANSEN

Signed

RAGNHILD ANKER EIDE

Signed

PER A. SØRLIE

President and CEO





CORPORATE GOVERNANCE

Borregaard's principles for good corporate governance form the basis for long-term value creation, benefitting shareholders, employees and society. These principles promote a healthy corporate culture where sustainability, long-term perspective and integrity are fundamental values. The sustainability agenda covers social, environmental and economic responsibility. The Board of Directors is responsible for corporate governance.

01 IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

Borregaard is subject to the requirements of §3–3b of the Norwegian Accounting Act, the Norwegian Code of Practice for Corporate Governance and the Continuing Obligations of Stock Exchange Listed Companies, which are available at lovdata.no, nues.no and oslobors.no, respectively.

This report follows the system used in the Code of Practice from 14 October 2021¹. It comprises all clauses of the Code of Practice, describes Borregaard's compliance and explains any deviations.

The Board of Directors approved this report on corporate governance 14 March 2022. The statement is cited on page 140. The General Meeting will consider the statement 7 April 2022.

The Board will ensure that the company complies with the requirements of the applicable laws and regulations. The principles of good corporate governance are integrated in the Board's decision-making process, and the Board will continually discuss and evaluate the principles and their implementation.

02 BUSINESS

According to the Articles of Association, Borregaard's purpose involves: "... the development, production and sale of biochemicals, bio-based speciality products and other chemicals, as well as other business operations that are naturally related therewith." The Board of Directors has clear objectives, strategies and risk profiles for the company's business activities.

Borregaard's activities focus on BioSolutions with biopolymers and biovanillin from lignin, BioMaterials, which is speciality cellulose and cellulose fibrils, and Fine Chemicals consisting of fine chemical intermediates and second-generation bioethanol. Borregaard's financial objective is to deliver good profitability with a return on capital employed² (ROCE) above 15% pre-tax over a business cycle. For a more detailed description of business segments, corporate goals and strategies, please refer to *The Borregaard Group* on page 4.

The Borregaard Group will contribute to the sustainable development of society through responsible commercial operations and continuous improvement. The Group has ethical guidelines and guidelines for corporate responsibility, available at Borregaard's website.

The Sustainability and corporate responsibility report can be found from page 29 in this Annual Report. From page 35, the Annual Report gives an account of Borregaard's systematic work in areas important for stakeholders such as employees, business partners and the community.

The objectives, strategies and risk profiles are evaluated annually by the Board.

03 EQUITY AND DIVIDENDS

The Group's equity as of 31 December 2021 was NOK 4,306 million. The capital structure is appropriate for the company's objective, strategy and risk profile. The Board has stated the following regarding the dividend policy:

"Under the current dividend policy adopted by the Board, Borregaard intends to pay regular and progressive dividends reflecting the expected long-term earnings and cash flows of the Borregaard Group, targeting an annual dividend between 30% and 50% of the company's net profit for the preceding financial year".

For the financial year 2021, the Board has proposed an ordinary dividend of NOK 2.75 per share, up from NOK 2.50 per share in 2020. In addition, the Board has decided to propose an extraordinary dividend of NOK 2.25 per share due to increased earnings and a strong cash flow. In total, the proposed dividend is NOK 5.00 per share. Dividend will be paid on 21 April 2022 to shareholders registered in the company's shareholders' register as evidenced in a transcript as of 6 April 2022.

Acquired shares subject to ordinary settlement in the Norwegian Securities Register (VPS), will carry the right to receive dividends if acquired up to and including 7 April 2022.

The Board has no authority to issue new shares. The authority to purchase treasury shares is limited to defined purposes and applies until the next General Meeting. The General Meeting votes on each individual purpose to be covered by the authorisation. At the General Meeting in 2021, the Board was authorised to buy treasury shares up to a total nominal value of NOK 10 million, corresponding to 10% of the current share capital. The authorisation is valid until the General Meeting in 2022, but no longer than 30 June 2022.

The authorisation may only be used in connection with share-based incentive programmes, shares for employees and for repurchase of shares for cancellation. As of 31 December 2021, Borregaard held 414,862 treasury shares.

There are no provisions in Borregaard's Articles of Association concerning the buy-back or issue of shares. Transactions in treasury shares have taken place on the market at stock exchange prices, according to the Oslo Stock Exchange safe harbour rules and according to good stock exchange practice in Norway.

/ ² Alternative performance measures, see page 150 for definition.

04 EQUALITY OF TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

Borregaard has one class of shares, and each share entitles the holder to one vote. The nominal value is NOK 1.00

A more detailed account of the terms and conditions relating to the entitlement to vote at the General Meeting is given below under item 6.

It is Borregaard's policy that shareholder value shall not be diluted by the issuance of new shares. Should the Board propose a deviation from existing shareholders pre-emption rights in the event of a share issue, the Board must justify this as being in the common interest of the company and its shareholders. The justification must be stated in the notice of the General Meeting.

The General Meeting has issued *Instructions for the Board of Borregaard ASA*, which includes rules for dealing with cases of transactions with close associates. The Instructions for the Board are publicly available under "Investors" on the company's website. According to the Instructions, the Chair of the Board must be informed about the transaction and decide on how to deal with the case.

Transactions with related parties are disclosed in Note 33 to the Group accounts. In the case of transactions between Borregaard and a shareholder, the shareholder's parent company, a member of the Board, executive personnel or close associate of any of these, the Board will ensure that a fair value assessment is carried out by an independent third party.

05 SHARES AND NEGOTIABILITY

All of Borregaard's shares confer equal rights and are freely negotiable. There are no provisions in the Articles of Association restricting the free negotiability of shares.

06 GENERAL MEETING

The Board of Borregaard has taken steps to encourage shareholders to exercise their rights by participating in the General Meeting. The notice of the General Meeting and administrative documents must be available on Borregaard's website no later than 21 days before the General Meeting. The final date for registration will be no more than three days before the General Meeting. The Chair of the Board, the President and CEO, the external auditor and the Chair of the Nomination Committee will be present at the General Meeting.

Shareholders unable to attend the General Meeting may either appoint a proxy or submit a vote in advance via the Internet, using either DNB or the Norwegian Central Securities Depository (VPS) investor services. There are links to these services on Borregaard's website. Advance votes can also be submitted by post. It is stipulated in the Articles of Association that the notice of the General Meeting must indicate the rules established by the Board for advance voting. The Board will always consider the possibility to offer electronic and/or hybrid general meetings.

The Articles of Association contain no special provisions regarding the opening and chairing of the General Meeting. In line with the Code of Practice, the Board will arrange for the General Meeting to be opened by an independent person. In the notice of the General Meeting, the Board will indicate who will open the meeting and propose a Chair who satisfies the independence requirements of the Code of Practice, to be elected by the General Meeting.

If shares have been transferred, the new shareholder may vote if the transfer has been registered with VPS before the final date for registration for the General Meeting. If the transfer has been notified to VPS and evidence of this can be provided at the General Meeting, the shareholder will also be allowed to vote. To confer voting rights for shares registered to a nominee account, the beneficiary owner must register the shares in VPS under the name of the beneficiary owner before the final date for registration for the General Meeting.

If a shareholder has given the company proxy to vote, the Chair of the Board or the Chair of the General Meeting will

be appointed to vote on the shareholder's behalf. The proxy form has been designed in such a way that the shareholder may provide instructions for each item to be dealt with, and for each candidate to be elected. Information on the use of proxy voting and shareholders' rights to have items dealt with at the General Meeting, is given both in the notice of the General Meeting and on Borregaard's website.

According to the Articles of Association, Clause 7, the Board may decide that documents relating to items to be dealt with at the General Meeting should not be sent to shareholders, but instead be made available on Borregaard's website. The same applies to documents,

which by law must be included in, or attached to, the notice of a General Meeting. A shareholder may at any time demand to have such documents mailed. The provision in the Articles of Association is consistent with §5-11a of the Norwegian Public Limited Liability Companies Act. The documents will be available no later than 21 days prior to the General Meeting.

07 NOMINATION COMMITTEE

The Articles of Association stipulates that Borregaard shall have a Nomination Committee. The General Meeting elects the members and the Chair of the Committee. There is an option to vote for each individual candidate. *The Instructions for the Nomination Committee* are available at Borregaard's website. The members and Chair of the Nomination Committee were elected in 2021 based on a proposal from the Nomination Committee, as recommended by the Code of Practice.

The Nomination Committee consists of three members, each elected for one year, i.e. until the General Meeting in 2022. The Nomination Committee will propose:

- Candidates for shareholder-elected Board members and the Chair
- Candidates for members of the Nomination Committee and the Chair
- Remuneration for the Board and the Nomination Committee

The Nomination Committee has adapted its procedures to comply with the recommendations in the Code of Practice. The Instructions establish guidelines for the preparation and conducting of elections to the Nomination Committee and the Board, as well as the criteria for electability, general requirements for the recommendations and rules for dealing with matters during the Nomination Committee's work. When the Committee is considering candidates for the Chair of the Board, it is supplemented by a representative appointed by the employee-elected Board members.

Information about the composition of the Nomination Committee, which members are up for election and how input and proposals can be given to the Nomination Committee, can be found at Borregaard's website. The Nomination Committee has been composed in accordance with the Code of Practice to safeguard the interests of the shareholder community. The composition meets the Code's requirements for independence. None of the members of the Nomination Committee are members of the Board, nor does the Nomination Committee include the company's President and CEO or any other executive personnel.

The members are:

- Mimi K. Berdal (Chair)
- Erik Must
- Rune Selmar

Borregaard's SVP Organisation and Public Affairs serves as the secretary of the Nomination Committee.

08 THE BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Board has been put together with the aim of safeguarding the interests of the shareholder community and the company's need for competence, capacity and diversity. The Board consists of the Chair, six members and two observers. The employees have elected two members and two observers. The composition of the Board meets statutory requirements and the Code of Practice. All shareholder-elected members are independent of the company's management, main shareholders and important business associates. No one from day-to-day management is member of the Board. No Board member has ever been disqualified on the grounds of a lack of impartiality.

According to the Norwegian Public Limited Liability Companies Act, the Board's term of office is two years. Borregaard's Articles of Association comply with this requirement. However, the General Meeting is free to set a shorter term of office.

It is the task of the Nomination Committee to recommend the term of office of the Board. The shareholder-elected members of the Board have been elected for a period of one year, as an annual evaluation of the composition

provides the greatest flexibility. The current Board has been elected for the period leading up to the 2022 General Meeting.

The Articles of Association does not require members of the Board to own shares in the company. However, the General Meeting has decided that from 2018 and on, shareholder elected Board members are required to use part of their remuneration to acquire shares in the company. The Annual Report provides information about Board members' share ownership, background, qualifications, terms of office, independence and how long they have been members of the Board of Borregaard. There is also information about any major positions in other companies and organisations, and participation in Borregaard's Board meetings. As agreed with the employees, there is no corporate assembly neither in Borregaard ASA nor in its subsidiary, Borregaard AS. Instead, employees have extended representation rights to those companies' Boards. Hence, in accordance with the Norwegian Public Limited Liability Companies Act, the employees have elected two members and two observers to the Board.

09 THE WORK OF THE BOARD OF DIRECTORS

The duties of the Board of Directors

The duties of the Board are stated in the Public Limited Liability Companies Act and in the Instructions for the Board of Directors, which among other things define the responsibilities and obligations of the Board. The rules governing the handling of cases by the Board are also stipulated in the Instructions for the Board. These include regulations governing the President and CEO's disclosure requirements and the duty to carry out the Board's resolutions. There are guidelines on the preparation of matters to be considered by the Board and provisions whereby employees must be informed of the Board's resolutions. Other instructions, clarification of obligations, authorisations and responsibilities of day-to-day management are adopted on an ongoing basis.

The Board adopts an annual plan of meetings and agenda items that includes strategic work, commercial issues and control work. In 2021, the Board held nine meetings and dealt with 71 agenda items. The Board's annual evaluation process includes discussions regarding the work in more detail, see section "Internal Evaluation by the Board" below. The President and CEO prepares items for the Board in

consultation with the Chair of the Board. The Instructions for the Board contain provisions for the handling of matters before the Board, as well as rules concerning impartiality, joint and parallel investments, see item 4. The Board has established two permanent subcommittees, the Compensation Committee and the Audit and Sustainability Committee, both of which are described in more detail below. These committees pass no resolutions, but they supervise administrative work on behalf of the Board and prepare items for decision by the Board.

The committees may draw on the resources of the company and obtain advice and recommendations from external sources, if necessary.

Compensation Committee

The Compensation Committee makes recommendations to the Board regarding the President and CEO's salary and terms and supervises the general conditions for other executive personnel within the Group. The committee is chaired by Helge Aasen. Margrethe Hauge and Ragnhild Anker Eide are members and Borregaard's SVP Organisation and Public Affairs serves as its secretary.



The Compensation Committee held three meetings and dealt with 12 agenda items in 2021. All members of the Compensation Committee participated in all meetings during their elected period. The composition of the Committee complies with the Code of Practice requirements for independence, and all members of the Committee are independent of the executive personnel.

The mandate of the Committee has been incorporated in the Instructions for the Board. The Committee will additionally deal with any specific questions relating to compensation for employees of the Group.

Audit and Sustainability Committee

The Audit and Sustainability Committee supports the Board in fulfilling its responsibilities with respect to financial and sustainability reporting, internal accounting controls and auditing matters. The committee is chaired by Terje Andersen. John Arne Ulvan, Tove Andersen, and Arundel Kristiansen are members, and the Vice President Finance serves as its secretary. The Audit and Sustainability Committee held six meetings and dealt with 31 agenda items in 2021. All members of the Audit and Sustainability Committee participated in all meetings during their elected period. The composition of the Committee complies with the requirements of the Code of Practice for independence and competence. The recommendations of the Nomination Committee provide information as to which members of the Board meet the independence and competence requirements for members of the Audit and Sustainability Committee. The mandate of the Committee has been incorporated in the Instructions for the Board.

Internal evaluation by the Board

The Board has carried out the annual evaluation of its own activities and competence. The results have been made available to the Nomination Committee.

The Board reviews the company's guidelines on ethics, anti-corruption and corporate responsibility annually. The Group companies must perform regular reviews of the risk factors linked to Borregaard's corporate responsibility at a general level and review the risk of breaches of the ethical requirements.

Impartiality and conflict of interest

The Instructions for the Board have regulations about impartiality. They establish that members of the Board may not take part in the handling of, or decisions in, matters in which the member or a close associate has a prominent personal or financial interest. Members of the Board shall also always consider whether there are circumstances which, from an objective point of view, are likely to weaken confidence in the member's impartiality, or which may lead to conflicts of interest in connection with the Board's handling of the case. Such circumstances must be discussed with the Chair of the Board.

With regards to the Group's ethical guidelines, employees must, on their own initiative, inform their superiors of any case of impartiality or conflict of interest, and they must not take part in the processing of such cases.

10 RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors is the ultimate responsible for Borregaard's internal control system. Each member of the Group Executive Management is responsible for internal control within their respective areas. Borregaard's main objective is to provide sustainable solutions based on renewable resources and unique competence. The risk management system is essential for achieving the overall objective.

Risk management

Identifying and managing risks and opportunities are integrated multidisciplinary parts of the Group's business processes. Risk management shall ensure that risks relevant to Borregaard's objectives are identified, analysed and dealt with early and in a cost-effective manner.

A sound risk culture in Borregaard's operating units is a prerequisite for a successful risk management process. An operating unit may be a plant, an organisational department, a subsidiary or a business unit. Comprehensive risk assessments related to either operations or projects are carried out on an ongoing basis in all operating units and reported to the next management level. Top-down risk evaluations are mainly focused on climate change, environment, health and safety (EHS) and profitability.

The risk assessment is presented and reviewed quarterly by the Audit and Sustainability Committee and at least annually by the Board.

An operating unit's risk assessment identifies the principal risk factors associated with the unit's value chain. The individual unit managers in the Group are responsible for acquainting themselves with all significant risk factors within their own area of responsibility, thus contributing to a financially and administratively sound handling of these risks. Borregaard has established a central risk management function at Group level, headed by the Chief Risk Officer (CRO), who is responsible for Borregaard's risk management model and implementation support. Furthermore, the Group CRO shall facilitate the risk assessment process and contribute to the identification, analysis and handling of risks across business areas and disciplines.

The Board conducts a review of the Group's risk assessment at least annually. The CRO consolidates the aggregate risk assessment which the Group Executive Management reviews before it is submitted to the Audit and Sustainability Committee and finally to the Board.

The stakeholders' perspective is taken into consideration when assessing and managing risks with potential environmental, social and economic impacts throughout the company's value chain.

Climate risks assessment comply with the Task Force on Climate-related Financial Disclosures (TCFD). Risks (physical, regulatory, market, cost, and legal) associated with climate change are featured on page 36 of the Sustainability and corporate responsibility report and published at Borregaard's website.

Information security

Borregaard's activities may be susceptible to various threats related to information management. The implementation of the Borregaard information security policy ensures good information management practices in business processes, as well as compliance with applicable regulatory requirements, such as GDPR. The Group's information management governs confidentiality, integrity and availability, both strategically and operationally.

The operationalisation of Borregaard's information management is supported by dedicated internal resources and technical solutions. Raising awareness within the organisation is a key element to safeguard against unwanted dissemination of information; hence, building a culture of information security in the company and relevant training are prioritised in every area applicable (see page 68).

Internal control

Borregaard has documented its internal procedures, including a description of authority, in the quality management system. The Group has a dual control principle for approvals, and the main accounting and purchasing system (SAP) enforces the principle.

Personnel within finance and controlling functions perform internal control reviews in the Group's legal entities.

Monthly financial reports are sent to the Board. Each legal entity submits reports into the consolidation system in accordance with the annual financial calendar. There are monthly meetings among key finance personnel to review financial results, incidents, projects, estimates, etc. This input is used in the monthly reporting to the Board and the quarterly meetings with the Audit and Sustainability Committee.

The Group's quarterly reports are reviewed by the Audit and Sustainability Committee prior to the Board meeting. Borregaard's external auditor is present at the Audit and Sustainability Committee meetings and attends the Board meeting when the Board approves the annual financial statements.

Internal control of EHS matters is compliant with the Norwegian regulations relating to systematic health, environmental and safety activities in enterprises (Internal control regulation).

Ethics and corporate responsibility

Borregaard and its subsidiaries work continuously with ethics, anti-corruption and corporate responsibility, which are integrated parts of the basis for decisions.

Borregaard must comply with several guidelines and reporting procedures as part of its corporate responsibilities. The main documents have been approved by the company's Board of Directors, which also sets the overall goals for the areas covered by those reporting procedures.

Borregaard's Guidelines are:

- Environment, climate, health and safety engagement Policy
- Human Rights Policy
- Anti-Corruption Manual
- Corporate Responsibility
- Code of Conduct
- Corporate Governance Principles
- Responsible Sourcing Policy
- Competition Law Compliance Manual

The Group's executive management team is responsible for monitoring the company's goals, measures and results. Their daily implementation is a line management responsibility. This means that corporate responsibilities are integrated components of all operations in Borregaard's subsidiaries, as well as in various management teams, units and departments. It is also developed and implemented training measures and material for employees within relevant topics and guidelines (see page 68).

Sustainability board

The internal sustainability board addresses and monitors important sustainability topics, and initiates processes in which guidelines, goals and measures are developed within the areas covered by this report. The sustainability board reports to the President and CEO and is chaired by the SVP of Organisation and Public Affairs.

The status of the work by the business areas involving corporate responsibility is included in the Sustainability and corporate responsibility report.

Compliance board

Borregaard has an internal compliance board consisting of SVP Organisation and Public Affairs (Chair), General Counsel, Vice President Finance and CRO. The compliance board shall support the Group companies' management by raising awareness of compliance matters, reporting on its activity and findings and contribute to improvements. The compliance board reports to the President and CEO and the

Board of Directors reviews an annual *Compliance Report*. Since 2021, a public version of the *Compliance report* is published at the company's website.

Whistleblowing

Borregaard aims for transparency and a strong corporate culture to help ensure that difficult or undesirable situations are discussed and resolved. There may be situations where employees see or experience conflicts with Borregaard's guidelines or expectations. Ideally, such issues should be dealt with where they occur. However, situations may arise where that is difficult, not possible or desirable for the employee. Borregaard has established a whistleblowing system including a separate channel, operated by Borregaard's General Counsel to deal with such issues. Any unethical behaviour can be reported by e-mail or by phone in accordance with Borregaard's Code of Conduct, Section 4.2. Whistle-blowers may request anonymity, which always will be respected. Borregaard's written procedures satisfy governmental requirements. The compliance board revised the procedures in autumn 2020. Guidelines are translated into relevant languages and implemented in the company's subsidiaries worldwide. Guidelines for how reported concerns are treated and dealt with are revised in 2021. A more detailed description is found in Borregaard's Compliance report, published at the company's website.

In 2022, Borregaard will implement a new whistle-blower channel, operated by a third party, and accessible for employees and external parties.

11 REMUNERATION OF THE BOARD OF DIRECTORS

All remuneration of the Board have been disclosed in Note 5 to the financial statements of Borregaard ASA. Board members' remuneration is not dependent on the company's financial results, and no share options are granted. The shareholder-elected Board members shall use part of their

remuneration to acquire shares in the company. In its recommendation for 2021, the Nomination Committee proposed the compensation to the Board for the period up to the General Meeting in 2022.

12 REMUNERATION OF EXECUTIVE PERSONNEL

The Board's Compensation Committee makes recommendations to the Board regarding the President and CEO's compensation and terms and supervises the general conditions for executive personnel. The Board assesses the President and CEO's remuneration annually.

The Board's statement on salaries and other remuneration of executive personnel (see the separate report

"Remuneration to Group Executive Management for 2021" at Borregaard's website) contains an account of the remunerations given to executive personnel and the Group's Remuneration Guidelines for 2021 including criteria related to share option schemes. Both the Guidelines and the Remuneration report are subject to approval by the General Meeting.

13 INFORMATION AND COMMUNICATIONS

Borregaard's accounting procedures are transparent and comply with the International Financial Reporting Standards (IFRS). The Audit and Sustainability Committee monitors the company's reporting on behalf of the Board.

Borregaard has an active and open communication with the financial market. The annual and quarterly reports contain information on the various aspects of the company's activities. The quarterly presentations are published at Borregaard's website.

All shareholders and other financial market players are treated equally as regards access to financial information. The Group's Investor Relations Department maintains regular contact with shareholders, potential investors, analysts and other financial market stakeholders. Borregaard adheres to the Oslo Stock Exchange recommendation on reporting of relevant information to the investor community. The financial calendar for 2022 is published at Borregaard's website and at Oslo Stock Exchange.

14 TAKE-OVERS

The Board's approach to takeovers is published at the company's website under "Investors". The Board will not seek to prevent or obstruct any takeover bid for Borregaard's operations or shares. In the event of such a bid, in addition to complying with relevant legislation and regulations, the Board will seek to comply with recommendations in the Code of Practice, including obtaining a valuation from an independent expert.

On this basis, the Board will recommend whether the shareholders should accept the bid. There are no other written guidelines in the event of a takeover bid. The Board has not considered it appropriate to draw up any explicit principles other than the actions described above. The Board otherwise concurs with what is stated in applicable laws and regulations and in the Code of Practice regarding this issue.

15 AUDITOR

The Board of Directors has determined the procedure for the external auditor's regular reporting to the Board. Annually, the external auditor presents to the Board an assessment of risk, internal control and the quality of financial reporting. The auditor presents the audit plan for the following year. The external auditor also takes part in the Board's discussions on the annual financial statements, including a session without the presence of management.

Both the external auditor and the President and CEO attend all meetings of the Board's Audit and Sustainability Committee. For further information, see Section 10 regarding risk management. Borregaard has guidelines for the management's use of the external auditor for services other than auditing. Responsibility for monitoring such use in detail has been delegated to the secretary of the Audit and Sustainability Committee, who is the Vice President Finance. The Audit and Sustainability Committee sets an annual limit for such services and the secretary will approve significant assignments in advance and compile a quarterly summary of services other than auditing provided to the company.

Details of the company's use and remuneration of the external auditor are disclosed in Note 5 to the financial statements of Borregaard ASA. The General Meeting is informed about the Group's overall remuneration of the auditor.

In connection with the auditor's participation in the Audit and Sustainability Committee and the Board of Directors' consideration of the annual statements, the auditor also confirm their independence.

During 2021, Borregaard has completed a tender process for external audit services in accordance with The Public Limited Liability Companies Act and the Auditors Act. The Audit and Sustainability Committee and the Board of Directors have been actively involved in the process and will present their proposal to the General Meeting. The final decision will be taken by the General Meeting on 7 April 2022.





SUSTAINABILITY AND CORPORATE RESPONSIBILITY

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HIGHLIGHTS



CERTIFIED PART OF
PURCHASED WOOD

99%

OF 1,000,000 M³ WOOD



ENERGY

59%

RENEWABLE ENERGY



SUSTAINABILITY RATING

A, A, A-

CDP'S CLIMATE, FOREST, WATER



COMMITTED TO NEW
SCIENCE BASED TARGET
BASED ON

1.5°C

TEMPERATURE INCREASE



INNOVATION EFFORTS

173

MILL NOK



GHG REDUCTIONS

32%

REDUCTION IN DIRECT CO₂
SINCE BASE YEAR 2009



DIVERSITY

31%

FEMALE SHARE OF NEW
RECRUITMENTS



ECOVADIS RATING

GOLD



RESPONSIBLE BUSINESS¹

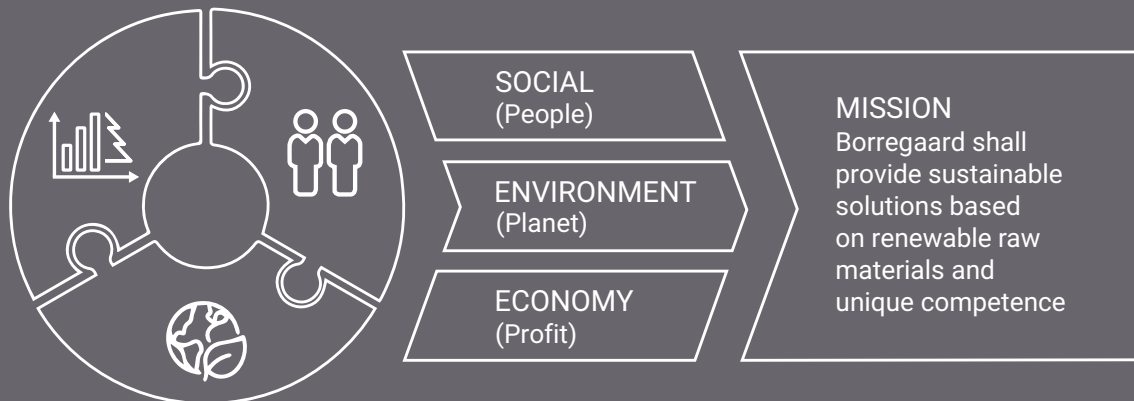
Borregaard's main objective is to develop products and solutions based on renewable raw materials and unique competence. Sustainability is a natural component of the company's overarching goals. Borregaard's Board of Directors emphasises the importance of sustainability as an integral part of the company's operations and development.

BORREGAARD'S SUSTAINABILITY APPROACH

Sustainability is one of Borregaard's core values. Borregaard's approach to sustainability is based on the UN document "Our Common Future" (1987)²:

Operations and development that meet the needs of the present without compromising the ability of future generations to meet their own needs.

Sustainability is composed of three pillars: environmental (planet), social (people) and economic (profits).



GLOBAL CHALLENGES AND SUSTAINABLE SOLUTIONS

Borregaard's innovative products and solutions can play an important role in addressing some of the world's greatest sustainable development challenges: Population growth and climate change³.

The UN predicts population growth of around 10% by 2030⁴, which will generate resource scarcity and an extraordinary demand for climate friendly solutions in our daily lives. The UN has defined specific sustainability goals and measures within areas such as access to

raw materials, energy, food and infrastructure. These factors are expected to increase demand for sustainable products and will present opportunities for Borregaard's innovative solutions in terms of creating good lives within a sustainable framework.

We take climate action and demonstrate how our business can help advance sustainable development by both minimising negative and maximising positive environmental impacts.

¹ Borregaard ASA has a statutory duty to comply with the reporting requirements for corporate social responsibility in Section 3-3c of the Norwegian Accounting Act. This requires Borregaard to account for "what the company is doing to integrate respect for human rights, labour rights and social issues, the environment and anticorruption in their business strategies, in their daily operations and in their relationship with stakeholders."

² (<https://sustainabledevelopment.un.org/content/documents/5987our-common-future.pdf>)

³ IPCC, 2013: Summary for Policymakers. In *Climate Change 2013: The Physical Science Basis. Contribution of Working Group I to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change* [Stocker, T.F., D. Qin, G.-K. Plattner, M. Tignor, S.K. Allen, J. Boschung, A. Nauels, Y. Xia, V. Bex and P.M. Midgley (eds.)]. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA

⁴ United Nations Population Fund, 2020. *World Population Dashboard*, 14.02.2022 [<https://www.unfpa.org/data/world-population-dashboard>]

ANALYSES, GOALS AND EFFORTS

The materiality analysis (page 35) considers external factors and expectations, as well as Borregaard's positive and negative impacts across our value chain. The output is topics and areas that are important for both Borregaard and our stakeholders. We address all of these topics while describing our goals and efforts in this report.

Our business model is based on the life cycle assessment (page 44) approach which includes the entire value chain.

The Intergovernmental Panel on Climate Change (IPCC)⁵ Sixth Assessment report released in August 2021 provides new estimates of the chances of crossing the global warming level of 1.5°C in the next decades, and finds that unless there are immediate, rapid and large-scale reductions in greenhouse gas emissions, limiting warming to close to 1.5°C will be beyond reach. Borregaard has in 2021 committed to near and long-term company-wide emission reductions in line with the 1.5°C Science Based Targets initiative's (SBTi). The climate challenge and possible long-term consequences of this, are dealt with in the scenario analysis⁶ describing possible impacts for Borregaard's operations and the markets we operate in.

Results from these analyses and our present operations, give us a clear view of our main challenges, as well as our sustainable solutions to these:

- Develop, produce and sell bio-based products with favourable climate and environmental footprint that can replace oil-based products
- Ensure long-term access to sustainable raw materials (wood)
- Reduce emissions of greenhouse gases
- Reduce emissions of organic matter to water (COD).

These areas are important for society in general, as they cover issues that will contribute positively and directly to several of the UN's sustainability goals. Furthermore, the main challenges cover the entire value chain: All the way from reducing negative impacts related to the sourcing of raw materials, to reducing emissions related to production, as well as the transportation of products to our customers.

Our approach and contributions to the main challenges are thoroughly covered in this report under the relevant chapters. Relevant goals with ambitions and measures both in the short and long term have been established for all areas. Borregaard's reporting to CDP⁷ also captures three of the four main challenges.

BORREGAARD'S CONTRIBUTION TO THE UN'S 2030 AGENDA

Borregaard has prioritised six of the seventeen Sustainable Development Goals (SDGs) set out in the UN 2030 Agenda for Sustainable Development, based on how we as a company can contribute to solving the global challenges through our activities and solutions:

- SDG 2: Zero hunger
- SDG 8: Decent work and economic growth
- SDG 9: Industry, innovation, and infrastructure
- SDG 12: Responsible consumption and production
- SDG 13: Climate action
- SDG 15: Life on land.

Borregaard can have a positive impact in all these areas through our unique biorefinery concept and our sustainable products.

The six prioritised SDGs are closely linked to Borregaard's core operations and are in line with our business strategy with respect to the sourcing of natural raw materials, our production processes and the impact our products have in our customers' value chains. The six SDGs are reflected in Borregaard's stakeholder and materiality analysis and are used as a framework for guiding, communicating and reporting on the company's strategy, goals and activities.

Specific targets and KPIs are presented in this report under the relevant topics.

/ ⁵ IPCC, 2021: *Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change* [Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.)]. Cambridge University Press. In Press.

/ ⁶ The scenario analysis is published at <https://www.borregaard.com/sustainability/sustainability-documentation>.

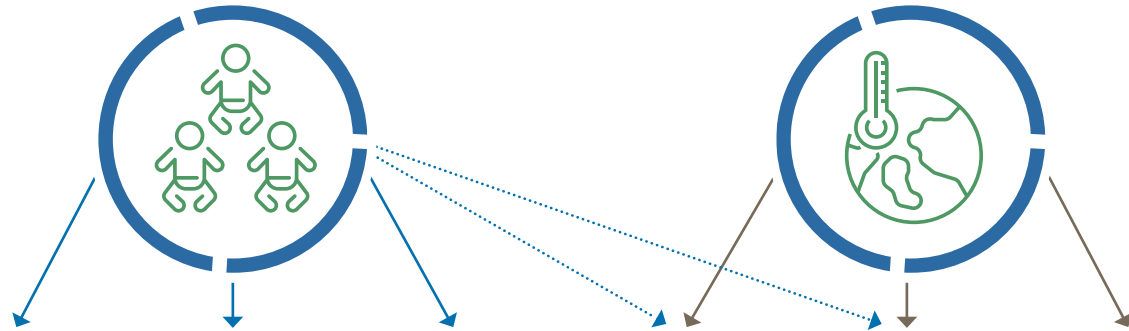
/ ⁷ CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

BORREGAARD'S CONTRIBUTION TO THE SDGs

POPULATION GROWTH

CLIMATE CHANGE

GLOBAL CHALLENGES



THE SIX PRIORITISED SUSTAINABLE DEVELOPMENT GOALS

<p>2 ZERO HUNGER</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>13 CLIMATE ACTION</p>	<p>15 LIFE ON LAND</p>
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SUSTAINABLE FOOD PRODUCTION

RESPONSIBLE BUSINESS

NEW AND IMPROVED PRODUCTS

SUSTAINABLE BIOREFINERY

CLIMATE MITIGATION

FOREST RAW MATERIAL

OUR CONTRIBUTION

- Efficient and sustainable feed products
- Growth stimulants for food plants
- Improved and sustainable crop solutions and protection
- Raw materials do not compete with food production

- Profitability as a prerequisite in addition to environmental and social dimensions in the sustainability scope
- High value creation and local partners and suppliers create substantial ripple effects in society
- Profitability allows investments, R&D and competence development

- Market-driven innovation that involves the entire organisation
- Uses a significant share of revenues on innovation
- New and improved products with better performance
- Delivers sustainable products and solutions to infrastructure

- Full utilisation of raw materials
- Continuously improved life-cycle impact
- Sustainable sourcing programme
- Continuous productivity improvements, including digitalisation
- Improved chemical safety
- Reduced emissions

- The biorefinery concept with sustainable products is an essential part of the business model
- Science-based targets for reduced GHG footprint
- Environmental/ climate impact part of investment project evaluation
- Investments in renewable energy and reduced emissions

- Bio-based raw materials from responsibly managed and certified sources
- Chain of Custody certified in accordance with FSC® and PEFC forest certification standards

SPECIFIC TARGETS⁸

Target: 2.4	Target: 8.2, 8.5	Target: 9.4, 9.5	Target: 12.2, 12.4, 12.6	Target: 13.2	Target: 15.1, 15.2
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⁸ The UN SDGs consist of 17 goals with 169 targets covering a broad range of sustainable development issues. Borregaard has identified the targets the Group is specifically contributing to within the six prioritised goals. <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>

STAKEHOLDER AND MATERIALITY ANALYSIS

We fulfil our corporate responsibilities by developing and running our operations profitably and in a manner that conforms with fundamental ethical values and respect for individual people, society and the environment.

Our stakeholder and materiality analysis⁹ is updated annually and is based on a survey of the groups, organisations and individuals that are either impacted by the company's operations or which, in a variety of ways, have an impact on the company's strategy and goal achievement.

As a cornerstone company in Sarpsborg, Norway, the local community is a particularly important stakeholder for Borregaard. We play an important role in the city and region as an employer, a customer of many suppliers, a socio-economic contributor through taxes and duties from our operations and as an associate for many stakeholders and voluntary organisations. The model in the right column shows our most important stakeholders.

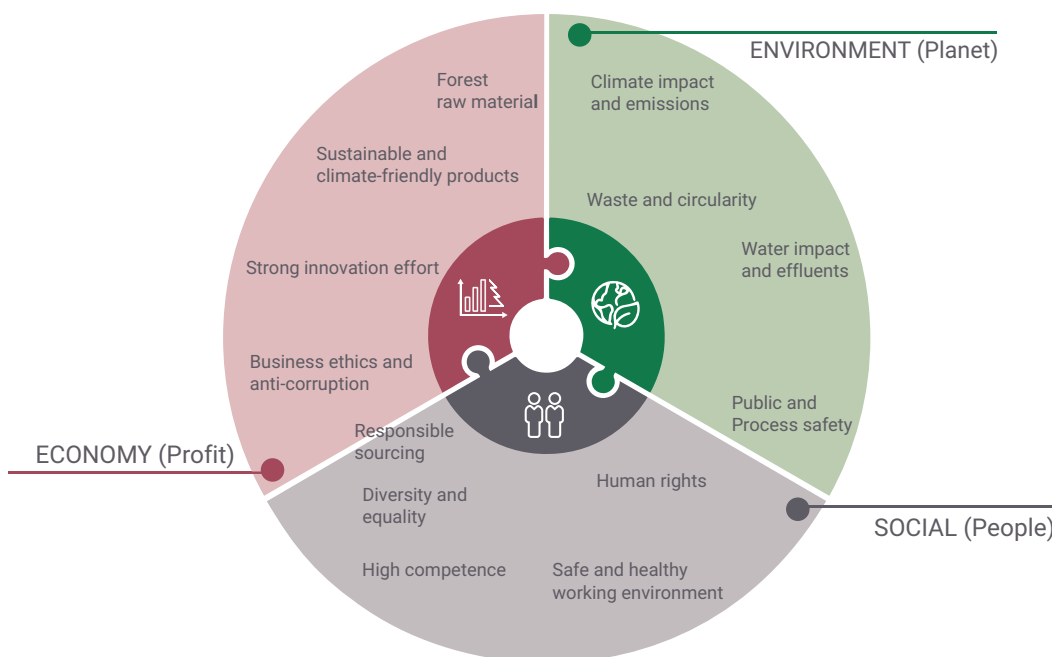
Borregaard assesses our stakeholders' views and concerns within our material topics through regular dialogue, media analyses, investor meetings, as well as other relevant arenas. Complaints and other enquiries from external stakeholders are dealt with in a proper manner, including through our grievance mechanisms. The most important subjects in the stakeholder dialogue in 2021 were consequences of the COVID-19 pandemic and topics such as EU taxonomy, European Green Deal and climate impact. Biodiversity and human rights are other topics that have increasing



attention amongst our stakeholders. The information from the stakeholder dialogue was used in the annual update of our materiality assessment and covered within our material topics.

The materiality assessment considers double materiality: How we as a company impact our stakeholders financially, environmentally and socially on the topics that are the most important to them, and how these topics impact Borregaard. In 2021, we conducted a climate scenario analysis to gain a more in-depth understanding of how Borregaard's most important climate related topics can impact us.

The illustration below shows the results from the stakeholder and materiality analysis in 2021, illustrated by the three dimensions: People, Profit and Planet. The analysis points out our strategic priorities for improving the impact of our materiality topics in all the sustainability dimensions and the SDGs we have prioritised. These priorities are described in chapter A to C in this report.



⁹ See a full version of this report at <https://www.borregaard.com/sustainability/sustainability-documentation/>

RECOGNITION IN 2021

In 2021, Borregaard was recognised for its sustainability leadership in climate change, forests and water security by the global environmental non-profit organisation CDP, securing a place on its prestigious 'A' lists for climate change and forest. We also received an A- score for water security.

Borregaard received a gold rating from the sustainability rating company EcoVadis in 2021. EcoVadis' assessment gives a comprehensive overview of Borregaard's social and environmental performance. We also ended up in the top tier with a rating of A- when The Governance Group rated the sustainability reporting of Oslo Stock Exchange's 100 largest companies in 2021.

Every year, Borregaard conducts a reputation survey among the general public in the local county assessing the local community's opinion of Borregaard as a place to work, environmental conditions, contribution to the community and people's general impressions of the company.

In 2021, the survey once again confirmed the company's strong reputation as a sound company with good environmental conditions, an attractive place to work and positive contributions to the local community around Borregaard's largest plant.

CLIMATE RISKS AND OPPORTUNITIES:

To gain a better understanding of potential risks and opportunities associated with climate change, we have reported in line with the Task Force on Climate-Related Financial Disclosure (TCFD) framework. To further comprehend the resilience of our climate and environmental strategy, we have also conducted a qualitative scenario analysis¹⁰.

The analysis addresses two different scenarios to show how climate change may impact our operations and the value chain. In the separate TCFD report¹¹, we disclose how climate-related risks and opportunities are integral parts of the Group's governance, strategy, risk management, metrics and targets. Our main climate risks and opportunities are summarised in the figure below.

CLIMATE RISKS	CLIMATE OPPORTUNITIES
CURRENT AND EMERGING CARBON PRICING MECHANISM	RESOURCE EFFICIENCY: High utilisation of raw materials and energy
INCREASED ENERGY PRICES	RENEWABLE ENERGY: Technology available for reduction in direct GHG emissions from energy consumption
AVAILABILITY OF FOREST RAW MATERIAL	PRODUCT AND SERVICES: Low carbon products that replace fossil alternatives
PHYSICAL ACUTE: Disturbance in supply chain or operations	CAPITAL MARKETS: High ESG trust
PHYSICAL CHRONIC: Sea level rise	RESILIENCE: Products in many different markets, high competence and innovation rate for new developments.

¹⁰ The scenario analysis is published at borregaard.com/sustainability/sustainability-documentation

¹¹ The TCFD report is published on borregaard.com/sustainability/sustainability-documentation

MAIN AREAS

Our most important and material sustainability topics are described in more detail through chapters A to C in this sustainability report:



Sustainable business model



Climate and environmental engagement



Care for people and competence development

A SUSTAINABLE BUSINESS MODEL

Our understanding of sustainability and corporate responsibility derives from the fact that our business model itself, the way we run our company and the products we produce, is sustainable and meets global needs.

The world faces major challenges related to population growth, climate change and resource access. These challenges will generate an increased demand for climate friendly solutions for food production, infrastructure, transportation, housing, energy and jobs. Borregaard creates renewable products and solutions to replace oil-based alternatives. Utilising the different components of wood, we produce lignin-based biopolymers and biovanillin, speciality cellulose, cellulose fibrils and bioethanol for a

variety of applications in sectors such as agriculture and aquaculture, construction, pharmaceuticals and cosmetics, foodstuffs, batteries and biofuels.

Successful development and marketing of bio-based products will have a positive impact on several SDGs, such as food and feed production (SDG 2), construction and infrastructure (SDG 9 and 11), clean energy (SDG 7), transportation solutions (SDG 9) and chemicals for water purification (SDG 6). Most of Borregaard's products have a favourable climate footprint compared with oil-based alternatives and will contribute positively to climate change mitigation (SDG 13).



The illustration shows how our business impacts different SDGs along the value chain as well as how our products contribute to reach many SDGs.

THE CIRCULAR ECONOMY AND CASCADING USE OF BIOMASS

In a circular economy¹², the aim is to make the best possible use of society's resources for as long as possible, simply explained by the 3 R's: Reduce, Re-use and Recycle. This can be done through the high utilisation of raw materials, reducing waste, emissions and the use of energy, as well as by reusing and recycling products. One of the basic principles is eco-design; to design products in a way that ensures that materials can be recovered more efficiently and to view waste as a resource.

Transition to a circular economy

High raw materials utilisation, including efficient utilisation of sidestreams and cascading use are cornerstones of a circular economy. In this context, cascading means that the sidestream from one process is used as feedstock for the next. In this way, we gain more value added by utilising the raw material for multiple products rather than producing just one product. The value added and environmental contributions (including climate benefits) in this concept is higher than utilising the wood for only energy purposes.

Cascading use

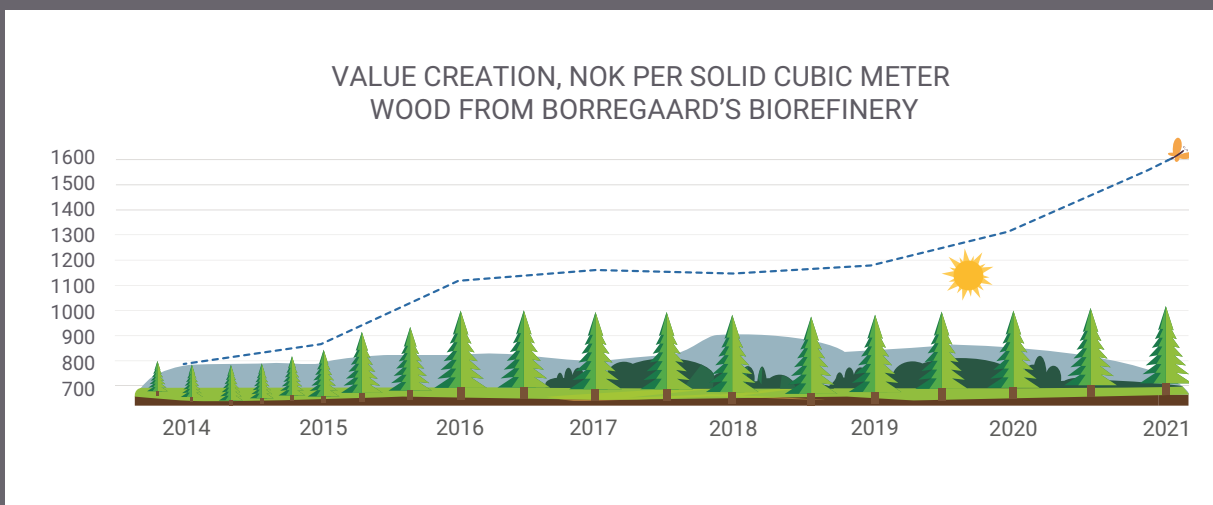
Cascading use can both materialise within a cluster of companies and within an integrated production set-up.

In Norwegian forest-based industries, the whole log of wood is utilised for products. Wooden construction

material¹³ is the main driver for harvesting trees in Norway. The most valuable part of the tree is used for this purpose. One fourth of the wood entering the sawmill becomes residuals in the form of chips to our industry. The remaining part of the tree and the residual wood chips from the sawmills are raw materials for Borregaard's sustainable, high value products.

Borregaard's biorefinery in itself is also an extraordinary cascading operation where wood, which consists of fibres, lignin and sugar, is converted into cellulose and a variety of other valuable products. The sidestream from the cellulose production is first utilised in the production of bioethanol before the rest is converted into lignin-based biopolymers. Parts of the lignin are also used in the production of biovanillin, and parts of the cellulose are converted into cellulose fibrils. Some sidestreams from production are also sold to other industries, which in turn use them as raw materials in their production. Knot pulp, which is removed from the cellulose and utilised for packaging materials and bark for soil conditioning, are examples of such utilisation. The sidestreams that can't be utilised for products are converted into biogas or biomass used for energy in the production processes.

By using sidestreams to produce valuable biochemicals and biomaterials we secure high resource efficiency of the renewable raw material sourced, which is key to the low-carbon circular bioeconomy.



The figure shows the increase in value creation in NOK per solid cubic meter of wood from Borregaard's biorefinery in Sarpsborg. Value creation is defined as the value of products sold from the biorefinery minus the cost of materials, services and depreciation.

¹² <https://ec.europa.eu/eurostat/web/circular-economy>

¹³ <http://www.treindustrien.no/nokkeltall>

https://www.prosess21.no/contentassets/8fdf5202cb224ce0bb2cf1aa1a9a9384/prosess21_biobasert-prosessindustri_ekspertgrupperapport_def.pdf

Borregaard's most important raw material, Norway spruce, is harvested from certified forests. Our focus is on sourcing wood from nearby forests by sustainable transportation, in which health and safety, emissions and costs are considered. In this way, Borregaard, together with external suppliers and customers, is part of a complex and well-established cascading system for bio-based products, intermediate products and sidestreams. In other words, the Norwegian forestry sector and Borregaard's biorefinery are built on the principles of both cascading and circular use.

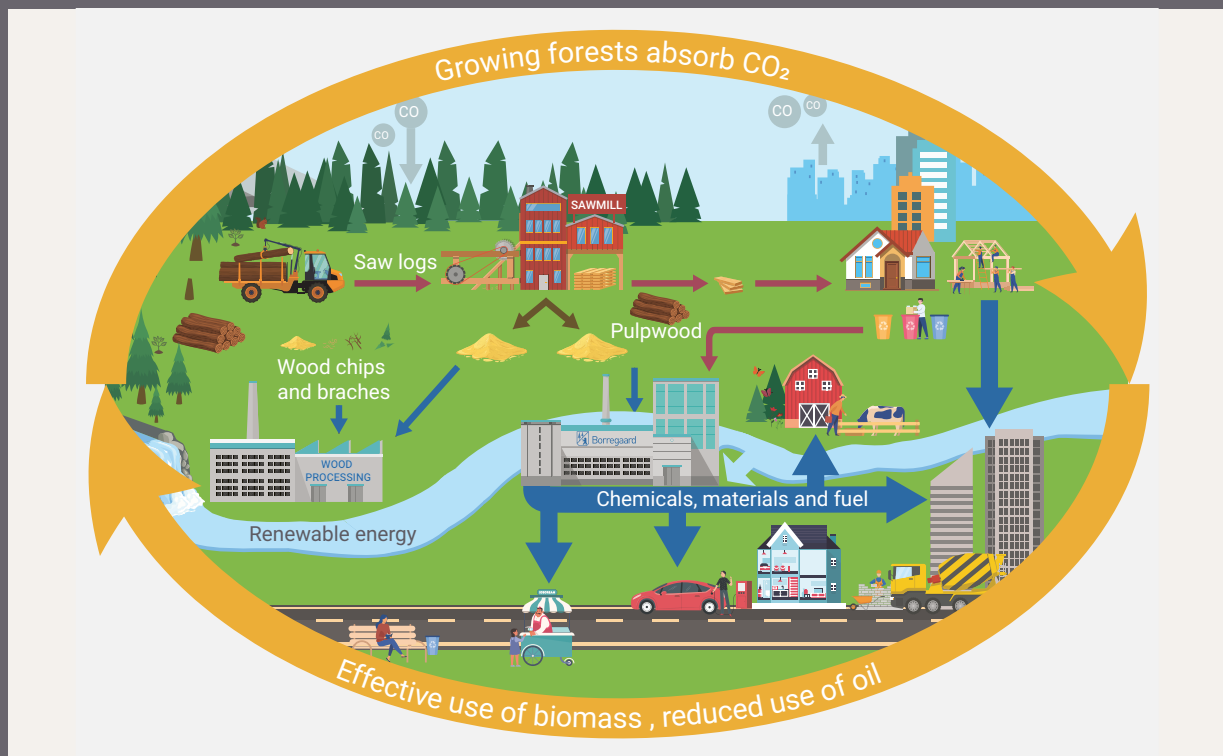
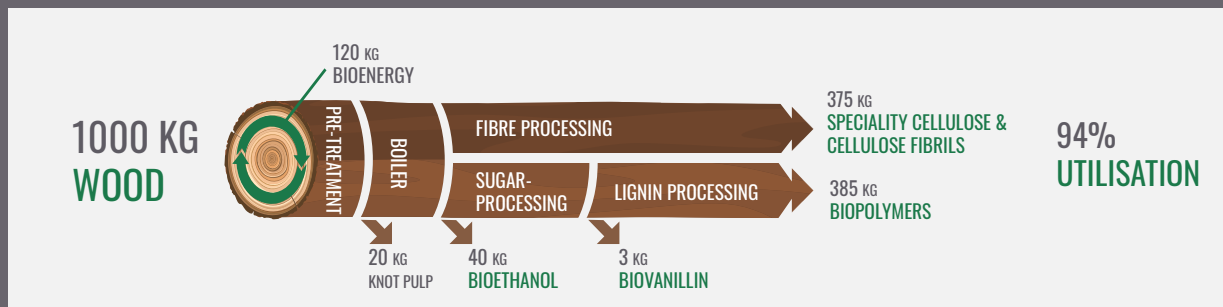
Borregaard contributes to strengthen circular value chains and promote circularity by offering sustainable solutions. Some of our products are used in sectors that have a high use of resources and where the potential for circularities is high, such as within electronics, batteries, vehicles, packaging, plastics,

textiles, construction, food, water and nutrients. We promote circularity by offering sustainable solutions within these areas. Considering our products are based on a renewable, non-toxic raw material, they represent no negative impact when the end products are recycled.

High raw materials utilisation

The concept of utilising all parts of the harvested logs to valuable products such as building materials in sawmills and our biobased chemicals, contributes to a high raw material utilisation.

Borregaard's biorefinery concept also demonstrates high raw material utilisation where 94% of the sourced wood is utilised, of which 82% is turned into commercial products and 12% is used for energy.





SUSTAINABLE AND CLIMATE FRIENDLY PRODUCTS



As Borregaard's bio-based products contribute positively to several of the UN's sustainability goals, they are important to our stakeholders and society in general. By offering wood-based solutions that replace petrochemical-based products, we contribute to the transition to a circular economy with documented lower GHG footprint, utilising renewable carbon from plants.

Most customers purchase products primarily for their performance. However, customers and end-users are becoming increasingly concerned with which products they buy, favouring natural ingredients, health benefits and low GHG footprints. Based on our recent climate scenario analysis, we expect an increase in the materiality impact of this topic going forward.

KEY NUMBERS

- Annual revenue growth 5.1% last five years
- 3-5% of revenues spent on innovation and research to develop new products
- 20-25% external financing for parts of the innovation work last 2 years

KEY TARGET IN 2021 AND RESULT

Target: Continued development of new bio-based products

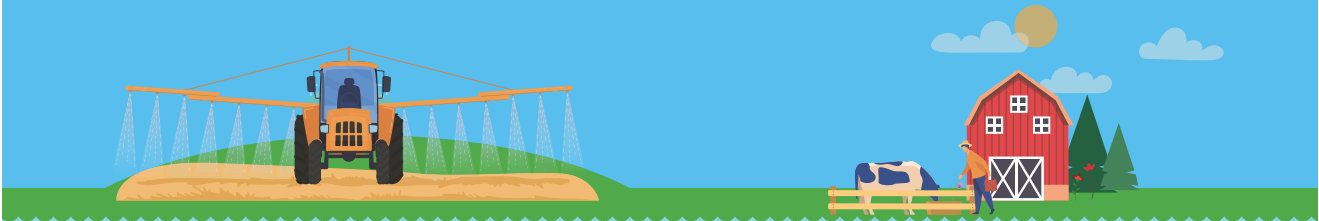
Result: Achieved

KEY TARGETS 2022

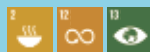
- Assessment of taxonomy alignment
- Continued development of new bio-based products



SUSTAINABLE SOLUTIONS



PLANT NUTRITION



EDTA (Ethylenediaminetetraacetic acid) is an oil-based chemical that binds and holds on to micronutrients. Micronutrients provide nourishment to plants and help them grow healthier and larger and thereby help improve sustainable food production. By replacing oil-based chemicals such as EDTA within plant nutrition, our wood-based products contribute to:

Sustainable food production

- 90% CO₂ emission reductions¹⁴
- Better nutrient efficiency

FEED



By-products from the fishing and aquaculture industry, such as waste from fish farming, gutting and the further processing of fish, can be conserved and turned into valuable feed products for farm animals. When conserving the by-products, the most common preservative is formic acid which requires a lot of energy to produce and creates the toxic gas carbon monoxide during the manufacturing process. By replacing formic acid within animal feed and fish by-products, our products contribute to:

Sustainable feed products

- High utilisation of the raw material
- Improved EHS, less corrosivity
- 19% CO₂ emission reductions¹⁴



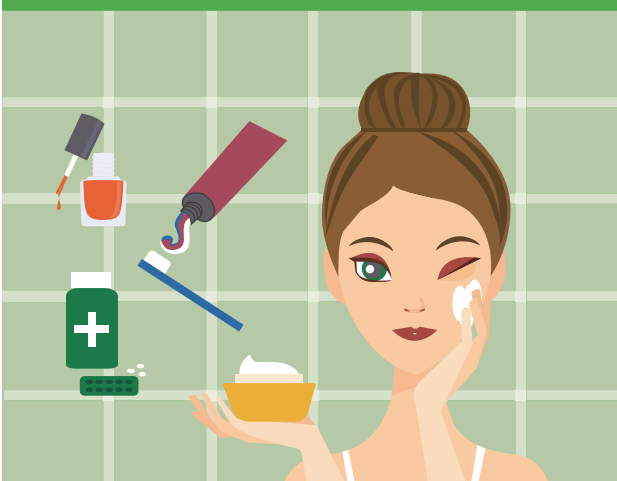
CELLULOSE DERIVATIVES



Cellulose ethers are water-soluble polymers produced from cellulose. They function as stabilisers, thickeners and viscosity modifiers in many industries, including food, pharmaceuticals, personal care, oil field chemicals, construction, paper, adhesives and textiles.

By replacing pulp from cotton linters as raw material for production of cellulose ethers, our speciality cellulose contributes to:

- 80% CO₂ emission reductions¹⁵
- 50% reduction of potential acidification of soils and water¹⁵
- Non-GMO products
- Preservation of arable land



¹⁴ Soldal and Modahl (2019): Environmental analysis of competing products for lignin from Borregaard OR 39.19, Fredrikstad: Østfold research

¹⁵ Soldal (2019): Environmental profile of cellulose from cotton linter AR 08.19, Fredrikstad: Østfold Research

ADHESIVES FOR CORRUGATED BOARD

Corrugated board is produced by combining various papers together in layers. The layers are glued together by using corrugated starch adhesives.

By adding Borregaard's wood-based microfibrillar cellulose to the glue, the environmental profile of corrugated board can be improved in several ways:

- Replace toxic substances¹⁶
- Effective manufacturing, reduced use of adhesives and reduced waste
- Replace modified starch with native starch
- Reduce starch consumption

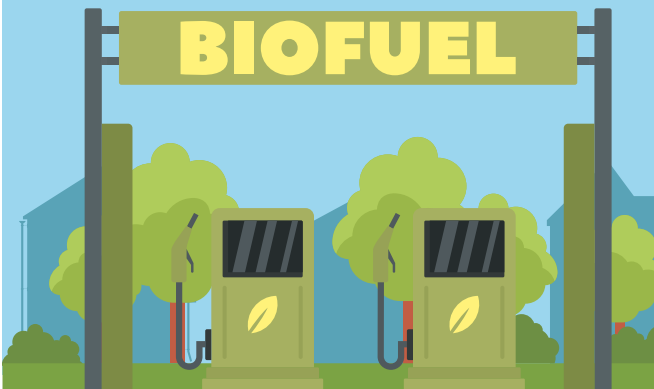


BIOFUELS

Second-generation biofuels are fuels that can be manufactured from various types of non-food biomass such as wood. Borregaard is one of the world's largest producers of second-generation biofuels.

By replacing petrol as fuel, our products contribute to:

- 85% CO₂ emission reductions¹⁷
- Effective land use (non-food raw material)



VANILLA FLAVOUR

Vanilla is one of the world's most used flavourings in food, drinks and perfume. However, the natural vanilla bean covers less than 0.5% of the worldwide demand. Consequently, the vanilla bean is often replaced by vanillin, an artificial vanilla flavour most commonly made from mineral oil. In fact, 90% of vanilla taste and smell derives from petrochemical alternatives. Borregaard is the world's only producer of wood-based vanillin.

By replacing oil-based vanillin in food, drinks and perfume, our products contribute to:

- 90% CO₂ emission reductions¹⁷
- Natural raw materials



¹⁶ Europe Chemicals Agency (ECHA) (2021). Substance information, Substance Infocard, Sodium tetraborate decahydrate, Borax. (Link: <https://echa.europa.eu/substance-information/-/substanceinfo/100.129.152>)

¹⁷ Baxter and Brekke (2016): Competitor product environmental analysis for Borregaard's products, AR.06.16, Fredrikstad: Ostfold Research

HOW WE WORK

Sustainability dimensions in customer solutions

Borregaard's products solve different challenges for different customers. Some of our customers buy our products for their low GHG footprint. Borregaard's wood-based bioethanol is a good example of this. Compared with petrol, this second-generation alternative has 85% lower greenhouse gas emissions.

Other customers, especially those who operate in consumer markets, prefer using natural ingredients or ingredients made from natural 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. Our biopolymers and cellulose fibrils are examples of products replacing harmful chemicals in applications such as coatings, agriculture and adhesives.

Borregaard produces sustainable crop solutions, including ingredients for crop nutrition. For instance, when used in the production of corn, vegetables and fruits, Borregaard's lignin biopolymers improve fertiliser efficiency, increase the plants' resistance to stress and enhance crop quality and yield.

Sustainable lignin-based biopolymers can play a key role in optimising the efficiency of water-intensive industries such as agriculture, oil production and mining. Borregaard is cooperating with customers and universities in a research project funded by the Research Council of Norway to find solutions within these industries.

For some applications, our products do not replace oil-based alternatives as the alternative is bio-based. However, Borregaard's product could have other important sustainability dimensions such as higher performance per kilo products, increased land use efficiency and reduced water usage during production.

Another important aspect for Borregaard is to be present in markets where we believe there will be a sustainability shift and thus future opportunities for our sustainable products.

Environmental documentation of products

Documentation of sustainability impact is important both to increase market awareness of our sustainable products, and to compare environmental performance with competing 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 the environmental impacts of our production, from raw materials to finished products. The study was carried out for the first time in 2008 for the biorefinery in Norway. It has since been updated on several occasions, most recently in 2021 when it was improved and updated with more details from the biorefinery process. This enabled us to publish updated environmental product declarations (EPD) for several product groups, 8 EPD's were updated in 2021. The LCA's are also used internally as a basis for making improvements in the environmental performance of our products and processes.

Further assessments in which some of Borregaard's products were compared with competing oil-based alternatives confirmed that our products provide better environmental performance than the alternatives in almost all environmental categories.

Certification is an important part of Borregaard's sustainability documentation and an independent third party has issued an assurance report on Sustainability reporting (see page 147 for EY's assurance report). Borregaard's second generation bioethanol holds an ISCC EU sustainability certification. Our speciality cellulose products are certified according to PEFC, and several of our cellulose fibrils and biopolymers are certified through the US Department of Agriculture (USDA) BioPreferred program®. In 2022, we aim to certify our speciality cellulose according to ISCC Plus and our lignin-based biopolymers according to PEFC.

The standards for sustainability documentation are moving towards strict use of third party verified data, standardised methods for calculation of biogenic CO₂ and more comprehensive product category rules to define environmental impact in LCA. Updating LCA assessments and EPD declarations of our products will continue in the years to come to ensure they reflect the changes in regulations and standards. In 2022, Borregaard will make a separate LCA for our lignin biopolymer plant in Florida, followed by EPDs for products produced here.

BIOGENIC CARBON AND SUBSTITUTION EFFECTS OF OUR PRODUCTS

Wood products contain carbon that is sequestered through photosynthesis and stored in the biomass. This is known as biogenic carbon. If the wooden product is combusted or decomposed, this carbon is released to the atmosphere as biogenic CO₂, and the amount can be calculated according to NS-EN 16449:2014. Borregaard's products are well analysed, and the carbon content is known.

If the lifespan of the biogenic carbon is more than 100 years before it's emitted back to the atmosphere, it can be considered as stored. A product with a long lifespan can have total net negative climate gas emissions if the emissions from production and transportation are less than the uptake when the tree is growing. As an example, when used in concrete, our lignin biopolymer captures more CO₂ than what is required for its manufacture.

One way of demonstrating an environmental benefit of a certain product, is through the substitution effect which describes the amount of GHG emissions that could be avoided if a fossil-intense product is substituted with a bio-based product with the same function. Calculation of the substitution effect is not defined by standards. When applied, the purpose must be to compare specific products used in a specific application and not for the calculation of substitution of a portfolio of products at a company level. One example is the use of chelating agent in fertilisers, if oil-based EDTA is substituted with lignin-based biopolymers, the net GHG savings will be 37.9 kg CO₂/hectare¹⁸.

Sustainability dilemmas

Although Borregaard's products consistently have good climate and environmental performance, some applications still represent dilemmas. Examples of such applications are oil extraction, fossil energy systems, selected crop protection products and cigarette filters.

Borregaard's exposure to such applications is limited and our products either represent an improvement in an established value chain or can, with further innovation efforts, be used in the manufacturing of products for more sustainable applications. Consequently, these products may represent new sustainable long-term opportunities.

Most of our products are bio-based. However, Borregaard also manufactures and sells products based on fossil or non-renewable raw materials, such as fine chemical intermediates for contrast agents, aroma chemicals and certain products for agricultural markets. These products may be difficult to produce using bio-based raw materials or there may be no bio-based alternatives. Nevertheless, the products are often complementary to Borregaard's bio-based products and supplement our overall offering to the market.

Ongoing assessments are made to consider the possibility of developing bio-based or more sustainable alternatives to raw materials, process chemicals or finished products.

DEVELOPMENTS IN 2021

The EU taxonomy is a new classification system, establishing a list of environmentally sustainable economic activities. This system is an important enabler to scale up sustainable investments and a tool to help navigate the transition to a low carbon, resilient and resource efficient economy for investors and companies.

In 2021, we studied how the taxonomy is eligible to Borregaard's climate mitigation activities. Our low-carbon emission products from natural renewable raw materials, make a substantial contribution to climate change mitigation. However, when considering new and innovative climate friendly products at Borregaard, these do not necessarily fit well into one existing NACE code or the established economic activities defined therein. Consequently, these products need proper consideration and recognition perhaps independently of NACE codes in the taxonomy. We have published a taxonomy report for our eligible activities within climate change mitigation for 2021¹⁹.

¹⁸ Norsus 2021 A review of standards and frameworks for reporting of biogenic CO₂ [Ellen Soldal and Ingunn Saur Modahl]

¹⁹ The taxonomy report is published at borregaard.com/sustainability/sustainability-documentation

THE WAY FORWARD

We continue to see business opportunities in several markets where our bio-based products can contribute to improved sustainability in different value chains. Going forward, Borregaard's strategic priorities lie within specialisation through innovation and market development for our wood-based products.

By focusing our efforts on innovation and productivity, we will increase the value added from our unique biorefinery in Sarpsborg, Norway. We will continue the development of our radical innovations, such as our cellulose fibrils business, through continued market development across multiple applications and geographies.

The EU taxonomy is under development and the technical screening criteria for water, pollution, circular economy and biodiversity will be published in 2022. Products such as speciality cellulose and microfibrillar cellulose will probably be covered by the EU taxonomy when the circular economy criteria are finished. Alignment assessments regarding climate mitigation and circular economy criteria will be conducted in 2022.

Targeted investment opportunities within sustainable conversion of bio-based raw materials to high value-added products that represent synergies with our existing business and competence, could also be potential growth opportunities.

In 2021, Borregaard made an investment in the Norwegian marine biotech company Alginor. The company aims to develop, produce and market high-value ingredients to global markets for pharmaceutical and nutraceutical applications based on biorefining of kelp. There are many similarities between Borregaard's business model and the biorefinery concept under development by Alginor. Both strategies are built on full utilisation of unique and sustainable raw materials for high-value products to global market niches, thus Borregaard sees this as an interesting opportunity with potential synergies between the two companies in several functions.

PRODUCT STEWARDSHIP

Borregaard's main products are lignin-based biopolymers and speciality cellulose, representing about 80% of our revenues. Both are exempted from registration under the REACH regulation, which means their use is associated with low risk. About 20% of our revenues are from products that are subject to classification according to the Globally Harmonized System of Classification and Labelling of Chemicals (GHS).

Borregaard is monitoring possible impacts of the EU's new Chemicals Strategy for Sustainability (CSS) that recognises the important role of chemicals in addressing the world's climate and environment challenges. This strategy also involves a revision of both the REACH and Classification, Labelling and Packaging (CLP) Regulations.

Substances which are subject to registration under the REACH regulation undergo a thorough hazard and risk assessment according to regulatory requirements. An electronic chemical health, environment and safety system is used for the identification and monitoring of substances of concern: REACH Candidate List

and REACH Authorisation List. Borregaard does not produce substances included in these lists. The classification according to the CLP regulation of all products placed on the market is being evaluated based on intrinsic properties of the ingredients and/or toxicological data on the product. The Safety Data Sheets are regularly revised and updated. The risks for hazardous conditions and unexpected exposure due to use of chemicals from Borregaard are low.

In order to be compliant with upcoming regulations such as "UK REACH" in the United Kingdom and "KKDIK" in Turkey, Borregaard is preparing for the registration of relevant substances for those markets. International and national chemicals legislation require tests and registrations with the authorities before products can be safely and legally placed on the market. Animal testing might therefore be necessary in some exceptional cases to ensure compliance with relevant directives. A procedure for approval and performance of animal testing is in place. The main part of testing performed in recent years has been for the purpose of animal feed applications.

STRONG INNOVATION EFFORTS



Strong innovation efforts is one of Borregaard's strategic priorities. Long-standing research and development have resulted in solutions that respond to important long-term global challenges. Sustainability has also become a key driver in our innovation processes. We firmly believe that this strong trend represents a great opportunity for our company.

To maintain our position as the world's most advanced biorefinery, Borregaard is dependent on improving the biorefinery concept through identification of new bio-based raw materials, as well as development of new products with high value and good environmental profile. Innovation also plays a key role in developing the sustainability aspects of our business model through solutions that reduce our process emissions and improve the environmental footprint of our products.

KEY NUMBERS

- Borregaard's R&D and innovation efforts in 2021 amounted to NOK 173 million. This represents 3% of the company's revenues
- Innovation team of 90 employees, including 22 PhDs
- R&D grant of 30 mill NOK in 2021
- Innovation rate of 13.7%²⁰

KEY TARGET IN 2021 AND RESULT

Target: Innovation rate of 15%

Result: 13.7%

KEY TARGET 2022 AND LONG-TERM TARGET

- Innovation rate of 15%

HOW WE WORK

Borregaard's innovation success is a result of world class in-house R&D and close co-operation between sales, manufacturing, customers and external institutes and universities in several countries. The innovation work is organised in one "Innovation Management Team" for each business unit. The teams are cross functional and work with the whole portfolio, from idea to implementation.

High focus on continuous improvement leads to better ways of making products through new use of technology, digitalisation, competence development and a more efficient organisation. Borregaard's digitalisation strategy includes extracting more information from existing data as well as improving our operational excellence.

We have an innovation team of 90 employees, including 22 PhDs. Central R&D is located in Sarpsborg, Norway, which at year-end 2021 employed 69 people from 7 different countries. R&D activities also take place at the R&D centres in India and the US. Each R&D unit represents a centre of excellence with targeted collaboration with customers, universities and research institutes in several countries.

In 2021, Borregaard recognised NOK 30 million (NOK 40 million) in grants for ongoing R&D projects, mainly from the Research Council of Norway, Innovation Norway and Skattefunn²¹.

DEVELOPMENTS IN 2021

In 2021, Borregaard introduced a set of assessment criteria to ensure that our entire project portfolio is assessed in terms of sustainability. Each project proposal, both concerning new products and processes as well as new product applications, will be subject to Borregaard's sustainability criteria throughout the projects' lifetime.

The sustainability assessments are related to how we run our business and the effects our products have on our customers' sustainability profile. Use of raw materials, direct and indirect effects on emissions to air and water as well as safety and health aspects in the working environment at Borregaard are assessed, as well as our products' capabilities to save energy, reduce CO₂ emissions, limit exposure to toxic chemicals and minimise water consumption in our customers' value chains. These assessments, along with technological and market analyses, form the basis for decision-making when it comes to prioritising resources in our innovation work.

THE WAY FORWARD

The innovation portfolio includes a wide range of new products, processes and applications. Another important focus is to optimise existing processes in terms of sustainability, volume and quality, as well as positioning the company for inorganic growth.

²⁰ Innovation rate = sales of new products and applications introduced during the previous five years.

²¹ A government program designed to stimulate research and development (R&D) in Norwegian trade and industry.

FOREST RAW MATERIAL



Wood is an essential raw material for Borregaard as our business model is based on utilisation of all compounds of the wood. We will thus be affected by the supply and price level of wood raw material. Borregaard will contribute by high raw material utilisation of wood that does not have a better alternative use, as well as by setting requirements for how the raw material is grown and harvested.

Wood is one of the few renewable raw materials that can be produced in large quantities, however there is not

unlimited availability of this raw material. Forestry and harvesting of trees also impact nature. Forests are important from a climate perspective and for biodiversity as a home for a variety of important species. It is important that forest resources are used in an optimal way and that forest management is carried out in a responsible and sustainable manner.

KEY NUMBERS

- One million solid cubic metres of wood is purchased each year for Borregaard's biorefinery in Sarpsborg
- In 2021, 81% of the wood came from Norway, 19% came from Sweden
- All the wood is harvested in accordance with the country of origin's laws on felling, silviculture and biodiversity. Borregaard is Chain of Custody (CoC) certified

KEY TARGET IN 2021 AND RESULT

Target: 100% of the purchased wood to the biorefinery in Sarpsborg shall be certified (FSC® or PEFC)

Result: Achieved. 99% certified wood, whilst the remaining 1% was controlled in accordance with the PEFC and/or FSC® standards

Target: Establish KPIs based on documentation for sourcing lignin raw material

Result: Achieved. In 2021, we established the KPI that the supply of lignin raw material shall be Chain of Custody Certified in accordance with PEFC or FSC® certification

KEY TARGET 2022 AND LONG-TERM TARGET

- 100% of the purchased wood to the biorefinery in Sarpsborg shall be certified (FSC® or PEFC)
- We will collect data and establish a KPI for what portion of the supplies of lignin raw material that shall be Chain of Custody Certified in accordance with FSC® or PEFC. The long term target is 100%



HOW WE WORK

To minimise the impact from felling and forestry operations, Borregaard attaches significant importance to sourcing wood from forests that are certified and managed in a proper, sustainable, and eco-friendly manner, including measures to maintain biodiversity. We ensure that our suppliers comply with the applicable certification schemes, laws, and regulations in the countries where the wood is sourced.

Borregaard will continue to develop wood supply logistics in the Nordic market and the Baltic Sea region in order to expand the sourcing area and lower the landed cost of wood. There are few transportation restrictions to the biorefinery in Sarpsborg, and wood can be transported by road, rail or sea. When possible, we will prioritise rail before road for transportation of wood.

Borregaard's production units outside Norway receive lignin raw material from adjacent pulp mills which source FSC^{®22} and/or PEFC²³ certified or controlled wood.

Borregaard's use of certified wood implies that we do not purchase:

- Illegally harvested wood
- Wood harvested in violation of traditional and human rights
- Wood from forests in which high conservation values are threatened by management activities
- Wood from forests being converted to plantations or non-forest use; and
- Wood from forests in which genetically modified trees are planted

DEVELOPMENT IN 2021

In 2021, Borregaard improved our CDP Forest score from B to A, being amongst the 27 companies worldwide receiving an A rating. Our efforts towards achieving our goal to source 100% certified wood, resulted in sourcing of 99% certified wood where the remaining 1% was controlled in accordance with PEFC and/or FSC[®] standards. We also established KPIs for sourcing of lignin raw material. Environmental transparency and accountability are vital to tracking progress towards a thriving, sustainable future, also when it comes to forest raw materials.

Borregaard has been involved in the revision of the Norwegian PEFC Standard and the establishment of

a Norwegian National Forest Stewardship Standard (NFSS Norway) through the Norwegian Pulp and Paper association (TFB). We have also invited members of the certification working committee for separate discussions.

The PEFC international sustainable forest management benchmark sets out criteria and indicators that are vital for the sustainable management of forests. The revised Norwegian PEFC standard will be in accordance with this benchmark as well as being tailored to the national specific forest ecosystems, legal and administrative framework, socio-cultural context and other relevant factors provided by the knowledge, experience and involvement from national stakeholders. The working committee for the Norwegian revised standard consists of governmental bodies, environmental organisations, representatives from forest owners and the industry. The revision of the Norwegian PEFC standard started in 2020 and final approval is expected in 2023.

NFSS Norway will take into consideration national and regional characteristics such as natural conditions, forest ownership structure and legislation in Norwegian Forests. The ten FSC principles have established 240 indicators related to ecosystem restoration, reforestation, protection of forests and other ecosystems, and biodiversity offsetting. The establishment of a Norwegian FSC Standard is a voluntary initiative by the industry and the goal is to increase the FSC volumes available in Norway. The FSC and the PEFC certification standards contribute to the availability of sufficient, sustainable forest raw material and provide flexibility in the certification standards to meet customers' requirements.

THE WAY FORWARD

Going forward, Borregaard will continue securing the supply of forest raw material in a sustainable way, through long-term relationships with our major suppliers. We will evaluate the consequences of the revised certification schemes that are expected to be valid from 2023 and we will continue to communicate our expectations and requirements regarding sustainability to our suppliers.

Our target of sourcing 100% certified wood will be maintained, and we also have an ambition to maintain our A rating in the CDP Forest reporting category.

²² [fsc.org/en](https://www.fsc.org/en)

²³ [pefc.org/](https://www.pefc.org/)

SUSTAINABLE FORESTRY

The 2019 UN Special Report on Climate Change and Land²⁴ shows that land use and forests, play a vital role, serving three important purposes:

- Climate: CO₂ uptake and storage
- Biodiversity: Provide the principal basis for important species
- Renewable raw material: For sustainable products that can replace oil-based alternatives

Climate

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. Some products, such as building materials, also serve as a carbon sink as they store the CO₂ during the products' lifetime.

Biodiversity

The forests are among the world's most biodiverse ecosystems and home to most of the Earth's plants, animals, bacteria and other species. Forests provide vital products and services such as oxygen, clean air and water, as well as building materials, energy and raw materials for numerous everyday products. There is an increasing recognition of the wide-ranging benefits that forests provide to society, such as recreation and social welfare. Identifying and protecting both ecologically and culturally valuable sites is therefore an important part of forest management.

Deadwood is a natural habitat for many valuable and vulnerable species found in old forests. Normally, both the amount and variety of deadwood increase with the age of the forest. The forests must also provide the necessary habitat for species with different requirements. Thus, variation in forest structure is key to conserving biodiversity.

Key elements for sustainable forest management

A wide range of measures are needed to secure the forests' future role in obtaining biodiversity and mitigating climate change, as well as being a provider of climate friendly solutions. To secure carbon storage

and access to sustainable raw materials, the amount of biomass must increase over time. Measures such as planting new trees after felling are important in this context.

Protecting important biotopes and increasing the amount of deadwood and old trees are examples of measures to secure biodiversity. Minimising adverse impact to soil and water from harvesting, soil preparation, road construction and creation of buffer zones to protect watercourses are other examples.

Certification standards contribute to sustainable forestry

The certification of Norwegian forestry today is mainly according to the Norwegian PEFC Forest Standard²⁵ and the environmental management system ISO14001. PEFC is the world's largest forest certification system, with presence in around 50 countries. Norway was one of the initiators of PEFC in 1999 together with small-scale family forestry in Europe.

PEFC contains many requirements regarding harvesting and maintenance of forests. The Norwegian standard has 27 items with detailed requirements for sustainable forestry, many related to biodiversity.

- The requirements must ensure that the forest owner safeguards all values and interests associated with the forest. This includes considerations regarding biological diversity, outdoor life, climate, cultural monuments, long-term resource management and employees' rights.
- The requirements include establishment of key biotopes, restoration of life cycle trees, conservation of edge zones against water, streams and bogs, planning and implementation of terrain transport, special considerations for bogs, swamps and deciduous forests, as well as measures to avoid erosion and pollution.

²⁴ IPCC, 2019: Summary for Policymakers. In: *Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems* [P.R. Shukla, J. Skea, E. Calvo Buendia, V. Masson-Delmotte, H.-O. Pörtner, D. C. Roberts, P. Zhai, R. Slade, S. Connors, R. van Diemen, M. Ferrat, E. Haughey, S. Luz, S. Neogi, M. Pathak, J. Petzold, J. Portugal Pereira, P. Vyas, E. Huntley, K. Kissick, M. Belkacemi, J. Malley, (eds.)].

²⁵ Program for the Endorsement of Forest Certification cdn.pefc.org/pefc.org/media/2019-04/b017030b-c623-42b1-b494-d17f94bbd437/5706b1de-adae-596d-afb2-1d21060e9e08.pdf

- The certification requirements are stricter and more detailed than set out in the legislation.

Environmental measures during the last 10 years have led to sustainability improvements in the Norwegian forests. The proportion of deadwood as the most important living environment has increased by 38% since the beginning of the 1990s, and the number of old trees has increased.

The transition to a society based on renewable and sustainable solutions with low carbon footprint has

resulted in an increased market for wood-based products. At the same time, Norwegian forests are increasing in size. For every tree that is harvested, two new ones are planted. Norwegian forests have been meticulously monitored since the 1920s by the Land Resource survey. The monitoring shows that Norwegian forests have grown three times over the last hundred years. Borregaard's raw material Norway Spruce makes up the largest volume in the forests. However, pine and deciduous trees account for most of the increase, which contributes positively to biodiversity in the forest²⁶.

²⁶National Forest Inventory nibio.no/en/about-eng/our-divisions/division-of-forestry-and-forest-resources/national-forest-inventory



B

CLIMATE AND ENVIRONMENTAL ENGAGEMENT



Borregaard is actively working on measures that can contribute to an environmentally sound resource management²⁷. This is also an integral part of our business model and our sustainability strategy.

Emissions and other environmental issues are material to Borregaard and our stakeholders, both in view of the environmental benefits of our products themselves, and the importance of managing the risk of emissions to the environment. Our main negative environmental impact is emissions from our largest operational unit, the biorefinery in Norway. Thus, the results, targets and new initiatives in this chapter focus mostly on our biorefinery. Borregaard's other units are much smaller and represent less complexity and environmental impact.

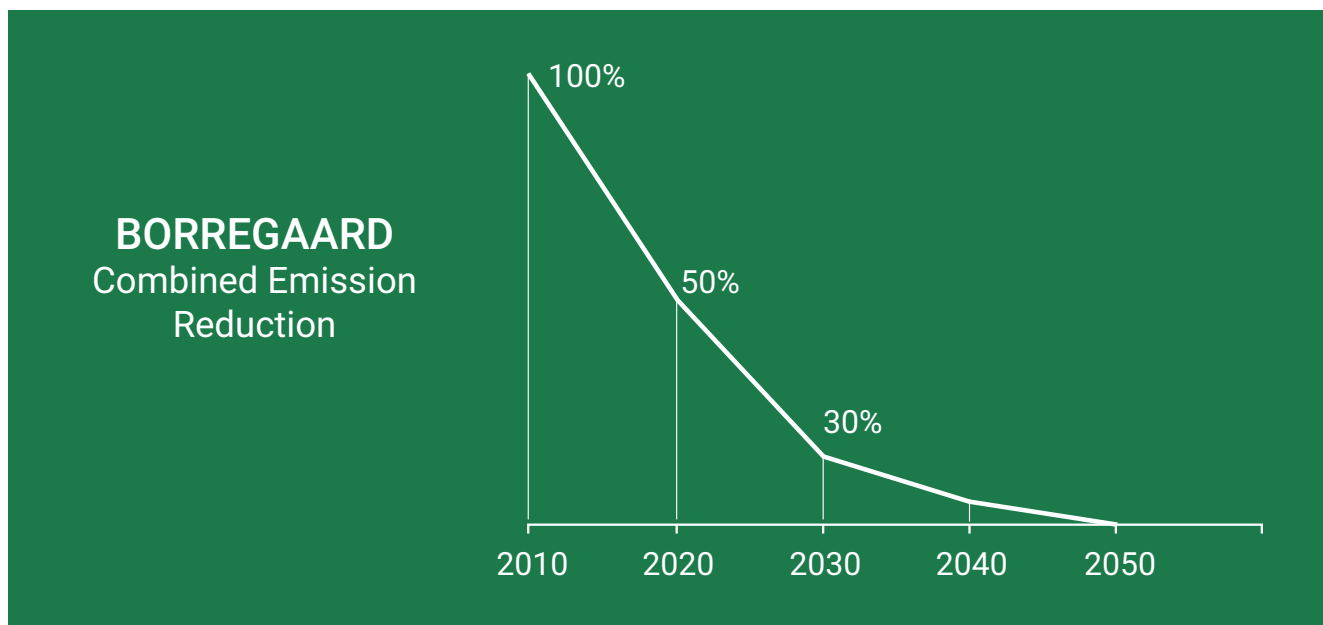
We prioritise innovations and activities that can improve our processes by reducing emissions and waste, and by improving water and energy efficiency. These processes are supported by certified environmental management systems. The highest risk production units are certified by ISO 14001 Environmental Management. Emissions from the various production units are regulated by national and/or local authorities.

Borregaard has been working systematically on reducing the environmental impact of our business for many years.

We have reduced our total emissions by 50% during the last ten years, and we will continue to reduce our emissions according to our own goals and the ambitions of the EU Green Deal and the EU's zero-pollution vision for 2050. In our long-term plan, effluents of COD to water and emissions of CO₂ to air will be prioritised. Emissions of other components will also be reduced. Borregaard expects a reduction in total emissions in 2030 and 2050 as indicated in the diagram below.

Sustainability linked financing

Borregaard has made financial commitments linked to our main environmental targets: reduction of greenhouse gas emissions and reduction of effluents of organic matter to water (COD), by entering sustainability linked financing agreements with financial institutions. In July 2020, Borregaard signed three bilateral multicurrency revolving credit facility agreements totalling NOK 1,500 million with DNB Bank, Skandinaviska Enskilda Banken and Handelsbanken. All facilities are linked to targets, and the margins can be adjusted based on our progress on three parameters: reduction of greenhouse gas emissions (scope 1 and 2), keeping emissions of COD to the River Glomma below certain levels and reduction of the Group's total recordable injury frequency.



²⁷<https://www.borregaard.com/sustainability/corporate-responsibility/borregaard-s-business-policies/policy-environment-climate-health-and-safety-engagement/>

CLIMATE IMPACT AND EMISSIONS



Climate impact is one of Borregaard’s main challenges, but also represents an opportunity for our sustainable products and solutions. Our ambitions cover the entire value chain: from reducing negative impacts related to the sourcing of raw materials, to reducing emissions related to production and transportation of products to our customers. Reduced GHG emissions will contribute positively and directly to UN’s sustainability goals. In this way, we demonstrate how

our business can help advance sustainable development by both minimising negative and maximising positive climate and environmental impacts.

We have divided this material topic into three subtopics: How we work with direct GHG emissions; How we work with indirect GHG emissions and; How we work with local air quality.

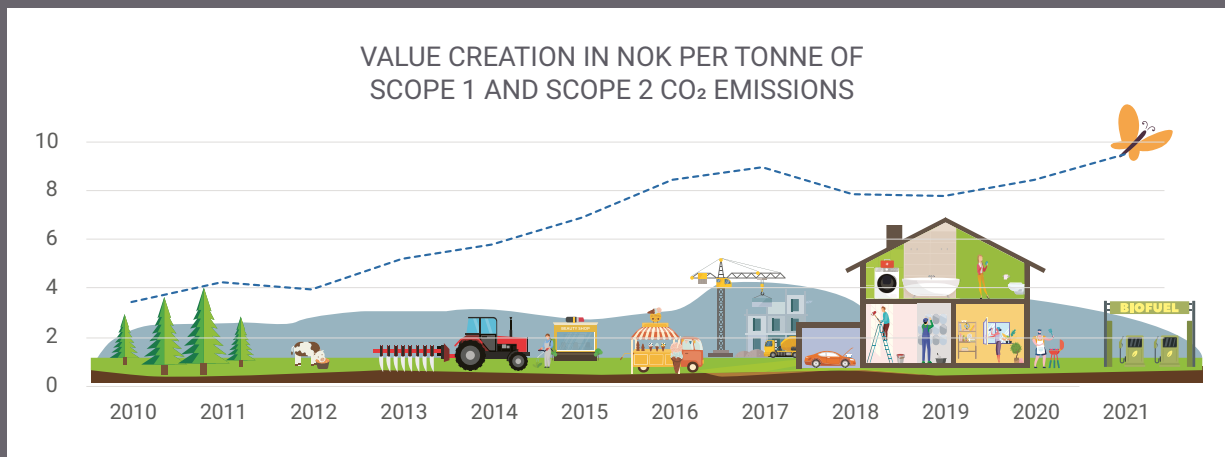
CLIMATE CHANGE MITIGATION BY REDUCED USE OF INPUT FACTORS

Products extracted from the biomass in the biorefinery process retain much of their natural molecular form. By utilising natural molecular structures and almost all the biomass, products produced in the biorefinery require less energy and chemicals to manufacture, and hence have less environmental and climate impact when compared to established synthetic alternatives.

Sustainability and corporate responsibility

The high utilisation of wood for products at the biorefinery in Norway, results in a limited quantity of residual biomass and biogas available for energy.

Therefore, Borregaard obtains heat energy from additional sources like renewable electricity, energy recovery from production processes, incineration of sorted household waste and natural gas. Our continuous efforts to increase Borregaard’s energy efficiency and use of renewable energy, as well as streamlining production, decreases the input factors per tonne of product produced. In this way, the CO₂ footprint of our products is constantly reduced, while the value creation from the resources is increased. The residual energy from Borregaard’s production processes replaces oil as the main source of energy at the district heating plant in Sarpsborg.



The figure shows the increase in value creation per tonne of scope 1 and scope 2 CO₂ emissions from the operations in the Borregaard Group. Value creation is defined as the value of products sold (revenues) minus the cost of materials, services and depreciation.

DIRECT GHG EMISSIONS (SCOPE 1 AND SCOPE 2)

Scope 1 and scope 2 emissions are linked to our use of energy in the production processes. Investments in renewable energy sources and energy efficiency measures have resulted in reduced GHG emissions. Planned investments will further reduce emissions in the years to come. Our GHG reductions follow our plan for science-based target emission reductions and will speed up in line with our new commitment to set science-based targets consistent with limiting global temperature rise to 1.5°C.

HOW WE WORK

GHG emissions, energy consumption and progress in reduction targets for Borregaard's different units, are reported monthly or quarterly. An important measure to achieve our ambitious science-based targets is utilisation of more renewable energy such as hydropower and biogas. Consequently, the availability of renewable energy and the technology to utilise it, is a key priority for us.

KEY NUMBERS

- The Borregaard Group has reduced its scope 1 and scope 2 emissions by 27 % since 2009
- Scope 1 GHG emissions 2021 were 153,285 tCO₂e
- Scope 2 GHG emissions 2021 were 64,818 tCO₂e
- 86% of scope 1 and 2 emissions came from the biorefinery in Norway
 - 12% came from the company's operations in the US
 - 2% came from the German operations
- Total energy consumption 1,762 GWh
- 91% of the Group's total energy consumption was covered by certified management systems (Norway and Germany)
- Renewable energy constituted 59% of the total energy consumption

A complete list of reported GRI indicators is shown from page 78

KEY TARGET IN 2021 AND RESULT

Target: Implement measures to reduce energy use and CO₂ emissions according to long-term climate and energy action plan to reach our science-based targets for 2030 (Borregaard Group)

Result: Achieved, activities implemented according to plan (SDG 13.2)

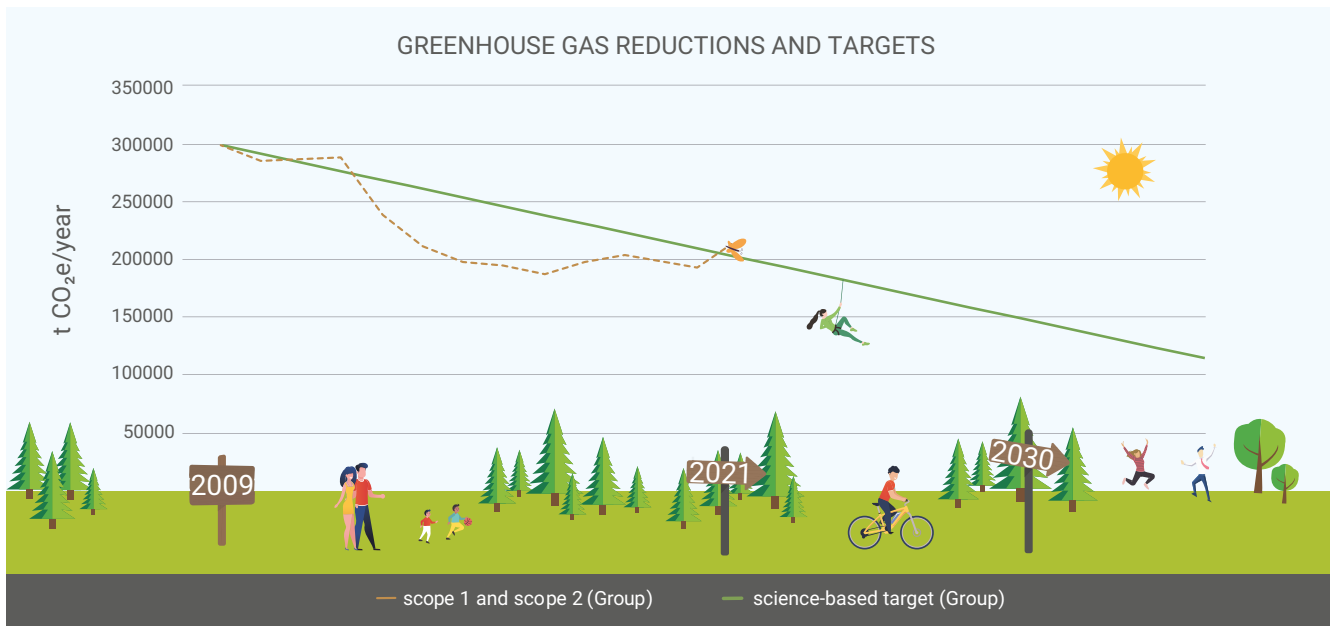
LONG-TERM TARGETS

2025: Reduce CO₂ emissions to 100 kg CO₂/ MWh of the total energy consumption (Borregaard Norway)

2030: Reduction in line with updated near-term science-based target, 42% absolute reduction from a 2020 base year

2050: Reduction in line with updated long-term net-zero science-based target, 90% absolute reduction from a 2020 base year





The illustration shows our progress towards our science-based target and our impact on SDG 12 and 13. Although our scope 1 and scope 2 emissions increased in 2021, our scope 1 and 2 emission intensity from our value creation was reduced by 11%.

Energy efficiency is the backbone of our climate strategy. We receive support for energy efficiency measures from various government support schemes such as Enova²⁸, to meet the needs of a low-emission society.

Development in technologies for Carbon Capture and Storage (CCS) or sustainable Carbon Capture and Use (CCU) may be a prerequisite to achieving the target in 2050. Borregaard has joined a cluster of companies in establishing CCUS Norway, a non-commercial and science-based organisation that serves as a knowledge-sharing network. Members from academia, the industry and technology developers come together to share knowledge and experience on environmental and resource efficient carbon capture and storage or usage (CCUS).

Our operations in Norway meet the continuous need for the base load of heat energy in the form of steam through energy recovery from waste, bioenergy and heat recovery from production. In 2013, Borregaard installed a new multifuel boiler that enabled us to cease the use of heavy fuel oil for steam production. The boiler mainly runs on liquefied natural gas (LNG) which has 29% lower CO₂ emissions per GJ fuel, compared to heavy fuel oil. The GHG emissions associated with the production of heat energy will vary from year to year, depending on the energy source for variable load and production volume.

DEVELOPMENTS IN 2021

In 2021, Borregaard initiated sourcing of liquified biogas (LBG) which is a renewable alternative to LNG and directly interchangeable for industrial heating purposes.

Greenhouse gas emissions (scope 1 and scope 2) increased by 11% in the Group compared with 2020. The main reasons for the higher GHG emissions are high spot prices for alternative energy sources, increased use of LNG due to increased powder production in the new spray driers, higher energy consumption due to increased specialisation and a cold winter. In the face of increasing power prices in Europe, the use of LNG for variable load in our biorefinery is reasonable as we can utilise this energy source with a very high degree of efficiency. Even though this prioritisation resulted in higher direct emissions and EU ETS costs for Borregaard in 2021, it was a sound environmental decision from a systems perspective. The use of electricity for heating purposes in these strained periods, could result in higher overall direct emissions in Europe, as this would incentivise power production with lower energy efficiency and higher emission intensity. The efficient allocation of resources is an important motivation for the market-based EU ETS.

During 2021, we have progressed our long-term action plan to achieve the science-based targets for 2030 and 2050. Reduction in energy consumption and availability of more renewable sources like electricity from hydropower or

²⁸ Norwegian government agency that promotes eco-friendly changes in relation to energy use, renewable energy production and new energy and climate technology.

biogas, are important measures to achieve our ambitious science based GHG emission reduction targets. In 2021, we have formally applied for additional power grid capacity which will be key to reaching our long-term targets.

Borregaard's biorefinery in Norway supplies surplus heat from low temperature water to the district heating system in Sarpsborg municipality. In 2021, Borregaard replaced 9.4 GWh (9.3 GWh) of fossil energy with surplus heat from the biorefinery. Moreover, we signed an agreement to increase our deliveries to the district heating system by 3.5 GWh in 2022 and onwards. This is a result of our continuous efforts to enhance energy efficiency and increase usage of low temperature surplus heat.

THE WAY FORWARD

Going forward, we will continue navigating the energy crisis while pursuing efforts in emission reductions according to the climate and energy strategy and our science-based target.

At the biorefinery in Norway, several projects that will reduce direct GHG emissions from the use of energy are now being completed. Rebuilding of the bioboiler and the compressor station are both examples of projects that will reduce energy consumption and increase availability of more renewable energy. Combined, these projects represent a 9,600 tonnes potential reduction of GHG emissions. In 2021, a reduction of 2,590 tonnes was achieved.

In 2021, we increased our ambitions for our 2030 and 2050 climate targets from a well-below 2°C target to a 1.5°C target. In 2022, we will design an investment programme according to the new target. A higher degree of electrification of the energy consumption at the biorefinery in Norway – directly or indirectly – will be necessary to meet our climate targets. In order to mitigate the exposure to higher electricity prices and tariffs following higher electricity consumption, we are continuously looking to enhance the redundancy of Borregaard's energy system and facilitate flexibility in our electricity consumption. This will benefit both Borregaard and the energy system as such.

Market and framework conditions for energy and climate matters are changing rapidly. We expect high market uncertainty and policy changes promoting the transition to a carbon-neutral society to accelerate in 2022. Borregaard monitors and engages actively in the development of the European Green Deal, in cooperation with European and national industry associations.

INDIRECT GHG EMISSIONS ALONG THE VALUE CHAIN (SCOPE 3)

Indirect GHG emissions are emissions that are a consequence of our activities but occur at sources owned or controlled by another entity. Scope 3 accounts for 63% of our GHG emissions which makes it of great interest to us to survey and reduce them.

We have reported our indirect scope 3 GHG emissions since 2017, which has provided us with more knowledge about how indirect emissions can be reduced. The quality of the data is continuously improved, and we report on all categories that are relevant in the value chain. The reporting is carried out in accordance with the GHG Protocol²⁹.

The products from our biorefinery are made from a renewable raw material, wood, and therefore generate no fossil CO₂ emissions, neither in the usage phase nor in the end-of-life treatment phase. Borregaard's major sources of indirect emissions are purchased goods and services, including upstream and downstream transportation and distribution services.

KEY NUMBERS

- 63% of our GHG emissions were scope 3 emissions
- Scope 3 GHG emissions 2021 were 364,245 tCO₂e
- Scope 3 GHG emissions from transportation constituted 38%
- Scope 3 GHG emissions from purchasing of goods and services constituted 37%

A complete list of reported GRI indicators is shown from page 78

KEY TARGET IN 2021 AND RESULT

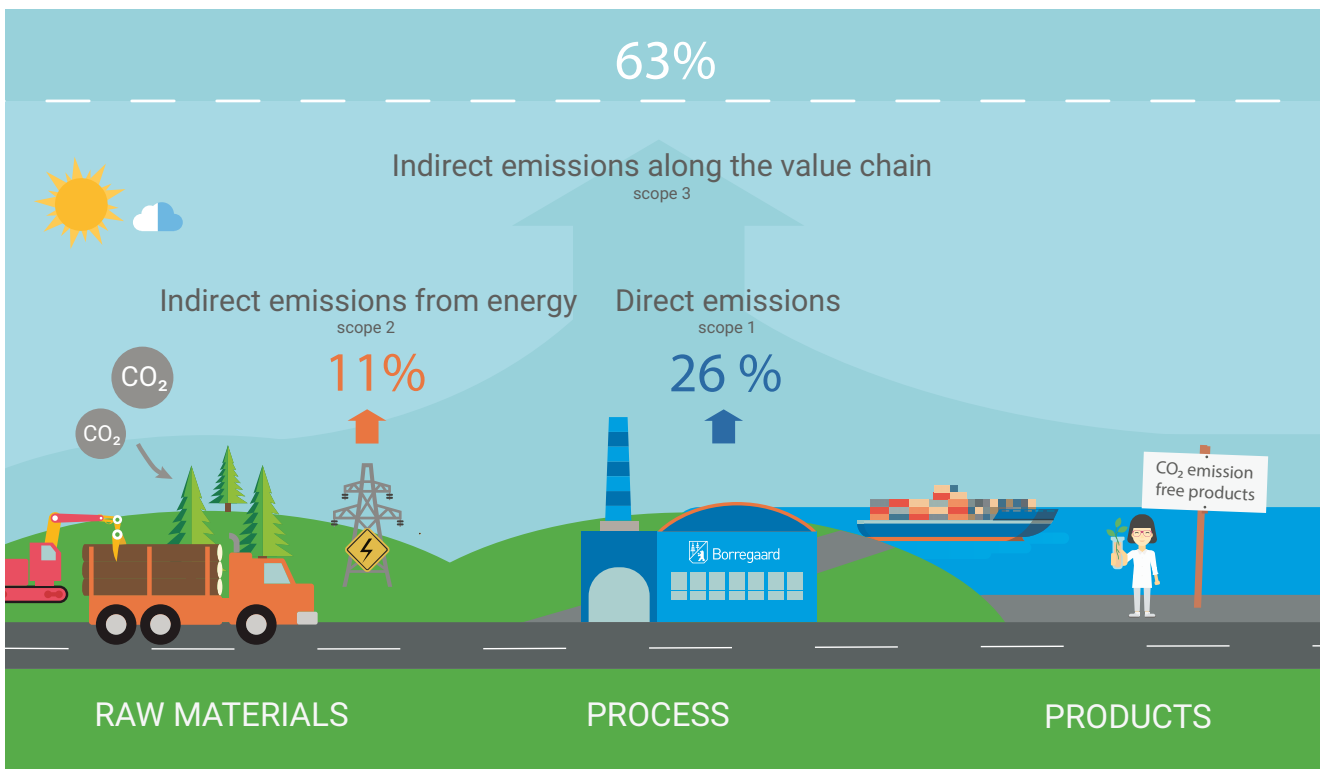
Target: Identify goods and suppliers representing the majority of the GHG emissions from purchasing of goods and services

Result: Around 60 suppliers of goods and services contributed to 37% of the total Scope 3 emissions. Improved data collection for Mode of Transportation (MOT) and calculated CO₂ emission factors for each mode. CO₂ emissions from the various MOTs included in selection criteria

LONG-TERM TARGETS

- **2030:** Reduction in line with updated near-term science-based target, 25% absolute reduction from a 2020 base year
- **2050:** Reduction in line with updated long-term net-zero science-based target, 90% absolute reduction from a 2020 base year

²⁹ <https://ghgprotocol.org/standards>



The illustration shows the distribution of our scope 1, 2 and 3 GHG emissions along the value chain, updated with actual results for 2021.

HOW WE WORK

When purchasing goods and services, we aim to make the supply chain as sustainable as possible. We actively communicate our expectations and requirements to our partners, and we collect information from our suppliers about their emissions as part of our decision-making process. We assess the suppliers on efficiency, price, quality, service levels, as well as social and environmental issues. Our established strategy is to conduct sustainable purchasing, where social, ethical, and environmental aspects are integrated into and attached great importance in the procurement process.

With customers in more than a hundred different countries, our products are distributed around the world. Being a buyer of transport services, Borregaard can contribute to climate friendly transport as transportation is an area where low emissions, carbon neutrality and emission free solutions are gaining traction.

In 2021, we were recognised for our engagement with our suppliers to tackle climate change and hence earned a place on CDP's Supplier Engagement Leaderboard for the second year in a row.

Sustainable culture – employees' attention to sustainability

Although employee commuting is a small contributor to our indirect emissions, we find it important that all employees

focus on how they as individuals can contribute to our ambitious greenhouse gas emission target. Borregaard has increased its fleet of electric vehicles (EV) for local transport and has installed several EV charging stations at our site in Norway to facilitate employees' use of electric cars.

DEVELOPMENTS IN 2021

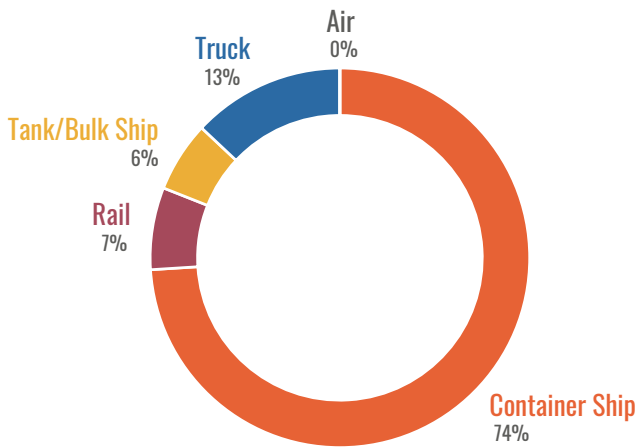
As of 2021, Borregaard's transport services are tendered with requirements to respond with plans for reducing carbon footprint in the short, medium, and long term. Suppliers with the intent of doing business with Borregaard must comply with these requirements.

In 2021, we improved our data collection for Mode of Transportation (MOT) and calculated CO₂ emission factors for each mode. This enables a structured and fact-based approach on initiatives for reduced carbon emissions in transport going forward. The emission factors will be updated on an annual basis to reflect the rapid development towards a greener logistics industry.

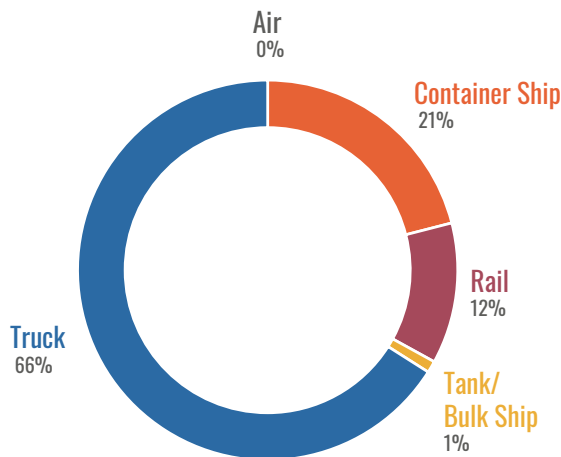
The combined information of tonne/km and emissions per MOTs, as illustrated for 2021 in the diagrams below, enable us to make better decisions when selecting MOT, by preferring MOT with lower emissions when possible and accommodating for lower emissions alternatives. Furthermore, we defined what type of information to collect and who to collect it from. As a result, we started

requesting Environmental Product Declarations (EPD) to retrieve actual data and increase transparency of the environmental performance from the suppliers of products representing the highest calculated amount of CO₂ emissions.

TONN-KM PER MODE OF TRANSPORT



EMISSIONS IN % PER MODE OF TRANSPORT



THE WAY FORWARD

Initiatives related to transportation continues to be driven and tracked by the interdisciplinary long-term task force, Borregaard Emission Free Transport 2020-2050, which reports to Borregaard’s Sustainability Board. The task force will establish KPIs for emissions related to transportation based on the available CO₂ emission factors per MOT. Furthermore, the aim is to include emission criteria in our tendering processes.

As emissions related to purchased goods and services represent a significant share of Borregaard’s indirect emissions, we find it crucial to identify and collaborate

with suppliers who work actively to minimise climate impact. This is an important initiative to reach Borregaard’s commitments to reduce scope 3 emissions. Our aim is to continue collecting relevant and documented information, select suppliers with the better performance, and work together in the value chain to reduce emissions and improve environmental performance over time.

Going forward, our most effective way to improve sustainable sourcing will be to engage with ambitious suppliers, request documentation of actual progress and include CO₂ emissions as criteria in the supplier selection process. In future reporting, we will include the percentage of suppliers with significant actual and potential environmental impact with identified targeted improvements.

LOCAL AIR QUALITY

Borregaard’s emissions of SO₂, NO_x and dust particles to air can affect local air quality. These emissions mainly derive from the production of energy. Spray drying of lignin-based biopolymers to powder results in some emissions of NO_x (from fuel) and dust particles (lignin). At Borregaard’s biorefinery in Norway, the local authority has set limits for SO₂ concentrations in the air, and the municipality monitors local air quality with respect to SO₂ content. Measurements show a general reduction in concentrations of SO₂ around the plant, and the local air quality remains within current limits 99% of the time.

KEY NUMBERS

- 79% reduction in SO₂ emissions last 10 years
- 67% reduction in NO_x emissions last 10 years
- 24% reduction in dust particles last 10 years
- 71 tonnes SO₂, 93 tonnes NO_x emissions in 2021

A complete list of reported GRI indicators is shown from page 78

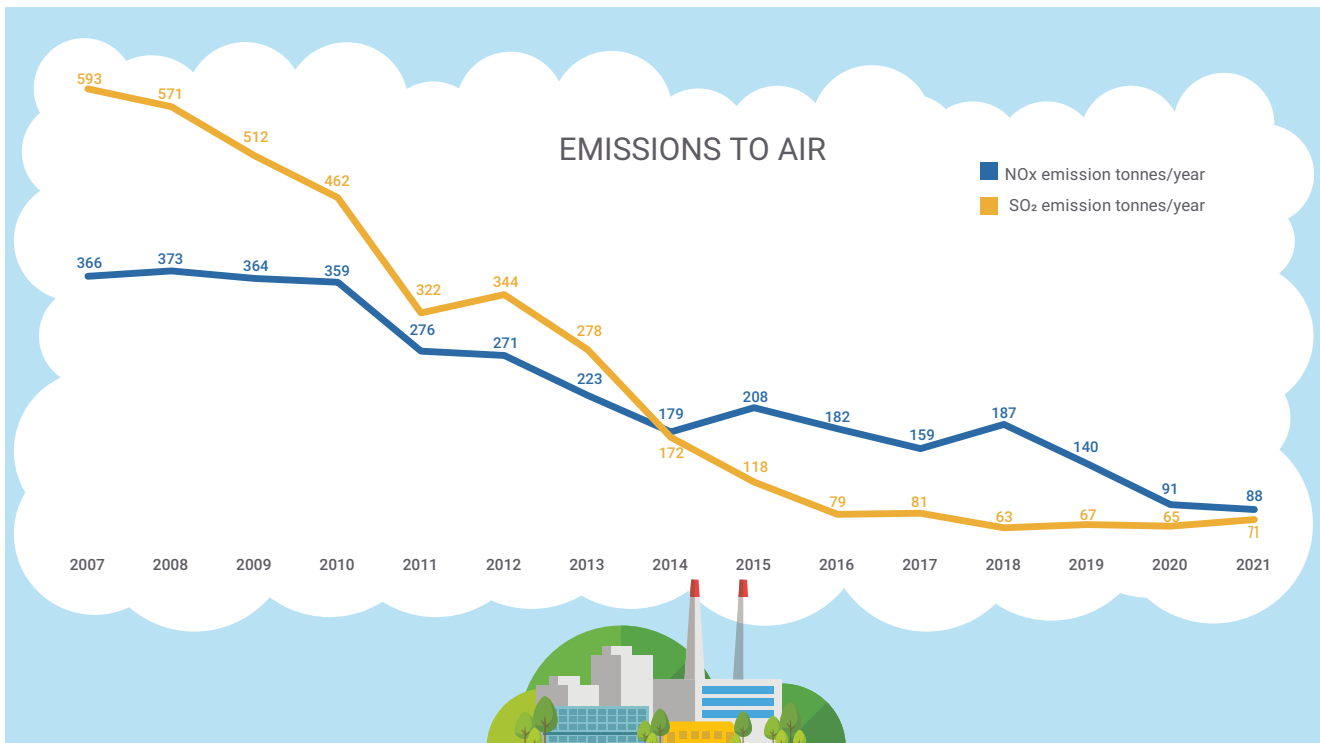
KEY TARGET IN 2021 AND RESULT

Target: Zero exceedances of local air quality due to SO₂

Result: 4 exceedances

KEY TARGET 2022 AND LONG-TERM TARGET

- Zero exceedances of local air quality



The illustration shows the reduced emissions from NO_x and SO₂, positive impact on SDG12 (12.4)

HOW WE WORK

Reduction of emissions to air has high priority at Borregaard. Implemented measures, such as switching from using heavy fuel oil to more eco-friendly alternatives as well as installing new technological equipment, have significantly reduced our impact on local air quality.

SO₂ emissions from production in Norway derive from cooking acid used to separate lignin from cellulose. These emissions are generally removed by scrubbers, but there are also some diffuse emissions. We have followed a long-term investment plan and have reduced the emissions over several years.

DEVELOPMENTS IN 2021

In 2021, there were 4 hourly exceedances of local air quality, compared to 0 in 2020. These exceedances were a result of the commissioning of a new plant to produce SO₂. The new plant is expected to deliver an improvement in local air quality and, in 2022, we expect the results to revert back to the 2020 level.

In 2021, the biorefinery in Norway had full benefit from the installation of NO_x reducing technology installed in 2020. NO_x stems from the use of fuel for energy. Although more LNG than electricity was used for energy production in 2021, our total NO_x emissions remained at the same level.

THE WAY FORWARD

Planned measures to meet our science-based targets such as increased use of renewable electricity and reduced use of energy from natural gas and incineration of municipal waste, will have a positive effect on the local air quality, especially with respect to emissions of NO_x.

A long-term investment plan for reducing SO₂ emissions from the biorefinery process will continue to give positive results regarding the local air quality in Sarpsborg.

WATER CONSUMPTION AND REDUCTION OF EFFLUENTS



Borregaard's highest water-related risk is associated with the main production facility in Norway. Emissions of organic compounds to water (chemical oxygen demand (COD) or biological oxygen demand (BOD)) affect the aquatic environment in the River Glomma. The organic material stems mainly from the washing and processing of biomass into advanced products.

Borregaard has a sustainable water management system. Most of the water withdrawn and effluents discharged are linked to Borregaard's biorefinery in Norway. The site is self-sufficient and has access to water from the River Glomma via its own water treatment facility.

Water is important in the biorefinery, and is used for cooling, steam production and hot water production, as well as washing and transporting biomass in the production processes. However, most of the water used is returned to the River Glomma.

The water volumes used at Borregaard's facilities for production of biopolymers from lignin outside Norway are relatively low; about 5% of the company's total water consumption. The water is sourced from public waterworks or adjacent industrial facilities. There are low emissions to water in the operations outside Norway.

KEY NUMBERS

- COD reduced by 43% from 2010 to 2021
- Phosphor reduced by 72% from 2010 to 2021
- Copper emissions reduced by 26% from 2020 to 2021
- Nitrogen emissions reduced by 26% from 2019 to 2021

A complete list of reported GRI indicators is shown from page 78

KEY TARGET IN 2021 AND RESULT

Target: COD 57 tonnes/day

Result: 55 tonnes/day (SDG 12.4)

Target: Establish targets for reduction in water discharge and water consumption (Borregaard Group)

Result: Partly achieved, initiatives in some areas resulted in reductions

Target: Long-term plan for reduction of COD to water submitted to the Norwegian Environmental Authorities

Result: Achieved

KEY TARGETS 2022

- COD below 55 tonnes/day (SDG 12.4)
- Establish specific targets in some areas with the most potential for water reduction

LONG-TERM TARGETS

- COD below 40 tonnes/day in 2030 (SDG 12.4)

HOW WE WORK

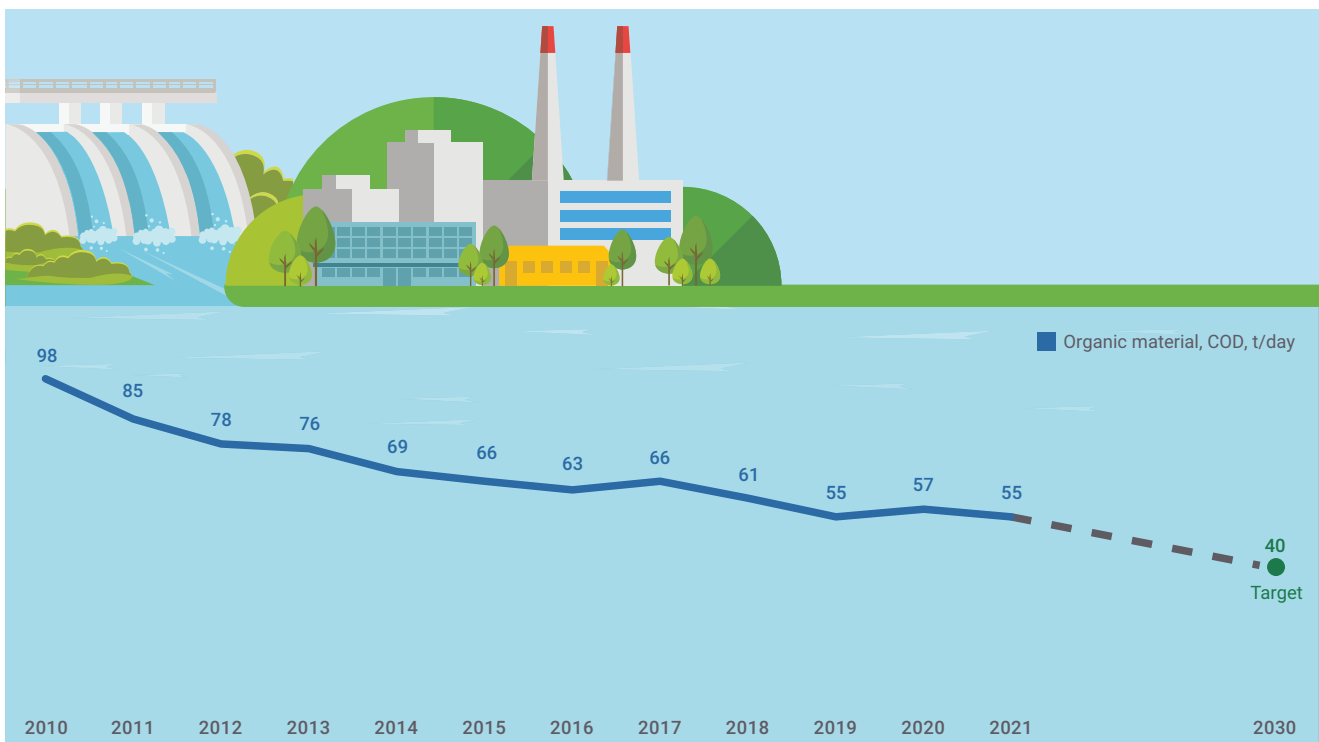
Due to the large amounts of water available at the biorefinery in Norway, water withdrawal is considered sustainable when compared to areas in the world where water scarcity represents a risk. The overall water scarcity risk is low to moderate at Borregaard's other production units. See our TCFD report³⁰ for more background information on climate related water risk.

At the biorefinery in Norway, the quantity of water withdrawn is high due to a large demand for cooling water during the production process. The cooling water is returned to the river after use. The volume of process water

discharged and its effluent components are measured and reported as required in the permit from the authorities. The water consumption was 311 megalitres in 2021, thus only a small portion of the water withdrawn, 57,610 megalitres, was consumed.

Possibilities of reducing water consumption are assessed in connection with investment projects. This is also motivated by the potential gains associated with energy savings and more efficient water treatment. A large proportion of the process water is treated to keep levels of substances in the effluent, such as halogenated organic compounds (AOX) and COD, below the discharge permits.

³⁰ The TCFD report is published on borregaard.com/sustainability/sustainability-documentation



The illustration shows the reduced effluents of COD from the biorefinery in Norway which have a positive impact on SDG 12 (12.4).

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). This monitoring shows that emissions of easily degradable organic matter (BOD) from our biorefinery have caused a proliferation of bacteria covering riverbed sediments close to the plant. This causes poor oxygen conditions, which has implications for the growth of the River Glomma's wild Atlantic salmon stock. As a result, its ecological status is classified as poor and can be defined as a river with water stress. NIVA's measurements of chemical status in accordance with the WFD standards show a good status. New analyses show that the conditions in the River Glomma downstream from Borregaard have improved, which shows that the reduction in emissions of several substances has had a positive effect.

Due to low natural reproduction of Atlantic salmon in the river, Borregaard contributed to financing a salmon cultivation facility in 2012 and we have since covered a major part of the operating costs. Surveys conducted by NIVA show that the natural reproduction in the river has increased and contributes substantially to the young fish population. In general, there is a decline in the Atlantic salmon stock due to impacts of human activities in combination with a large-scale decline in sea survival³¹.

Continuing the financing of salmon cultivation is an important contribution to maintaining the Atlantic salmon stock and has a positive impact on SDG 14. The risk of emissions to water from old landfills and areas with polluted soil from former operations is supervised by an emission control measurement programme.

DEVELOPMENTS IN 2021

Sustainable water management has gained increased priority over the last years. Our targeted efforts have led to significant reduction in water use at some of our plants. In 2021, Borregaard improved the process for collecting water data and identified potential projects to reduce our water withdrawal. As of 2021, we disclosed on the subject Water to CDP.

In 2021, we reduced our emissions of COD to the River Glomma from 57 to 55 tonnes/day. At the same time, we submitted our long-term plan for reduction of COD to water to the Norwegian Environmental Authorities. The plan included several measures to reduce emissions of COD to a level between 40 to 47 tonnes/day in 2026.

Borregaard's biorefinery in Norway uses copper as a catalyst in a production process step. Environmental investments and process measures resulted in reduced copper emissions by 26% in 2021.

³¹ Norwegian Scientific Advisory Committee for Atlantic Salmon/Status of wild Atlantic salmon in Norway in 2021

We have conducted an initial assessment related to the Do No Significant Harm criteria (DNSH) for the environmental object sustainable use and protection of water and marine resources in the Taxonomy³². For the general criteria, our economic activities are aligned. In 2022, we will conduct a full assessment of the DNSH criteria.

From 1949 to 1997, Borregaard used mercury-based technology for chlor-alkali production at the site in Norway. This process led to pollution of the soil in the area surrounding the plant. A six-year programme for improving barriers, cleaning and deposition of the polluted areas was finalised in 2021.

The concentration of mercury in ground water wells and in the sewage systems has decreased significantly due to these actions. In 2021, the total emissions of mercury decreased by 15% to 870 grams.

Going forward, the area will be continuously monitored in close co-operation with the authorities to secure stable and acceptable mercury levels.

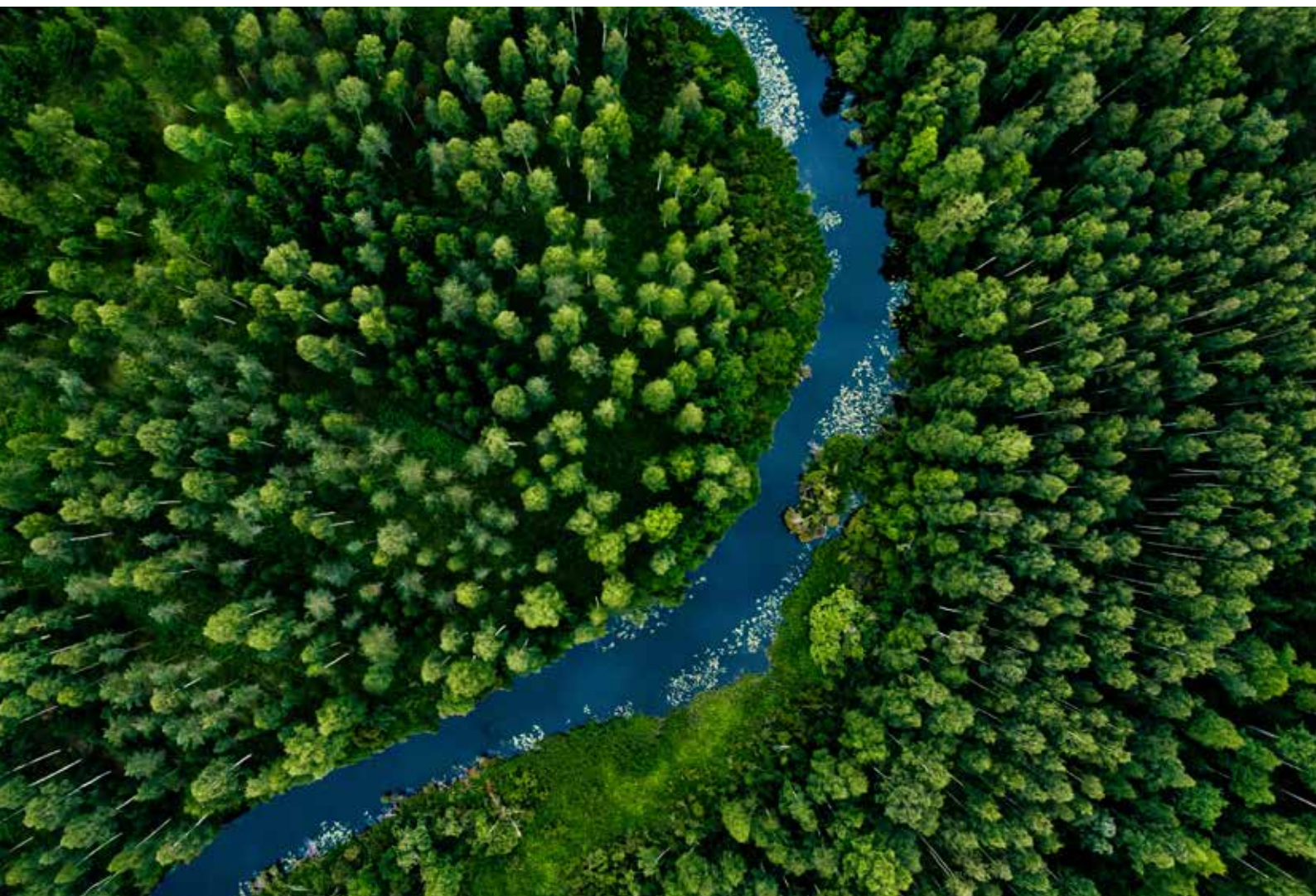
The emission permit's 24-hour period limit for sub-streams was exceeded for some substances in 2021, all of which have been reported to the Norwegian Environment Agency and measures have been taken to reduce emissions. The number of incidents of non-compliance with long-term discharge limits was 0.

THE WAY FORWARD

These activities are part of our long-term plans to be in line with the European Water Frame Directive and the EU Green Deal Initiative and will help us achieve good ecological status in the River Glomma, as well as to be prepared for new requirements. We will implement measures to receive a gradual reduction of COD towards our target in 2026 and 2030.

In 2022, we will finalise the plan for reaching our long-term target for 2030; below 40 tonnes of COD/day. We will also identify improvement projects within water efficiency and establish a long-term target for reduction in water withdrawal.

³² The taxonomy report is published at borregaard.com/sustainability/sustainability-documentation



WASTE MANAGEMENT AND CIRCULARITY



Despite high raw material utilisation, cascading use of sidestreams and reduction of input factors over time, there are still some streams that end up as waste in the biorefinery. Most of Borregaard's waste is generated at the biorefinery in Norway, whereas the operations outside Norway generate 25% of the waste. Reducing the amount of waste produced and controlling the risk of emissions from waste are important aspects of Borregaard's environmental policy. In order to direct our waste fractions into the circular economy, it is important to reduce our environmental impact further and to find new sustainable solutions.

KEY NUMBERS

- Total amount of waste generated was 34,903 tonnes
- 99% of the waste was source separated
- Hazardous waste was reduced by 15%
- 47% of the non-hazardous waste to recovery of materials or energy
- Waste incineration recovered energy from 66,579 tonnes of municipal waste
- 77% of the hazardous waste generated was fly ash from incineration of municipal waste

A complete list of reported GRI indicators is shown from page 78

KEY TARGET IN 2021 AND RESULT

Target: Establish targets for waste reduction (Borregaard Group)

Result: Partly achieved

KEY TARGET 2022 AND LONG-TERM TARGET

- Design long-term target and investment plan (2030) for reduction of landfilling

HOW WE WORK

The most common non-hazardous waste fractions from our operations are gypsum and sludge with some residual organic content, which is mostly landfilled. These are derived from our operations in Norway, Wisconsin, USA and

Germany and represent 40% of the non-hazardous waste. Borregaard is actively seeking possibilities within the the circular economy to find solutions for material recovery, and we are a part of several recovery initiatives.

The major part of waste stems from use of recovered energy from waste incineration, which is an important part of the energy supply for our biorefinery in Norway. This is a part of the base load needed for energy supply, and all the energy will be utilised in the continuous production. The biorefinery receives heat energy from two waste incineration plants, one of them operated by Borregaard. 77% of the hazardous waste and 31% of the non-hazardous waste generated at Borregaard consist of ash from the energy recovery of municipal waste. The bottom ash is classified as non-hazardous waste, while 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. Metals from the non-hazardous bottom ash are removed and recycled by our waste operator, and the remainder is reused as a filler.

Waste from our operations is source separated and processed by certified waste treatment providers. The hazardous waste is handled by certified waste operators and is reported in a declaration system operated by the Norwegian Environment Agency.

DEVELOPMENTS IN 2021

In 2021, we installed a process to improve the purity of landfilling fractions to enable future recycling of materials. Borregaard also successfully tested solutions to reduce landfilling and increase energy recovery for some of our waste fractions in cooperation with both internal and external waste incineration companies.

THE WAY FORWARD

Gypsum, sludge with some organic content and ash are waste fractions where we will seek circular solutions. Borregaard's biorefinery in Norway is a member of a circular economy initiative called EarthresQue³³, of which the purpose is to improve and develop new methods for recycling, reuse and treatment processes for contaminated soil, residues and waste. Our long-term goal is to avoid landfilling and find solutions, preferably within materials and energy recovery.

/ ³³ nmbu.no/en/services/centers/earthresque/about

PUBLIC AND PROCESS SAFETY



Public and process safety management are important topics for both Borregaard and our stakeholders in order to control and mitigate the risks involved in the company's operations. The site in Norway is subject to the EU Directive 96/82/ EC ("Seveso III"), intended to prevent accidents that could potentially cause large-scale harm. We strive to have open communication regarding risk potentials and ongoing improvement projects with people who live and work near our production facilities.

Sometimes, risks can be eliminated through technical measures. One example is our elimination of chlorine risk where we converted the elemental chlorine to hydrochloric acid in 2012. We have also replaced heavy fuel oil, waste oil and propane with state-of-the-art LNG facilities during the past decade.

HOW WE WORK

Process safety is continuously improved at Borregaard's facilities. We have a systematic approach for hazard analysis, proactive implementation of mitigating measures and identification of root causes for process safety incidents. Safety is also continuously improved through our investment programmes where new technology is implemented and through R&D development of new processes. Inherent safety is a primary goal through design and development of processes.

Borregaard's current quantitative risk analysis shows a significant improvement in risk overviews associated with third parties. Independent expertise has carried out extensive risk assessments in accordance with guidelines from the Norwegian Directorate for Civil Protection (DSB). Based on this work and recommendations from DSB, the municipality has established a consideration zone for the area surrounding Borregaard's operations in Sarpsborg. We therefore expect the long-term development of the area surrounding the plant to be harmonised in line with the expectations of Seveso III.

Fire prevention is an important area within process and public safety. We report all our near fires and fires in our deviation report system, and the root cause of all fires is investigated.

Borregaard's biorefinery in Norway has an ongoing programme to modernise the fire protection system. The site is regularly inspected by independent fire protection experts through our property and business-interruption programme.

All storage tanks, with some minor exceptions of low-risk storage tanks, are now in compliance with the Norwegian Tank Regulations³⁴ and they are equipped with physical barriers for the collection of chemicals.

Borregaard has procedures to ensure that all new chemicals subject to labelling requirements are assessed for possible substitution by a dedicated committee. The existing portfolio of chemicals is also subject to a periodic substitution review. During planning and development of new processes and products, substances are carefully evaluated in terms of inherent safety.

DEVELOPMENT IN 2021

SO₂ is an important input chemical in our production processes at the biorefinery in Norway and cannot be replaced by other chemicals. Risk analysis shows that a large discharge may have severe consequences for third parties, especially from the storage of liquid SO₂. To eliminate the purchase, transport, storage and use of liquid SO₂, Borregaard installed a new sulphur burner plant and a high-tech SO₂ purification facility in 2021.

This will reduce the total amount of SO₂ gas inside the plant by 60 percent. Process safety was further improved by a major upgrade of the chlor-alkali plant.

In 2021, there were 3 (5) fires with low consequence to both environment and organisation.

THE WAY FORWARD

We will continue to improve process safety by systematic identification of risk and implementation of measures aimed at mitigating risk. A process safety training programme for operators, to increase awareness of important safety barriers and their operational control, is scheduled for 2022.

³⁴ Norwegian Pollution Regulations, Chapter 18

C

CARE FOR PEOPLE AND COMPETENCE DEVELOPMENT



A sound corporate culture provides a vital basis for developing a specialised company and strengthening our business model. Borregaard's culture and value document, The Borregaard Way, highlights our competence and its further development as one of our main competitive advantages. In this context, diversity is highly valued as a factor for attracting people with different backgrounds, skills and competencies. We believe that equal opportunities are important to capitalise on our employees' resources and skills, and that a safe and healthy working environment is a key factor in a sustainable organisation.

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. Communities around Borregaard's production units see significant ripple effects from suppliers and other activities.

As of 31 December 2021, Borregaard employed 1,072 (1,091) FTEs in plants and sales offices in 13 countries. The Group has production units in Norway, the UK, Germany, the Czech Republic and the US.

SAFE AND HEALTHY WORKING ENVIRONMENT



A safe and healthy working environment is a prerequisite for attracting and retaining motivated and highly skilled people. Companies with high performance within health and safety, often show strong performance in other areas. Borregaard's ambition is to promote a safety culture that results in no injuries to employees or third parties. This is achieved through risk management, systematic efforts to prevent injuries and occupational diseases, both physical and mental, and the involvement of all employees. Safety is an integral component of all aspects of Borregaard's operations through a proactive approach that involves safe job analyses, safety barriers, training and the overall principle of "safety first". Our policy for health and safety guides our priorities³⁵.

Borregaard strives to ensure that our working conditions are a positive contribution to the health of our employees by providing a good, inclusive working environment with meaningful tasks, support and feedback from colleagues and managers.

KEY NUMBERS

- Lost time injury (LTI) for Borregaard Group = 1
- Lost time injury (LTI) for Borregaard in Norway = 0
- Number of high-consequence work-related injuries = 0
- Total recordable injury frequency (TRIF) for Borregaard Group = 3.5

A complete list of reported GRI indicators is shown from page 78

KEY TARGET IN 2021 AND RESULT

Target: TRIF Borregaard Group = 0

Result: 3.5

Target: Sick Leave rate: 3.5%

Result: 3.7%

KEY TARGET FOR 2022

- Sick leave rate: 3.5%
- TRIF Borregaard Group = 0

LONG-TERM TARGET

- Sick leave rate: 3.0%
- TRIF Borregaard Group = 0

³⁵ borregaard.com/sustainability/corporate-responsibility/borregaard-s-business-policies/policy-environment-climate-health-and-safety-engagement/

HOW WE WORK

All employees are encouraged to report safety incidents and unsafe conditions in a dedicated reporting system which is open and available to the whole organisation. The Group has a systematic procedure for investigating the root causes of incidents before corrective and preventive measures are implemented. This provides valuable input for the risk assessment process and documents the lessons learned. Historically, exposure to chemicals has been the main category of injuries, but systematic efforts over many years through training and safety management are now showing results.

At our site in Norway, we hold biweekly safety meetings where the management and employee representatives address various safety issues. We will continue to increase our awareness of risk from inattention and stress to prevent injuries from slips, trips and falls due to different conditions such as slippery, wet or greasy floors, uneven walking surfaces and poor housekeeping. This systematic approach is critical for improving the individual's understanding of risk and involves the entire organisation.

Borregaard's manufacturing plants outside Norway have established local EHS/Zero Harm organisations which include and engage all employees. An EHS leadership team consisting of all managing directors and safety professionals is leading the safety work together with the EHS manager for each plant.

The health of our employees is regularly monitored through medical examinations and working environment surveys. The working environment is generally considered to be good, and efforts are continually being made to improve it through various measures.

Borregaard has introduced both preventive activities and initiatives to reduce stressful aspects of working conditions. 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, physical/mental 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.



Reduction of TRIF (total recordable injury frequency per million hours worked) from 2013 to 2021 (16.7 to 3.5) for Borregaard Group.

The precautionary principle is fundamental and personal protective equipment is compulsory when a risk of exposure exists. Therefore, we implement measures to reduce or eliminate substances that may have a negative impact on health. In 2018, the Norwegian authorities introduced a new threshold value for SO₂ in the workplace atmosphere. Complying with the requirements is demanding and we have therefore reinforced our action plan for reducing concentrations of SO₂ in the working environment.

Care for people during a pandemic

Borregaard has established a contingency organisation to deal with challenges related to the COVID-19 situation and to coordinate measures and information in our global organisation. Group and Sarpsborg site task forces have been active since March 2020, as well as local task force organisations at the units outside Norway. We have coordinated measures with governmental bodies and employer and employee's organisations. In addition to national and local governmental measures, Borregaard has established guidelines and measures regarding use of home offices, hygiene measures, travel approvals and entry restrictions for foreign personnel on assignments.

In 2021, we had some cases of infections at Borregaard's operations, of which the majority was infected outside the workplace. As a result of strict distancing and other infection control measures, very few employees were infected at work.

DEVELOPMENTS IN 2021

The long-term positive trend within recordable injuries continued in 2021. For the first time, we achieved a full year of zero lost time injuries at the site in Norway. We had 1 lost time injury at Borregaard USA where a maintenance employee's arm was struck by an object which resulted in 12 days of absence. The total number of recordable injuries decreased from 10 in 2020 to 7 in 2021.

There were 3 incidents leading up to 3 lost time injuries among our contractors; a maintenance operator was cut in the thigh by an angle grinder, a driver fell and broke his arm during loading and a maintenance operator got cuts and eye damage during an explosion of a wheelbarrow tire. In general, we see the same types of work-related injuries for both employees and contractors.

With the aim of providing information, training and follow-up of external workers' fulfilment of safety instructions, safety among external workers has become a particular priority in 2021. All external workers and visitors completed

e-learning regarding all relevant safety risks before obtaining permission to enter the production site in Norway.

In 2021, we held several webinars for managers and employees working from home during the pandemic. The focus of these webinars was on effective work techniques and handling stress. Furthermore, the webinars dealt with ergonomics to avoid any musculoskeletal disorders.

THE WAY FORWARD

In order to achieve the target of zero total recordable injury frequency (TRIF), we will maintain a motivated and proactive organisation with a high degree of awareness of our responsibility to mitigate risk. Reporting, analysing underlying causes, implementing measures regarding near accidents and hazardous situations, as well as frequent inspections at the facilities, will continue in 2022. We will emphasise lifesaving rules while maintaining a strong safety culture and increasing the understanding of risk.

Borregaard particularly focuses on sick leave and has an ambitious long-term goal of reducing sick leave down to 3%. We will continue concentrating on appropriate measures within health promotion and workplace prevention, in close cooperation with employee representatives. To prevent the spread of infection during the pandemic, several employees have been working from home. We are now in the process of evaluating our employees' experiences to find the best use of flexible working and office solutions in the future. The total sickleave in 2021 was relatively stable despite of the pandemic.

COMPETENCE DEVELOPMENT AND A CORPORATE CULTURE THAT SUPPORTS OUR GOALS AND STRATEGY



High competence is one of the key elements in Borregaard's specialisation strategy. The combination of unique competences in sales and marketing, R&D and production drives the specialisation strategy and differentiates Borregaard from our competitors.

Borregaard has developed a strong corporate culture over many years, which helps create a common mindset, core values and an understanding of the business across functions, business areas and geographical boundaries. A sound corporate culture that supports our objectives and strategies is vital for the development of the company,

and our employees, and is therefore regarded as material in Borregaard's stakeholder and materiality analysis. Our culture and values document, The Borregaard Way³⁶, plays an important role in the various introduction and development programmes. This document focuses on our core values: Sustainability, long-term perspective and integrity. We want our corporate culture to be influenced by market orientation, innovation and our ability to change. An integral part of The Borregaard Way is also our leadership principles, where expectations and guidelines for executing leadership in Borregaard are outlined.

KEY NUMBERS

- 48 apprentices of which 24 new apprentices were onboarded in 2021 (Norway)
- 15 apprentices were hired permanently after completing their mandatory training period
- 2 new trainees were hired in 2021, in total 4 trainees participated in Borregaard's trainee programme
- Borregaard onboarded 84 new employees in 2021
- Total employee turnover was 8.3% in 2021, of which 3.6% points were voluntary turnover
- Borregaard received the regional award 'Home-Work-Home Company of the Year 2021'

KEY TARGET AND RESULTS 2021:

Target: Implement Borregaard's leadership principles and Employee Value proposition

Result: Achieved

KEY TARGET FOR 2022:

- Conduct sustainability training for all employees
- Run 6 competence academies
- Employee engagement survey participation rate: 90%
- Voluntary turnover: Less than 3.5%
- Annual appraisal review: 85%

The main GRI indicators is shown from page 78, the other indicator is in the HR file³⁷

HOW WE WORK

Competence development

As a competence driven company, Borregaard makes substantial investments in training and competence development, both within our areas of core competence and our corporate culture.

Since Borregaard's production processes are complex and involve a high degree of integration, significant importance is attached to knowledge and competence in the areas of production and biorefining. The Borregaard production academy is an important competence programme to support our corporate values and drive continuous improvement. The programme contains subjects such as leadership, culture and lean tools to enhance a joint approach and understanding of how to drive continuous improvement at Borregaard. We arrange extensive training programmes for our operators and apprentices and conduct internal training programmes in all areas of core competence.

Borregaard also conducts competence development programmes for sales personnel such as a sales and application academies, as well as biannual conferences for employees within innovation.

Individual development

Annual appraisal dialogues are held between managers and employees. The appraisal covers topics such as expectations, feedback, development, and overall performance. Individual development plans are followed up by the manager. The overall input from the appraisal dialogue concerning career and competence development is summarised and discussed in an annual management audit where it is used as a basis for internal mobility, development measures and nomination for competence development programmes.

Borregaard underlines the importance of creating an internal job market and favours a high degree of job rotation and internal recruitment to fill vacancies. This model also creates career opportunities for our employees. There were several examples of internal recruitment between divisions and business areas in 2021. This is a crucial element in strengthening the competence and understanding of the totality in the company, in addition to enhancing innovation and continuous improvement.

Collaboration

We value the commitment and initiative of all our employees and emphasise good collaboration between management, employees and their representatives.

87% of Borregaard's employees work in units that have collective bargaining agreements with unions.

Recruitment and sponsorships

Based on the current age composition of the workforce, Borregaard's biorefinery in Norway will experience a growing need for qualified employees in years to come.

³⁶ The Borregaard Way is published at borregaard.com/sustainability/the-borregaard-way/

³⁷ The HR file is published on borregaard.com/sustainability/sustainability-documentation

To meet these challenges, Borregaard has recruitment activities and school programmes to encourage interest in an industrial career and relevant qualifications. One example is our collaboration with Borg Upper Secondary School in Sarpsborg, with the aim to create Norway's best education within process chemistry at operator level.

In 2021, Borregaard contributed around 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. Our sponsorship strategy has two main pillars. The first pillar covers cultural and sports experiences and activities that help make the city and region more attractive. This will again contribute to easier recruitment and retainment of employees.

The other pillar 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. This is illustrated by our support and cooperation with different educational institutions such as Inspiria Science Centre, the Young Entrepreneurship scheme and the company's own Knowledge Plant.

Borregaard works closely with schools and educational institutions. We have established our own Knowledge Plant which functions as both an inhouse training centre and as a showroom and venue for school visits. This offers educational programmes that tie in with schools' curricula, using examples taken from the company. Every year, the Knowledge Plant receives visits from students taking part in educational programmes combining technical training, career advice and a company presentation. From having 1,879 visiting students in 2019, measures related to COVID-19 reduced the number of visitors to 435 in 2020 and 40 in 2021.

We also contribute to a University Educated Teacher II scheme in chemistry for upper secondary schools in Viken County, where researchers from Borregaard have created a company related teaching plan in chemistry. Every year, students from several higher education institutions 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.

Low turnover

Our strong corporate culture with common core values and a strong focus on competence development, results

in satisfied employees and a generally low turnover at all Borregaard units.

DEVELOPMENTS IN 2021

In 2021, we conducted a digital introduction programme for 25 new employees from our units worldwide and provided new employees with an introduction to Borregaard's strategy, corporate governance, culture and values.

We focused on e-learning and implemented several new training programmes in 2021:

- Intellectual Property, mandatory for all employees
- Process security for production operators at the plant in Sarpsborg
- Cyber security, mandatory for all employees

We also arranged a production academy, with 20 participants from production, R&D and corporate functions.

In 2021, we hired two new trainees for Borregaard's trainee programme. In total, there are four trainees rotating between different functions within sales and marketing, R&D and finance.

Our leadership principles were revised during 2020, and in 2021, Borregaard conducted a new leadership training programme for 20 participants based on these.

In 2021, Borregaard implemented a pay and career development tool to ensure equal pay and develop career paths. The IT and R&D department in Norway were used as pilot departments. Implementation across the Borregaard Group will take place in 2022.

In 2021, 844 employees had an appraisal dialogue with their manager. Furthermore, 110 employees above the age of 60 in Sarpsborg had a separate senior dialogue with their manager. The purpose of the senior dialogue is to ensure retention, discuss competence development and the possible need for adjustments in the current work situation.

Digitalisation is an important part of Borregaard's improvement efforts. In 2021, we performed a feasibility study to define a strategy and develop a road map for digitalisation across business and production processes. Numerous digital opportunities were identified and evaluated based on costs and benefits. The opportunities have been prioritised and the implementation of selected projects within data driven insight and operational excellence has started. In parallel, necessary technical enablers will be put in place. Borregaard's digitalisation competence has been strengthened through recruitment and competence development.

In 2020, Borregaard qualified for the regional programme 'Home-Work-Home', an initiative run by the local county aiming to reduce the use of cars between home and work. So far, about 100 Borregaard employees bought or leased e-bikes on payroll deduction, and almost 100 employees bought subsidised tickets for public transport. Borregaard was awarded 'Home-Work-Home Company of the Year 2021' for working systematically to increase the proportion of cyclists, pedestrians or public transport users amongst our employees by mobility measures and activities. The programme will continue with new initiatives during 2022.

THE WAY FORWARD

An important tool for competence building is Borregaard's e-learning platform. We will continue to expand the number of new e-learning programmes to support our competence

strategy. Borregaard has developed an e-learning programme on sustainability to increase awareness around one of Borregaard's strategic priorities among all employees. This e-learning programme will be conducted during 2022. We will also run an update of existing compliance trainings concerning anti-corruption and Code of Conduct.

In 2022, we will continue training in revised leadership principles for managers, webinars on different leadership topics and conducting the Borregaard Management programme. We will maintain our strong focus on strengthening the organisation through diversity and inclusion in our recruitment and employer branding activities.



DIVERSITY AND EQUAL OPPORTUNITIES



In line with our integrity and sustainability values, Borregaard aims to enhance diversity among our employees. We are committed to avoiding discrimination based on gender, sexual orientation, ethnicity, religion or age. Diversity is a positive factor that gives a variety of inputs and views in the internal discussions and processes. We believe that an amplification of diversity, based on cultures, gender, age and different backgrounds will result in a sound and productive working environment with high motivation and low sick leave.

KEY NUMBERS

- 28 different nationalities
- 25% proportion of female employees
- Pay ratio CEO/Median 6.6 to 1

KEY TARGET IN 2021 AND RESULT

Target: Minimum 35% of new hires to be female employees

Result: 31%

Target: Establish new recruitment and employer branding strategy/guidelines

Result: Achieved

TARGET 2022

- Implementation and training with focus on unbiased recruitment
- Minimum 35% new hires to be female employees

LONG-TERM TARGET

- Minimum 35% of female employees

The main GRI indicators is shown from page 78, the other indicator is in the HR file³⁸

HOW WE WORK

Equality and diversity are about exercising corporate responsibility, acting in a transparent, honest and predictable way, being respectful of individuals and cultures and upholding our own integrity.

Borregaard has specific guidelines for diversity and equal opportunities. Matters regarding equality, diversity and discrimination are addressed in Borregaard's culture

and values document The Borregaard Way. The topic is also addressed in further detail in the company's Code of Conduct and other governing documents, such as Supplier Code of Conduct which addresses our expectations and follow-up of suppliers.

We have implemented initiatives aimed at promoting the recruitment of female managers and employees.

Borregaard aims to increase the share of female employees and our goal is that 35% of new hires should be women. However, the industry and education institutions that we recruit from are dominated by male candidates, which makes this goal quite ambitious. We deliberately nominate a high proportion of women in management and technical programmes, as well as in the company's recruitment base. We have also implemented policies and guidelines for adapting working hours and conditions for employees in different phases of their careers. The lowest proportion of women is in production, while the proportion of women in R&D, customer service, HR and finance is above 50%. Borregaard has gender-neutral guidelines and pay systems that provide equal pay for equal work. We have the same working hours for men and women and the degree of part-time employment is low. Borregaard has a policy to promote equality and to ensure that there are no differences in pay based on gender, age or ethnicity. The ratio of base salary and payment of women to men at Borregaard in Norway is 102% (women: NOK 682 012/men: NOK 670 733). The base salary is fixed salary + fixed additions to the salary such as for instance shift pay. As part of legal requirements from Norwegian authorities Borregaard has evaluated all Norwegian positions regarding equal pay related to gender. The result is published in a separate Diversity and equality report that can be found at our web pages. The pay ratio (base salary) between the CEO and the median Borregaard employee in Norway was approximately 6.6 to 1 in 2021.

Borregaard is a global organisation with people of 28 different nationalities. We have experienced that employing people with diverse ethnic and cultural backgrounds is both a strength and a resource within the organisation. The diversity of nationalities also affects how the Group's training programmes are put together and staffed. Borregaard in Norway has joined networks for enabling job training for people who, for various reasons, have difficulties entering the job market.

³⁸ The HR file is published on borregaard.com/sustainability/sustainability-documentation

DEVELOPMENTS IN 2021

In 2021, Borregaard published a report on our work on diversity, equality and anti-discrimination³⁹. The report is in accordance with Norwegian legislation and contains different facts, risk assessment and measures to avoid any form of discrimination or other obstacles to equality and diversity. During the year, we increased our focus on these measures and implemented a career and pay tool for objective pay determination and development opportunities for parts of the organisation.

SUSTAINABLE SOURCING



As procurement makes up a substantial part of our budget and is a vital input in our production, sustainable sourcing is regarded as a material topic for Borregaard. What we procure, who we procure from and the requirements and standards we set for our suppliers impact the economy, environment, and society. Consequently, sourcing of our goods and services and supplier interaction must be conducted in a proper manner, taking all three pillars of sustainability: People, Planet and Profit, into account.

HOW WE WORK

Borregaard's corporate culture, as well as our values on integrity and sustainability, contribute to standards and objectives for sound business ethics throughout the value chain. Our commitment to sustainable sourcing is embedded in our top governing documents. Guidelines and policies are implemented to regulate activity and help employees cultivate good relationships and sound business practices. Social, environmental and economic factors are integrated into the sourcing decisions and the assessment of suppliers.

We comply with, and we expect our suppliers to comply with, accepted levels of ethical and responsible practices in areas such as labour and human rights, environment and anti-corruption. Risk is mitigated and harm is avoided by meeting established principles and specific compliance criteria, which are published and transparent.

Furthermore, we consider any significant actual and potential negative social and environmental impacts by the supplier and their supply chain. In case of significant actual and potential impacts, we use our purchasing power and

THE WAY FORWARD

At the end of 2021, a global employee engagement survey was sent out to all employees in the Borregaard Group. The survey included questions regarding diversity and inclusion, and the results will be analysed and followed up in 2022. Borregaard has updated its recruitment and employer branding policy with increased focus on diversity, inclusion and unbiased recruitment. The revised policy will be communicated and implemented in 2022, with training for hiring managers.

KEY NUMBERS

- Borregaard Group has 3,000 suppliers
- 3% of the suppliers account for 53% of total spend
- 88% of the suppliers have signed the Supplier Code of Conduct, non-critical suppliers excluded
- 86% of the suppliers have been assessed with respect to responsible sourcing, non-critical suppliers excluded

KEY TARGET 2021 AND RESULT

Target: All new suppliers subject to approval in accordance with established policies and procedures

Result: 95% of all new suppliers at Borregaard Group have signed the Supplier Code of Conduct and been assessed with respect to responsible sourcing, non-critical suppliers excluded. 100% of the suppliers for the biorefinery in Norway have signed the Supplier Code of Conduct and been screened using social and environmental criteria

Target: Five supplier audits

Result: Achieved, six supplier audits

KEY TARGETS 2022

- All new suppliers shall sign the Supplier Code of Conduct and be assessed with respect to responsible sourcing (Borregaard Group)
- Reassess the existing supplier portfolio with respect to responsible sourcing, identify suppliers where action is required and initiate appropriate actions
- Implement improved supplier assessment tools
- Conduct 11 supplier audits

³⁹ borregaard.com/sustainability/sustainability-documentation

estimate the possibility to influence the supplier's business standard for the better. In severe cases and/or where the supplier shows no efforts to improve, the alternative would be to end the relationship with the supplier.

In 2021, the estimated monetary value of payments made to suppliers (spend) was approximately NOK 4,1 billion. We sourced from 3,000 suppliers from 44 different countries. 80% of the sourcing was from Europe, 16% from the US and Canada and the remaining 4% distributed throughout Asia, Americas, Australia and Africa. Out of the 3,000 suppliers, 500 have a spend exceeding NOK 1 million. 85 suppliers are defined as bottleneck or strategic suppliers.

More than 79% of spend is by the biorefinery in Sarpsborg, out of which 57% is direct spend (energy and raw materials) and logistics. Out of the 3,000 suppliers 70 % of spend originated from Norway, Sweden and Germany.

Social impacts

Sedex has conducted an advanced assessment of our Suppliers. Less than 0.5% of the suppliers belonged to the high-risk group, while 94% were in the low-risk group.

22 suppliers were identified as having significant actual and potential negative social impacts. In 2021, we conducted business with three out of the 22, including two with spend above NOK 1 million, which have been subject to additional risk assessment (Sarpsborg, Norway). No necessary changes were identified as a result of the additional risk assessment. Since the initial advanced risk assessment was completed, relationships have been terminated with 86% of the identified suppliers, since their products/services were no longer required. No significant actual and potential negative social impacts have been identified in the supply chain.

Environmental impacts

Out of the 3,000 supplier assessed, 250 suppliers have been identified as having significant actual and potential negative environmental impacts. These are suppliers of transportation services, chemicals and wood. Improvements were agreed with 14% of the identified suppliers as a result of the assessment. At the same time, it has not been deemed necessary to terminate relationships with any of the identified suppliers.

DEVELOPMENTS IN 2021

In 2021, our focus has been on improving internal and external data collection and engagement with our suppliers, through both existing and new communication channels. We have sharpened our requirements and how

we evaluate the responses in the Requests for Quotations (RFQ). Our SCoC⁴⁰ has been updated to include more details, better reference to international principles and information about Borregaard's whistleblowing channel.

Further, the SCoC has been translated into Chinese, Norwegian, Polish, Portuguese, and Spanish. We have established an e-learning tool in which we communicate Borregaard's sustainability approach and expectations to our suppliers.

In cooperation with external resources, we are developing a tool to collect more detailed supplier data in a more efficient and automated way. The purpose is to make data-driven decisions on innovation and sustainability, and measure and track CO₂ emissions. A web-based solution for supplier interaction is also in process.

We are in the process of establishing a tool for efficient gathering of global company information with respect to supplier information and performance. At the end of 2021, we selected EcoVadis⁴¹ as a partner and tool to assess and monitor our supplier base.

Borregaard held membership both as a supplier and purchaser in Sedex⁴² until 31 December 2021, before subscribing to EcoVadis from March 2022. EcoVadis enables us to manage our networks both upstream and downstream by sharing our performance within the topics Environment, Labour and Human Rights, Sustainable Procurement and Ethics with our stakeholders, as well as monitoring the performance of our own upstream value chain. In 2021, Borregaard earned a gold rating among the top 6% companies represented in the database. Borregaard scored particularly high within Environment, Labour and Human Rights.

THE WAY FORWARD

In 2022, we will continue improving our supplier data collection to enable good data-driven decisions and priorities for our sustainability approach. We will continue the implementation of the tools described above and by these reassess our supply base for ethical, social and environmental risk and opportunities together with EcoVadis. Sustainability training of our employees will continue, as well as supplier engagement through Borregaard's e-learning tool. We will continue being transparent in our sustainability work by reporting our progress on sustainable procurement regularly and publicly. In 2022, we will include public disclosure of grievances logged and actions taken in our reporting. In Norway, the Act relating to enterprises' transparency and

⁴⁰ The supplier Code of Conduct is published at borregaard.com/sustainability/corporate-responsibility/borregaard-s-business-policies/code-of-conduct/

⁴¹ <https://www.ecovadis.com/>

⁴² www.sedex.com/about-us/

work on fundamental human rights and decent working conditions (Transparency Act) will enter into force on 01.07.2022. Going forward, we will ensure that our policies and how we work are in line with the Transparency Act. Due to already well-established routines, criteria and processes, we expect that diligence of our supply chain in accordance with the Transparency Act will be relatively easy to achieve.

BUSINESS ETHICS AND ANTI-CORRUPTION



Borregaard's corporate culture, as well as our values within integrity and sustainability include standards and objectives for sound business ethics. A sound business practice honouring integrity and high ethical standards, is important to gain trust and maintain our reputation in relations with employees, suppliers, customers, governmental bodies and other stakeholders.

KEY NUMBERS

- All new employees trained in Code of Conduct and anti-corruption
- 0 reported cases in violations of anti-corruption and competition regulations

TARGETS 2022

- Implementation of new third-party whistleblowing system
- Conduct training within Code of Conduct and anti-corruption

The main GRI indicators is shown from page 78, the other indicator is in the HR file⁴³

HOW WE WORK

Based on an assessment of risk, materiality and relevance, Borregaard focuses its work through anchoring of relevant topics in value documents. We have established manuals and more specific guidelines for different areas such as anti-corruption, competition legislation, responsible sourcing, environment, health and safety and human rights⁴⁴.

Borregaard has recently renewed its interactive e-learning programmes for anti-corruption and ethical guidelines that combine knowledge with dilemma training. The programmes also ensure documentation of who has reviewed the programme.

The ethical guidelines were revised in 2019 in a process that involved many parts of the organisation, including the unions. The guidelines were implemented by e-learning which was completed by all employees in 2020.

DEVELOPMENTS IN 2021

Borregaard has established guidelines on whistleblowing, how expressions of concerns are handled and which channels can be used for addressing concern⁴⁵.

These guidelines are translated into relevant languages and distributed to the company's units worldwide. In addition, a new system for external and internal whistleblowing has been evaluated and concluded and will be implemented.

For new employees, code of conduct, anti-corruption and other relevant topics were included in digital introduction programmes in 2021.

THE WAY FORWARD

In 2022, we will run e-training within anti-corruption and code of conduct. New employees in relevant positions must go through the programme upon employment.

In 2022, Borregaard will implement a new third-party whistleblowing system for both external and internal alerts, which also allows the whistle-blowers to be anonymous. (see page 26 Corporate Governance).

⁴³ The HR file is published on borregaard.com/sustainability/sustainability-documentation

⁴⁴ borregaard.com/sustainability/corporate-responsibility/borregaard-s-business-policies

⁴⁵ borregaard.com/sustainability/corporate-responsibility/borregaard-s-business-policies/competition-law-compliance-manual/

HUMAN RIGHTS



Respecting and maintaining human rights is a means to both human well-being and gaining trust. It is of vital importance that both our own employees and the different people we interact with our value chain can work efficiently and without human rights limitations.

Borregaard strives to prevent all forms of human rights violations. An important element in 'The Borregaard Way' and the 'Code of Conduct' is to respect human rights and operate in a way that avoids violations of human rights. We are responsible for our own operations, but the duty to respect human rights also applies to our relations with business partners, suppliers, customers, and others who are influenced by our company activities.

KEY NUMBERS

- 0 reported cases of violation of human rights in Borregaard Group
- 0 reported cases of violations of human rights in our value chain

KEY TARGET 2021 AND RESULTS

Target: 0 violations on human rights.

Result: Achieved

TARGET 2022

- 0 cases on violations of human rights
- Report according to the new Transparency Act
- Implement new third-party whistleblowing system for both external and internal people

HOW WE WORK

Minimum safeguards

Borregaard meets the minimum safeguards as stated in our human rights policy, which secure alignment with UN's Universal Declaration of Human Rights⁴⁶ and the ILO's Declaration on Fundamental Principles and Rights at Work⁴⁷ and OECD Guidelines on Multinational Enterprises⁴⁸.

Risk assessments

Borregaard conducts annual risk assessments, raise awareness and evaluate different issues that could violate human rights.

In 2020, we conducted an internal survey concerning human rights awareness. A group of 110 employees, representing different functions in Borregaard, were asked if they had experienced any violations of human rights, internally or by suppliers. The overall feedback is that human rights are well taken care of at Borregaard. The survey showed that our whistleblowing procedures are not well known to everyone in the company. Consequently, measures to improve these matters will be implemented.

DEVELOPMENTS IN 2021

Our first Human Rights Report⁴⁹ was published in 2020 to increase transparency around procedures, risks, training and cases related to the topic. An updated report was published in 2021. The reviewed risk assessment did not raise any new concerns or topics.

A new whistleblowing system has been evaluated.

THE WAY FORWARD

From December 2021 to January 2022, Borregaard conducted an employee engagement survey in which some of the questions were related to human rights elements. The survey will be followed up to improve or maintain positive working conditions. In 2022, we will implement an anonymous whistleblowing channel for externals as an additional measure to deal with possible violations of human rights.

From the summer of 2022, a new Norwegian law on business openness and work with basic human rights and decent working conditions (Norwegian Transparency Act) will be introduced. The law requires that large companies, such as Borregaard, carry out due diligence assessments of their own business and of the supply chain, and that the company account for its activities in this area. In 2022, we will make even further adjustments in order to report according to the new Transparency Act.

⁴⁶ International Declaration of Human Rights, <http://www.un.org/en/documents/udhr/>

⁴⁷ International Labour Organisation (ILO), Declaration on Fundamental Principles and Rights at Work, <http://www.ilo.org/declaration/lang--en/index.htm>

⁴⁸ <https://www.oecd.org/corporate/mne/48004323.pdf>

⁴⁹ The human rights report is published at borregaard.com/sustainability/sustainability-documentation

REPORTING STANDARDS

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. A GRI Index is available at borregaard.com. The sustainability report should be read in conjunction with the GRI index, to get an overview of the full extent of the report. We also use recommendations from the Task Force on Climate-related Financial Disclosures in our report.

Borregaard participates in external schemes that contribute to tighter control, improvements and inspiration for a systematic way of working, as well as issues and topics relating to corporate responsibility and sustainable development and operation. We have committed to the

Responsible Care guidelines and objectives, which are part of the European chemical industry's environmental responsibility initiative. Borregaard is a member of the UN Global Compact and through this supports universal principles on human rights, labour, the environment and anti-corruption. Borregaard also reports progress in line with the Global Compact. We view this report as our Communication on Progress to the UN Global Compact (advanced reporting level).

Borregaard is certified in accordance with several standards. Read more at borregaard.com/company/certifications



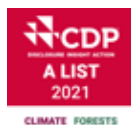
SUSTAINABILITY DOCUMENTATION FOR THE ANNUAL REPORT
 (for references see borregaard.com/sustainability/sustainability-documentation/)

ANNUAL REPORT									
REPORT OF THE BOARD OF DIRECTORS			CORPORATE GOVERNANCE REPORT				SUSTAINABILITY REPORT		
Management Approach	GRI index	TCFD report	Scope 3 report	Scenario analysis	Taxonomy report	Compliance report	Human Rights report	Equality & Inclusion report	Management remuneration report
Describes how management works with sustainability and governmental issues, including "Stakeholder analysis" and is based on the GRI standard.	The index gives an overview of reporting elements according to the GRI index and structure	The report is based on "The Task Force on Climate-Related Financial Disclosure" (TCFD) standardised reporting structure of financially material climate-related risks and opportunities.	Issued by Norsus and describes how Scope 3 emissions are calculated; aligned with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard	The analysis (2030-2050) is performed by CEMAsys and aligned with TCFD's recommendations.	The Taxonomy guidelines are not fully disclosed and decided. This report gives an overview of Borregaard's approach and reporting status as of 2021.	Describes how Borregaard works systematically with compliance related issues, including priority areas with plans, measures and results.	Describes risks and focus areas for Borregaard's work with human rights related issues.	Describes how Borregaard works to secure equality and inclusion in the company, including equal pay for equal work. The report is aligned with requirements of Norwegian laws.	Describes the executive management's financial compensation, including alignment with the policy decided by the Annual Meeting.



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

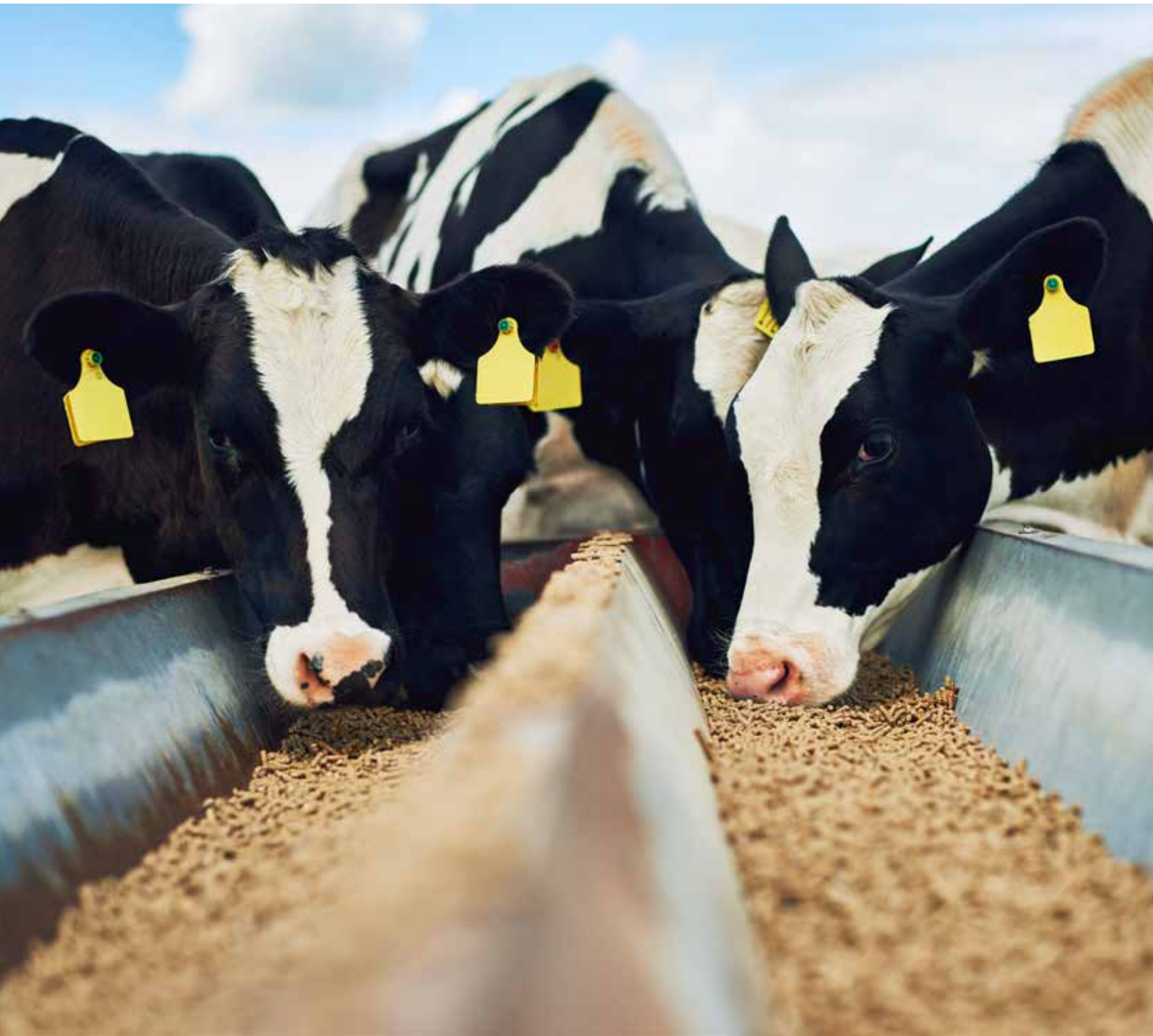


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NOTE GRI NUMBERS CHAPTER B

GRI ref	GRI Indicators for climate impact and emissions to air	Unit	2021	2020	2019
302	Energy				
302-1	Total Energy consumption	GWh	1,762	1,731	1,732
302-1	Renewable part of total energy consumption	GWh	1,040	1,108	1,039
302-1	Amount of Heat energy consumption of total energy consumption	GWh	1,234	1,193	1,204
302-1	Amount of Electricity consumption of total energy consumption	GWh	529	537	528
302-3	Heat energy consumption at Borregaard Norway (total) per air dried tonne (TAD) of cellulose	GJ/TAD cellulose	21.9	20.9	21.9
305	Emissions				
305-1	Direct (Scope 1) GHG emissions	t CO ₂ e	153,285	130,945	141,616
305-1	Direct (Scope 1) biogenic CO ₂ emissions	t CO ₂ e	150,748	139,657	131,683
C,S	GHG emissions within EU-ETS system	t CO ₂ e	137,579	118,200	125,135
305-2	Energy indirect (Scope 2) GHG emissions, location based	t CO ₂ e	64,818	65,414	62,126
305-2	Energy indirect (Scope 2) biogenic CO ₂ emissions	t CO ₂ e	70,214	72,159	74,600
305-3	Other Indirect (Scope 3) GHG emissions	t CO ₂ e	364,245	344,612	327,751
305-3	Biogenic CO ₂ (Scope 3)	t CO ₂ e	1,026,394	970,695	1,145,214
305-4	Direct and indirect GHG emission (scope 1 & scope 2) per mNOK revenue	tCO ₂ e/mNOK	37.6	36.9	40.2
305-4	Direct and indirect GHG emission (scope 1 & scope 2) per GWh energy consumption	tCO ₂ e/GWh	124	113	118
305-5	Reduction of direct GHG emissions (total scope 1) from base year (2009)	t CO ₂ e	71,713	94,053	83,382
305-5	Reduction of GHG emissions (total scope 1 & 2) from base year (2009)	t CO ₂ e	80,240	101,985	94,602
305-5	Reduction of direct GHG emissions (total scope 1) from base year (2009)	%	32	42	37
305-5	Reduction of GHG emissions (total scope 1 & 2) from base year (2009)	%	27	34	32
305-7	Emissions of SO ₂	t	71	65	72
305-7	Emission of NOx	t	93	94	149
305-7	Emissions of dust particles	t	62	50	69
307	Environmental compliance				
307-1	Non-compliance with environmental laws and regulations (air)	Number	0	0	0
	GRI Indicators for water and effluents				
303	Water and Effluents				
303-3	Total water withdrawal	megaliters	57,610	55,482	55,572
303-3	Water withdrawal river Glomma, Borregaard Norway	megaliters	54,196	52,239	52,654
303-3	Water withdrawal ground water, Borregaard Norway	megaliters	0	0	0
303-3	Water withdrawal surface water other countries	megaliters	2,560	2,164	2,140
303-3	Water withdrawal ground water Florida	megaliters	149	168	192
303-4	Total water discharge	megaliters	57,299	54,272	52,874
303-4	Water discharge of cooling water river Glomma, Borregaard Norway	megaliters	36,141	34,917	36,470
303-4	Water discharge of process water river Glomma, Borregaard Norway	megaliters	18,106	17,629	16,403
C.S.	COD (organic material) in process water discharged, Borregaard Norway	t/day	55	57	55
C.S.	AOX (halogenic organic material) in process water discharged, Borregaard Norway	t/day	0.25	0.27	0.23
C.S.	Suspended solids (fibers) in process water discharged, Borregaard Norway	t/day	4.7	4.4	4.1
C.S.	Phosphor in process water discharged, Borregaard Norway	kg/day	21	20	19.6
C.S.	Nitrogen in process water discharged, Borregaard Norway	kg/day	286	321	397
C.S.	Copper in process water discharged, Borregaard Norway	kg/day	7.2	9.7	11.6
303-4	Number of incidents of non-compliance with discharge limits, short-term	Number	99	59	
303-4	Number of incidents of non-compliance with discharge limits, long-term	Number	0	0	
303-5	Total water consumption	megaliters	311	281	337
307	Environmental compliance				
307-1	Non-compliance with environmental laws and regulations (water/soil)	Number	0	0	0

GRI ref	GRI Indicators for water and effluents	Unit	2021	2020	2019
306	Waste 2021				
306-3	Total amount of waste generated	t	34,903	41,211	40,663
306-3	Non-hazardous waste generated	t	30,419	36,207	35,535
C.S	Non-hazardous waste, to recovery of materials or energy, Borregaard Norway	t	14,413	14,439	13,119
C.S	Non-hazardous waste, to landfill	t	15,329	21,249	
306-3	Hazardous waste generated	t	4,484	5,005	5,128
C.S	Hazardous waste, to recovery of materials or energy, Borregaard Norway	t	134	135	
C.S	Hazardous waste, to landfill, Borregaard Norway	t	3,552	4,186	
	GRI Indicators for process and public safety	Unit			
306	Company specific indicator				
C.S	Number of fires	Number	3	5	4
C.S	Number of near-fires	Number	8	11	12



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GRI ref	GRI Indicators for a safe and healthy working environment	Unit	2021	2020	2019
403	Occupational health and safety				
403-9	Number of fatalities as a result of work-related injury	Number	0	0	0
403-9	Rate of fatalities as a result of work-related injury per million hours worked	Rate	0	0	0
403-9	Number of high-consequence work-related injuries	Number	0	1	0
403-9	Rate of high-consequence work-related injuries per million hours worked	Rate	0	0.5	0
403-9	Number of recordable work-related injuries	Number	7	10	16
403-9	Rate of recordable work-related injuries per million hours worked	Rate	3.5	5.0	7.9
C.S	Number of lost time work-related injuries	Number	1	4	4
C.S	Rate of lost time work-related injuries per million hours worked (LTI-rate)	Rate	0.5	2.0	2.0
403-9	The numbers of hours worked	Number	1,987,809	2,000,682	2,019,604
403-9	Number of fatalities as a result of work-related injury - contractors	Number	0	0	0
403-9	Rate of fatalities as a result of work-related injury per million hours worked - contractors	Rate		0	0
403-9	Number of high-consequence work-related injuries - contractors	Number	0	0	
403-9	Rate of high-consequence work-related injuries per million hours worked - contractors	Rate	0	0	
403-9	Number of recordable work-related injuries - contractors	Number	4	2	
403-9	Rate of recordable work-related injuries per million hours worked - contractors	Rate	13.9	7.0	
403-9	The numbers of hours worked - contractors	Hours	287,247	286,940	
C.S	Sick leave	%	3,7	3,7	3,6
GRI ref	GRI Indicators for competence development and a corporate culture that supports our goals and strategies	Unit	2021	2020	2019
102	Information on employees and other workers				
102-8	Total number of employees	Number	1,099	1,103	
102-8	FTE Group	Number	1,072	1,091	
102-8	FTE Sarpsborg	Number	768	779	
102-8	FTE Rothschild, USA	Number	98	98	
102-8	FTE Fernandina Beach, USA	Number	55	60	
102-8	FTE Maxau, Germany	Number	40	41	
401	Employment				
401-1	Total turnover Group	Rate	8.3%	6.7%	
401-1	Total turnover Sarpsborg	Rate	6.1%	4.6%	
404	Training and education				
404-2	Introduction (online in 2021), Borregaard Group	Number	25	30	
404-2	Production academy	Number	20	44	
404-2	Borregaard Leadership principles programme	Number	20		
404-3	Percentage of total employees who received a regular performance and career development review (men)	%	76%		
404-3	Percentage of total employees who received a regular performance and career development review (women)	%	79%		
GRI ref	GRI indicators for diversity and equal opportunities	Unit	2021	2020	2019
405	Diversity and gender equality				
405-2	Ratio of basic salary women to men	%	102%	103%	



THE GROUP EXECUTIVE MANAGEMENT



PER A. SØRLIE

President and Chief
Executive Officer (CEO)
Born: 1957

Per A. Sørli has been with Borregaard since 1990 and was appointed President and CEO in 1999. He has served Borregaard as CFO (1990-1993) and Executive

Vice President of the Fine Chemicals division (1993-1999). Previously, Mr Sørli held positions as CFO at Bjølsen Valsemølle and Hafslund's US operations. Per A. Sørli holds a Degree in Business Administration (siviløkonom) from the Norwegian School of Economics and Business Administration in Bergen, Norway.



TOM ERIK FOSS-JACOBSEN

Executive Vice President
(EVP), BioSolutions
Born: 1969

Tom Erik Foss-Jacobsen has served as EVP BioSolutions from May 2019. Prior to that he served as EVP of Speciality Cellulose since

2007. Since joining Borregaard in 1996, he has assumed various roles in sales and marketing. Previously, Mr Foss-Jacobsen worked as a Business Development Manager EMEA at InFocus Corp and as Assistant Product Manager Soft Drinks at Borg Bryggerier. Tom Erik Foss-Jacobsen holds a Master's Degree in International Marketing and Strategy from the Norwegian Business School (BI) and a Bachelor's Degree in Civil Engineering.



GISLE LØHRE JOHANSEN

Executive Vice President
(EVP) Speciality Cellulose
and Fine Chemicals
Born: 1959

Gisle Løhre Johansen has served as Executive Vice President (EVP) Speciality Cellulose and Fine Chemicals

from May 2019. Prior to that, he served as SVP of Business Development/R&D since 2007 and EVP of Fine Chemical Intermediates since 2013. Since joining Borregaard in 1991, Mr Løhre Johansen has assumed various positions including Site Manager in Sarpsborg (1999– 2007) and Site Director of Borregaard Schweiz (2006–2007). Gisle Løhre Johansen holds a Master's Degree in Organic Chemistry from the Norwegian University of Science and Technology (NTNU) in Trondheim, Norway.



OLE GUNNAR JAKOBSEN

Plant Director of Borregaard's Sarpsborg Site (Norway)
Born: 1969

Ole Gunnar Jakobsen has served as Plant Director of Borregaard's Sarpsborg production site since 2006. Since joining Borregaard

in 1995, he has assumed various positions in production management in various plants at the site in Sarpsborg. Ole Gunnar Jakobsen holds a Bachelor's Degree in Mechanical Engineering and a Master's Degree in Process Engineering from Telemark University College (HiT) in Porsgrunn, Norway.



PER BJARNE LYNGSTAD

Chief Financial Officer (CFO)
Born: 1961

Per Bjarne Lyngstad has been with Borregaard since 1988. He was appointed CFO in 1998 and prior to that, he assumed various finance and administrative positions

in Borregaard and Borregaard USA. Per Bjarne Lyngstad has a Graduate Programme in Economics and Business Administration (siviløkonom HAE) from the Norwegian School of Economics and Business Administration in Bergen, Norway.



KRISTIN MISUND

Senior Vice President (SVP), R&D and Business development
Born: 1965

Kristin Misund has served as SVP R&D and Business development since May 2019. Since joining

Borregaard in 1993 she has assumed various positions within R&D, including 15 years as R&D Director and head of the Corporate R&D centre. Kristin Misund holds a PhD in organic chemistry from Norwegian University of Science and Technology (NTNU) in Trondheim, Norway.



LIV LONGVA

Senior Vice President (SVP), Strategic Sourcing
Born: 1969

Liv Longva has been with Borregaard since 2008. She was appointed SVP, Procurement and Strategic Sourcing in 2020. Previously

Ms Longva held positions at NATO C3 Agency, Tandberg Data and the Norwegian Armed Forces. Liv Longva holds a Master of Economics degree from the University of Oslo.



DAG ARTHUR AASBØ

Senior Vice President (SVP), Organisation and Public Affairs
Born: 1961

Dag Arthur Aasbø has been SVP of Organisation and Public Affairs since 2008. Since joining Borregaard

in 1993, he has assumed positions in Borregaard relating to communications and public affairs. Mr Aasbø also has experience as editor and in communication management roles in various organisations. Dag Arthur Aasbø holds a Bachelor's Degree in Business Administration from the Norwegian Business School (BI) and has also studied Communications/Journalism and Religion/Ethics.



SVEINUNG HEGGEN

General Counsel
Born: 1958

Sveinung Heggen was appointed General Counsel of Borregaard 1 January 2013. Before joining Borregaard, he served as attorney-at-law at Orkla

ASA, Legal Department (from 1992). Prior to that, he held different positions in the Ministry of Finance, Tax Law Department (1985-1992). Sveinung Heggen holds a Cand. Jur. Degree from the University of Oslo.





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CONSOLIDATED FINANCIAL STATEMENTS 2021

INCOME STATEMENT

Amounts in NOK million	Note	2021	2020
Sales revenues	2, 8	5,715	5,227
Other operating revenues		90	101
Operating revenues	2, 7	5,805	5,328
Cost of materials	21	-2,152	-1,921
Payroll expenses	9, 10	-1,114	-1,086
Other operating expenses	9, 11	-1,167	-1,189
Depreciation and impairment property, plant and equipment	12, 17, 18	-416	-443
Amortisation intangible assets	17	-4	-5
Other income and expenses ¹	13	-	-116
Operating profit		952	568
Finance income	14	229	521
Finance costs	14	-306	-593
Profit/loss from associate company	6, 14	-2	-
Financial items, net	14	-79	-72
Profit before taxes		873	496
Taxes	15	-213	-117
Profit for the year		660	379
Profit/loss attributable to non-controlling interests	31	-32	-57
Profit/loss attributable to owners of the parent		692	436
EBITDA ¹		1,372	1,132

EARNINGS PER SHARE

Amounts in NOK	Note	2021	2020
Earnings per share	16	6.95	4.38
Diluted earnings per share	16	6.94	4.37

STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK million	Note	2021	2020
Profit for the year		660	379
ITEMS NOT TO BE RECLASSIFIED TO PROFIT & LOSS			
Actuarial gains and losses (after tax)	10, 15	55	7
Total		55	7
ITEMS TO BE RECLASSIFIED TO PROFIT & LOSS			
Change in hedging reserve after tax (cash flow)	15, 29	86	180
Change in hedging reserve after tax (net investment in subsidiaries)	15	-9	5
Translation effects		27	-14
Translation effects joint venture	6	-2	-10
Total		102	161
Total items not to be and to be reclassified to profit & loss		157	168
The Group's comprehensive income		817	547
Profit/loss attributable to non-controlling interests	31	-28	-56
Profit attributable to owners of the parent		845	603

/ ¹ Alternative performance measures, see page 150 for definition.

STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	NOTE	31.12.2021	31.12.2020
Assets			
Intangible assets	17	89	86
Property, plant and equipment	18	4,191	3,973
Right-of-use assets	12	351	381
Deferred tax assets	15	7	15
Investments in joint venture/associate company	6	173	38
Other assets	20	332	365
Non-current assets		5,143	4,858
Inventories	21	792	887
Receivables	22	1,107	1,051
Cash and cash equivalents	23	124	207
Current assets		2,023	2,145
Total assets		7,166	7,003
Equity and liabilities			
Group equity	30	4,222	3,668
Non-controlling interests	31	84	110
Total equity		4,306	3,778
Deferred tax	15	197	167
Provisions and other liabilities	24	60	124
Interest-bearing liabilities	27	1,320	1,381
Non-current liabilities		1,577	1,672
Interest-bearing liabilities	27	224	623
Income tax payable	15	195	135
Other liabilities	25	864	795
Current liabilities		1,283	1,553
Equity and liabilities		7,166	7,003

Sarpsborg, 14 March 2022

THE BOARD OF DIRECTORS OF BORREGAARD ASA

*Signed***HELGE AASEN***Chair**Signed***TERJE ANDERSEN***Signed***TOVE ANDERSEN***Signed***MARGRETHE HAUGE***Signed***JOHN ARNE ULVAN***Signed***ARUNDEL KRISTIENSEN***Signed***RAGNHILD ANKER EIDE***Signed***PER A. SØRLIE***President and CEO*

STATEMENT OF CASH FLOW

Amounts in NOK million	Note	2021	2020
Profit/loss before taxes		873	496
Amortisation, depreciation and impairment charges		420	449
Changes in net working capital, etc.		256	-21
Dividend/share of profit from JV & associate company	6, 14	6	51
Taxes paid		-124	-89
Cash flow from operating activities		1,431	886
Investments property, plant and equipment and intangible assets*	17, 18	-556	-503
Other capital transactions		9	14
Investment in associate company	6	-145	0
Cash flow from investing activities		-692	-489
Dividends		-249	-229
Proceeds from exercise of share options/shares to employees		59	35
Buy-back of treasury shares		-118	-62
Gain/loss on hedges for net investments in subsidiaries		-14	10
Net paid to shareholders		-322	-246
Repayment of interest-bearing debt		-814	-1,703
Proceeds from interest-bearing liabilities		300	1,550
Change in interest-bearing receivables/other liabilities		-1	18
Change in net interest-bearing liabilities	27	-515	-135
Cash flow from financing activities		-837	-381
Change in cash and cash equivalents	23	-98	16
Net cash and cash equivalents as of 1 January		96	81
Change in cash and cash equivalents		-98	16
Currency effect of cash and cash equivalents		7	-1
Net cash and cash equivalents as of 31 December	23	5	96

* INVESTMENTS BY CATEGORY

Amounts in NOK million	Note	2021	2020
Replacement investments	17, 18	398	344
Expansion investments ¹ including investment in associate company	6, 17, 18	303	159
Total		701	503

The cash flow statement has been prepared according to the indirect method and reflects cash flows from operating,

investing and financing activities and explains changes in "Cash and cash equivalents" in the reporting period.

STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	Share capital (Note 30)	Share premium fund	Other paid-in equity	Retained earnings	Hedging reserve	Translation reserve	Actuarial gains/losses	Total Group equity	Non-controlling interests	Total equity
Equity 31 December 2019	100	1,346	696	1,334	-251	102	-21	3,306	158	3,464
Profit/loss for the year	-	-	-	436	-	-	-	436	-57	379
Items in other comprehensive income	-	-	-	-	185	-25	7	167	1	168
The Group's comprehensive income	-	-	-	436	185	-25	7	603	-56	547
Paid dividend	-	-	-	-229	-	-	-	-229	-	-229
Buy-back of treasury shares (Note 30)	-	-	-	-62	-	-	-	-62	-	-62
Exercise of share options (Note 9, 30)	-	-	16	-	-	-	-	16	-	16
Shares to employees (Note 9, 30)	-	-	25	-	-	-	-	25	-	25
Option costs (share-based payment)	-	-	9	-	-	-	-	9	-	9
Additions of non-controlling interests (Note 31)	-	-	-	-	-	-	-	-	8	8
Equity 31 December 2020	100	1,346	746	1,479	-66	77	-14	3,668	110	3,778
Profit/loss for the year	-	-	-	692	-	-	-	692	-32	660
Items in other comprehensive income	-	-	-	-	77	21	55	153	4	157
The Group's comprehensive income	-	-	-	692	77	21	55	845	-28	817
Paid dividend	-	-	-	-249	-	-	-	-249	-	-249
Buy-back of treasury shares (Note 30)	-	-	-	-118	-	-	-	-118	-	-118
Exercise of share options (Note 9, 30)	-	-	38	-	-	-	-	38	-	38
Shares to employees (Note 9, 30)	-	-	28	-	-	-	-	28	-	28
Option costs (share-based payment)	-	-	10	-	-	-	-	10	-	10
Additions of non-controlling interests (Note 31)	-	-	-	-	-	-	-	-	2	2
Equity 31 December 2021	100	1,346	822	1,804	11	98	41	4,222	84	4,306





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NOTE 01 GENERAL INFORMATION

The consolidated financial statements for Borregaard ASA (Borregaard/Group), including notes, for the year 2021, were endorsed by the Board of Directors (the Board) of Borregaard ASA on 14 March 2022. Borregaard ASA is a public limited company and its offices are located in Hjalmar Wessels vei 6, 1721 Sarpsborg, Norway. Borregaard develops, produces and markets specialised biomaterials, biochemicals and biofuels to a wide range of customers in global niches. Borregaard's business model is linked to its advanced biorefinery that utilises the different components in the biomass to produce high value-added products that to a large extent can substitute petrochemical alternatives. Borregaard is an international company with production units and sales offices in the world's most important industrial markets.

The financial statements for 2021 have been prepared and presented in full compliance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The valuation and recognition of the items in the financial statements have been carried out in accordance with current IFRS standards. The consolidated financial statements contain certain items that are crucial to understand the financial results for 2021. The most important principles are described below. Borregaard is exposed to currency risk for

most of its sales, primarily in USD and EUR. A substantial part of this exposure, defined as estimated net cash flow in USD or EUR, is routinely hedged on a rolling basis with a nine-month time horizon. Subject to certain criteria being met, the hedging horizon may be extended to three years in order to secure competitive margins. On the revenue side, most of Borregaard's business segments are exposed to price risk in international markets. The accounting policies regarding hedging are described in Note 29 and information regarding currency risks is provided in Note 28. Other income and expenses¹ (OIE) are presented as part of operating profit in the Income Statement but are presented after EBITDA¹ in the segment information in Note 7, which are reported according to management reporting. See Note 13 for details and specifications. The accounting policies for business areas are described in segment information for the various business areas in Note 7.

Borregaard has business areas as operating segments. The operating segments correspond to the way in which the business areas report figures to the Group executive management (key decision maker). The segments are BioSolutions, BioMaterials and Fine Chemicals.

NOTE 02 BASIS FOR PREPARATION

Borregaard ASA was incorporated as a public limited liability company on 22 August 2012. The Borregaard Group includes subsidiaries, a joint venture and an associate company directly and indirectly owned by Borregaard ASA. The consolidated financial statements are primarily based on the historical cost principle.

Sales revenues from contracts with customers are recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements. However, when Borregaard acts as an agent related to freight services, Borregaard invoices the customer on behalf of the carrier and hence has no risk related to the freight services. See Note 8.

Sales revenues are presented after deducting discounts, value-added tax and other government charges and taxes. Borregaard sells goods in many different markets, and revenues from the sale of goods are recognised in the

income statement when the risk and rewards of ownership of the goods are passed to the buyer, in accordance with delivery terms. Interest income is recognised in the income statement when earned, while any dividends are recognised on the date they are approved for payment. Interest income and dividends are presented under "financial income".

The Group has at all times various contracts for the sale and purchase of goods and services in connection with the production. These contracts are regarded as part of Borregaard's ordinary operating activities and are therefore not specified or indicated in any other way. The contracts are deemed to be strictly sale or purchase contracts with no embedded derivatives. The company also enters into currency derivatives contracts.

Hedging instruments which satisfy the criteria for hedge accounting, are reported at fair value in the statement of financial position and changes in fair value are recognised in comprehensive income. Derivatives which do not satisfy the criteria for hedge accounting, are recognised at fair value through profit and loss.

/ ¹ Alternative performance measures, see page 150 for definition.

Assets that no longer justify their value are written down to the recoverable amount, which is the higher of value in use and fair value minus selling costs.

The accrual accounting principle and the going concern assumption are underlying assumptions for preparing the combined financial statements.

An asset is classified as current when: it is part of a normal operating cycle, it is held primarily for trading purposes, it expects to realise within 12 months or it consists of unrestricted cash or cash equivalents.

A liability is classified as current when: it is part of a normal operating cycle, it is held primarily for trading purposes, is due to be settled within twelve months or it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Other items are non-current. A dividend does not become a liability until it has been formally approved by the General Meeting. The amortisation of intangible assets and other income and expenses¹ are presented on separate lines, broken down by segment.

All amounts are in NOK million unless otherwise stated. The functional currency of the parent company (Borregaard ASA) is NOK and the Group's reporting currency is NOK. Currency exchange rates as of 31 December are used in the balance sheet, whereas average currency exchange rates are used in the profit and loss.

Consolidation principles

The consolidated financial statements show the overall financial results and the overall financial position when the parent company Borregaard ASA and its controlling interests are presented as a single economic entity. All the companies have applied consistent principles and all internal matters between the companies have been eliminated.

Interests in companies in which the Group alone has control (subsidiaries) have been fully consolidated, line by line, in the consolidated financial statements from the date the Group had control. These entities will be fully consolidated until the date such control ends. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. If the Group controls a subsidiary, the non-controlling interests' share of profit or loss after tax and their share of equity are presented on separate lines.

Interests in companies in which the Group together with others has joint control or has an ownership between 20-50% (joint ventures and associate companies, see Note 6) are consolidated based on the equity method. The profit or loss from the joint venture is part of operating profit while profit or loss from the associate company is part of financial items. Business combinations are accounted for using the acquisition method. In connection with the acquisition of a subsidiary, the establishment of a joint venture or any acquisitions of significant influence in associates, a purchase price allocation is carried out. The acquisition is reported in the financial statements from the date the Group has control. The date of control is normally the date on which the acquisition agreement takes effect and has been approved by all relevant authorities. Assets and liabilities are measured at fair value at the time of acquisition. If there are non-controlling interests in the acquired company, these will be measured at their share of identified assets and liabilities. Goodwill allocated to non-controlling interests is considered separately in each acquisition. Goodwill is determined as the excess of the purchase price and the amount recognised as non-controlling interest over the fair value of identified assets and liabilities assumed.

Other matters

Emission rights. Government granted and purchased CO₂ emission allowances expected to be used towards Borregaard's own emissions are recognised as intangible assets at nominal value (cost). In case there are actual CO₂ emissions exceeding the level covered by emission rights, those are recognised as a liability. Sale of government granted CO₂ emission rights are recognised at the time of sale at the transaction price. CO₂ emission allowances purchased for trading are measured and classified as inventory. As of 31 December 2021, Borregaard owns 741,969 CO₂ emission rights. However, Borregaard has an obligation to deliver 137,579 emission rights in 2022 for emissions in 2021.

Contingent liabilities and contingent assets. A contingent liability or asset is a possible obligation or a possible asset whose existence is uncertain and will be confirmed by the occurrence or non-occurrence of a future event, such as the outcome of legal proceedings or the final settlement of an insurance claim. Liabilities are recognised in the financial statements if there is a more than a 50% probability that the liability has arisen; if the probability is lower, the matter is disclosed in notes to the financial statements unless the probability of payment is remote. An asset will only be recognised in the statement of financial position if it is virtually certain (95%) that the Group will realise the asset. The disclosure requirement applies to other contingent assets.

/ ¹ Alternative performance measures, see page 150 for definition.

NOTE 03 NEW ACCOUNTING STANDARDS

The consolidated financial statements will be affected by IFRS amendments in the future. Many IFRS projects are finalised, but some of them have either not been finally adopted or not been endorsed by the EU. It is highly likely that many of these projects will be adopted.

The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective and approved by EU. Amendments and interpretations that apply for the first time in 2021, do not have an impact on the consolidated financial statements of the Group.

NOTE 04 USE OF ESTIMATES

The management has made use of estimates and assumptions in preparing the financial statements. This applies to assets, liabilities, revenues, expenses

and supplementary information related to contingent liabilities. Areas where estimates have considerable significance are, for example:

Amounts in NOK million	Note	Estimate/assumptions	Carrying value 31 december 2021	Carrying value 31 december 2020
Property, plant and equipment	18	Recoverable amount and estimation of correct remaining useful life	4,191	3,973
Right-of-use assets	12	Leases and discount rates used	351	381
Pension liabilities (net)	10	Economic and demographic assumptions	29	90
Environmental provisions	13, 35	Environmental accruals for preventive measures to reduce risk of emissions to water from former operations at the Sarpsborg site	-	24

Property, plant and equipment are largely based on a directly paid cost price and depreciated over estimated useful life. In the case of several of Borregaard's tangible assets, changes in assumptions may lead to substantial changes in value.

are prepared and whenever new requirements with regard to presentation are introduced. These matters are discussed in both the section on new accounting standards and other notes.

Other estimates and assumptions are reported in various notes and any information that is not logically included in other notes is presented in Note 37 "Other matters".

Exercise of judgement

The financial statements may also be affected by the choice of accounting principles and the judgement exercised in applying them. This applies, for instance, to the assessment of items presented as other income and expenses on a separate line. It is important to note that a different set of assumptions for the presentation of the financial statements could have resulted in changes in the lines presented.

Future events and changes in operating parameters may make it necessary to change estimates and assumptions. New interpretations of standards may result in changes in the principles chosen and presentation. Such changes will be recognised in the financial statements when new estimates

NOTE 05 IMPAIRMENT ASSESSMENTS

Goodwill and intangible assets with an indefinite useful life must be tested annually for impairment to assess whether the values are recoverable. Borregaard carries out this test prior to preparing and presenting its financial statements for the 3rd quarter. If there are indications of impairments, the assets are tested immediately. A new impairment test is carried out in the 4th quarter when necessary, for instance if the underlying assumptions have changed.

Borregaard has substantial non-current assets in the form of tangible (property, plant and equipment) and some minor intangible assets. An explanation of the details of and changes in these assets is presented separately in Note 17 and 18.

Estimate uncertainty, in some cases considerable, attaches to both property, plant and equipment and intangible assets. Both valuation and estimated useful lifetime are based on future information that is always subject to a great degree of uncertainty.

Borregaard routinely monitors assets and if there are indications that the value of an asset is no longer recoverable, an impairment test will be carried out to determine whether the asset can still justify its carrying value. If new estimates conclude that the value is no longer recoverable, the asset is written down to the recoverable amount, i.e. the greater of the net sales value and the value in use (discounted cash flow).

Cash flows relating to the assets are identified (see table below) and discounted. Future cash flow is based on specified assumptions and the plans adopted by the entity. If the discounted value of future cash flows is lower than the capitalised value of the unit's capital employed, the assets are written down to the recoverable amount. If the discounted value is higher than the capital employed, this means that the value of the intangible asset or goodwill is recoverable.

Borregaard's goodwill is related to the prior acquisition of Borregaard Czech and no impairment charges are identified:

Amounts in NOK million	GOODWILL	
	2021	2020
Borregaard Czech S. R. O	32	34
Total goodwill	32	34

Estimate assumptions and cash-generating units

A cash-generating unit (CGU) is the lowest level at which independent cash flows can be measured. Based on the forecasts, expectations and assumptions that were applied,

Borregaard Czech's capitalised value of goodwill at 31 December 2021 and the fair value exceeds the book value.

Calculations of future cash flows are based on a number of assumptions regarding both economic trends and the estimated useful life. Borregaard is affected by fluctuating markets and estimates made in weak markets can differ substantially from estimates made in stronger markets.

The discount rate applied is based on the Group's cost of capital, which has been estimated to be 9% before tax, based on a weighted average of required rates of return for the Group's equity and debt (WACC).

The required rate of return on the Group's equity is estimated by using the capital asset pricing model (CAPM). The required rate of return on debt is estimated on the basis of a long-term risk-free interest rate to which is added a credit margin derived from Borregaard's marginal long-term borrowing rate. The discount rate is adjusted for country risk, the level of inflation and operational risk, depending on the particular value being calculated.

Future cash flows are estimated on the basis of the budget for next year and the following two forecast years. As from year four a terminal value is calculated. Cash flow estimates are sensitive to changes in sales revenues, raw material and energy prices and the coherent ability to maintain margin assumptions. The sensitivity of the estimates, even when there is a reasonable possibility of a change in assumptions, did not give grounds for impairment charges.

NOTE 06 JOINT VENTURE AND ASSOCIATE COMPANY

The Group has a 50% interest in Umkomaas Lignin Ltd (LignoTech South Africa). The Group's interest in the joint venture is accounted for using the equity method in the consolidated financial statements. The result from the joint venture is accounted for as part of operating revenues. Summarised financial information of the joint venture, based on its IFRS financial statements, eliminating sales and costs for transactions with the Borregaard Group, and reconciled with the carrying amount of the investment in the consolidated financial statements, are set out below. For guarantees, see Note 32.

The consolidated financial statements include the entire Borregaard Group, where the joint venture is accounted for using the equity method. The consolidated figures in the

Sustainability and Corporate Responsibility Report do not include the joint venture as Borregaard does not control the operation of LignoTech South Africa.

Supply of lignin raw material to LignoTech South Africa was interrupted in late March 2020 due to Covid-19 related production curtailment of the calcium line at Sappi's Saiccor dissolving pulp mill and the lignin production was stopped. In May 2020, the owners of LignoTech South Africa and the Sappi Group, announced that the calcium sulphite line would be shut down for an extended period of time, and hence that the lignin plant would be mothballed. In October 2020, the owners of LignoTech South Africa, Borregaard and the Sappi Group announced the decision to permanently close the lignin production facility and to terminate the cooperation

agreement. See Note 13 "Other income and expenses" for further details. The closure is a consequence of Sappi's decision to convert their calcium sulphite pulp line, which is the source of lignin raw material, to magnesium technology. After the conversion, the spent liquor from the pulping process will be burnt, and the energy and chemicals will be recovered. The conversion of the pulp line is delayed and will be completed in the first quarter of 2022. In the interim period, the calcium sulphite pulp line will be operated to some extent, resulting in limited production of liquid lignin by LignoTech South Africa until the permanent closure comes into effect.

Amounts in NOK million	2021	2020
Operating revenues	12	132
Operating expenses	-12	-96
Other income and expenses ¹		-134
Net financial items		-12
Profit before taxes	-	-110
Taxes		8
Profit/loss for the year before dividend	0	-102
Borregaard's share of profit for the year	0	-51
Non-current assets	43	50
Current assets	4	6
Cash and cash equivalents	21	22
Total assets	68	78
Equity	60	76
Non-current liabilities		
Current liabilities	8	2
Equity and liabilities	68	78
Borregaard's carrying amount of the investment	30	38

	2021	2020
Share in joint venture 1 January	38	99
Share of profit after tax	-	-51
Dividend	-6	-
Currency translation effect	-2	-10
Share in joint venture 31 December	30	38

Associate company

In 2021, Borregaard invested NOK 145 million in Alginor ASA and holds 25% of the shares as of 31 December 2021. The investment is accounted for using the equity method. Borregaard's share of Alginor's result after tax is recognised as part of Financial items.

Alginor is a Norwegian marine biotech company based in the Haugesund region of Southwestern Norway. The company is developing a fully integrated and sustainable value chain based on harvesting and biorefining of the brown kelp *Laminaria hyperborea* – a renewable marine resource growing in abundance along the Norwegian coastline. Alginor will target global markets for pharmaceutical and nutraceutical applications.

Between May 2022 and end of April 2024, Alginor will execute an additional direct equity issue exclusively to Borregaard. This equity issue will bring Borregaard's ownership in Alginor up to 35% and bring another NOK 126 million in equity to Alginor. If Borregaard does not fully subscribe to this direct offering, Borregaard will pay a break fee of NOK 6 million. Through the described equity transactions, Alginor has secured the necessary funding to scale up its biorefinery concept in the Haugesund area.

Amounts in NOK million	2021	2020
Operating revenues	-	-
Profit before taxes	-16	-
Profit/loss for the year before dividend	-16	-
Borregaard's share of profit from investment date	-2	-
Non-current assets	94	-
Current assets	337	-
Non-current liabilities	-5	-
Current liabilities	-29	-
Equity	397	-
Borregaard's share of equity	99	-
Goodwill	-	-
Other intangible assets	44	-
Borregaard's carrying amount of the investment	143	-

Purchase price allocation

The difference between the purchase price of the shares in Alginor ASA and Borregaard's share of the booked equity at the time of the acquisition is allocated to intangible assets as it relates to development of the technology to be used in Alginor's business. The purchase price, including acquisition costs, of 25% of the shares is NOK 145 million of which NOK 44 million is allocated as intangible assets.

NOTE 07 SEGMENTS

Borregaard has business areas as operating segments. The operating segments correspond to the way in which the business areas report figures to the Group executive management (key decision maker). All lignin-based products, including biovanillin, are organised under one management in BioSolutions. BioMaterials consist of products utilising wood fibres as the main raw material and include the speciality cellulose and cellulose fibrils businesses. Fine Chemicals include fine chemical intermediates mainly used for contrast agents and bioethanol mainly for biofuel. Corporate overhead and certain other costs are allocated to the three business segments. Segment performance is primarily measured based on EBITDA¹.

BioSolutions develops, produces and sells biopolymers and biovanillin from lignin.

BioMaterials develops, produces and sells speciality cellulose mainly for use as a raw material in the production of cellulose ethers, cellulose acetate and other speciality products. BioMaterials also includes cellulose fibrils for industrial applications, which are in the market introduction phase.

Fine Chemicals consists of fine chemical intermediates and second-generation bioethanol.

Corporate overhead and certain other costs are allocated to the three business segments. The arm's length principle is applied to pricing of transactions between the various segments and companies. Borregaard AS provides services to the companies in the Group and charges them for these services.

Figures for the geographical distribution of non-current operating assets, investments in property, plant and equipment, sales revenues and the number of man-years are also presented. See Note 8.

The Group applies the same principles for the presentation of segment information as for the rest of its consolidated financial statements, and the operating profit/loss in the segment information is identical to the information presented in the income statement for the Group. There is therefore no need for further reconciliation of these income statement items. Borregaard has a central finance function, and the financing of the various segments does not necessarily reflect the real financial strength of the individual segments. Financial items are therefore presented only for the Group as a whole.

The segment information tables show the key figures in which management monitors the business, such as total operating revenue, operating expenses, EBITDA¹, depreciation, amortisation and impairment of intangible assets, other income and expenses¹ and operating profit for each business area. It does not disclose internal sales between the various segments as it is considered immaterial.

The table below shows the revenues generated by BioSolutions, BioMaterials and Fine Chemicals. Operating revenues consist of sales revenues (Note 8) and other revenues such as commissions, revenues from waste received for incineration etc.

The segment information also includes cash flow from operating activities, replacement investments, expansion investments¹ and working capital for each area.

/ ¹ Alternative performance measures, see page 150 for definition.

SEGMENTS 2021

Amounts in NOK million	Bio-Solutions	Bio-Materials	Fine Chemicals	Eliminations	Borregaard Group
Income statement					
Total operating revenues	3,469	1,878	491	-33	5,805
Operating expenses	-2,527	-1,594	-345	33	-4,433
EBITDA ¹	942	284	146	-	1,372
Depreciation and write-down	-189	-193	-34	-	-416
Amortisation and impairment intangible assets	-4	-	-	-	-4
Other income and expenses ¹	-	-	-	-	-
Operating profit	749	91	112	-	952
Net financial items					-79
Profit before tax					873
Cash flow					
Cash flow from operating activities	860	376	195	-	1,431
Replacement investments	-124	-251	-23	-	-398
Expansion investments ¹	-166	-101	-36	-	-303
Capital structure					
Working capital at year-end	751	84	94	-	929
Capital employed ¹ at year-end					6,043
Return on capital employed ¹					16.1 %

SEGMENTS 2020

Amounts in NOK million	Bio-Solutions	Bio-Materials	Fine Chemicals	Eliminations	Borregaard Group
Income statement					
Total operating revenues	3,082	1,732	543	-29	5,328
Operating expenses	-2,450	-1,414	-361	29	-4,196
EBITDA ¹	632	318	182	-	1,132
Depreciation and write-down	-206	-203	-34	-	-443
Amortisation and impairment intangible assets	-5	0	0	-	-5
Other income and expenses ¹	-97	-18	-1	-	-116
Operating profit	324	97	147	-	568
Net financial items					-72
Profit before tax					496
Cash flow					
Cash flow from operating activities	530	259	97	-	886
Replacement investments	-99	-212	-33	-	-344
Expansion investments ¹	-109	-42	-8	-	-159
Capital structure					
Working capital at year-end	716	307	159	-	1,182
Capital employed ¹ at year-end					5,904
Return on capital employed ¹					11.4 %

RECONCILIATION CAPITAL EMPLOYED¹

Amounts in NOK million	2021	2020
Capital employed¹	6,043	5,904
Other non-current assets	155	191
Cash and cash equivalents	124	207
Net deferred tax	-190	-152
Interest-bearing liabilities	-1,544	-2,004
Income tax payable	-195	-135
Accumulated write-down and amortisation of goodwill and intangible assets	-171	-165
Other (derivatives, accruals, etc.)	84	-68
Equity	4,306	3,778

RECONCILIATION WORKING CAPITAL

Amounts in NOK million	2021	2020
Receivables	1,107	1,051
Inventories	792	887
Other liabilities	-864	-795
Derivatives etc. not included in above items	-106	39
Working capital	929	1,182

NOTE 08 REVENUES AND GEOGRAPHICAL BREAKDOWN

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g. disposals of property, plant and equipment).

For contracts with customers, sale of Borregaard's products is generally expected to be the only performance obligation. The Group's revenue recognition occurs at a point in time when control of the asset is transferred to the customer,

generally on delivery of the goods. Borregaard also have some contracts that include volume rebates to some customers. The Group currently recognises rebates based on the most likely amount method which is also in line with IFRS 15.

Borregaard has operations in several countries and below is a summary showing the geographical breakdown of non-current operating assets, investments, number of man-years² based on the geographical location of the operation. Sales revenues are based on the location of the customers.

Amounts in NOK million	Non-current operating assets		Investments		Number of man-years ²		Sales revenues	
	2021	2020	2021	2020	2021	2020	2021	2020
Norway	3,748	3,539	663	476	768	755	243	275
Rest of Europe	78	89	2	5	92	111	2,560	2,440
Asia	5	3	-	1	48	54	1,307	1,070
America	800	809	36	21	162	171	1,544	1,389
Rest of the world	-	-	-	-	2	-	61	53
Total	4,631	4,440	701	503	1,072	1,091	5,715	5,227

/ ² Excluding employees in joint venture in LignoTech South Africa.

SALES REVENUES PER PRODUCT GROUP

Amounts in NOK million	2021	2020
BioSolutions	3,392	2,995
BioMaterials	1,840	1,695
Fine Chemicals	485	538
Eliminations	-2	-1
Total revenues	5,715	5,227

Operating revenues consist of sales revenues and other revenues such as commissions, revenues from waste received for incineration etc.

NOTE 09 PAYROLL EXPENSES AND REMUNERATION

Amounts in NOK million	2021	2020
Wages	-893	-883
Share-based payments (options and discounted shares)	-15	-15
Employer's national insurance contribution	-126	-111
Pension costs (Note 10)	-77	-74
Remuneration to Board Members	-3	-3
Payroll expenses	-1,114	-1,086
Average number of man-years	1,062	1,083

REMUNERATION OF THE EXECUTIVE MANAGEMENT

	CEO		Other members of the Group Executive Management		Total	
	2021	2020	2021	2020	2021	2020
Base salary	3,847	3,759	15,745	15,221	19,592	18,980
Bonus	1,900	1,034	6,640	3,586	8,540	4,620
Pension cost	800	790	2,255	2,260	3,055	3,050
Benefits in kind	244	255	1,759	1,801	2,003	2,056
Total*	6,791	5,838	26,399	22,868	33,190	28,706

Remuneration is actual paid remuneration in the respective years and includes vacation pay on salary earned the previous year. Bonuses however is accrued bonuses the respective years to be paid the next year.

* There are 9 persons in the Group Executive Management including the CEO.

Remuneration guidelines and report - 2021

Borregaard's remuneration guidelines for employees in managerial positions cover base salary, pensions, annual bonus and long-term incentives (LTI). The remuneration guidelines and a more detailed description of executive

management remuneration are found in the separate report "Management remuneration" on Borregaard's website (sustainability documentation).

ISSUED AND OUTSTANDING SHARE OPTIONS AS OF 31 DECEMBER 2021:

Year issued	Number of share options issued	Exercised/ forfeited share options	Number of outstanding share options	Strike price*	Expire date	Number of employees**
2017	364,000	358,693	5,307	91.58	17 Feb 2022	22
2018	400,000	173,033	226,967	70.95	7 Feb 2023	26
2019	400,000	45,000	355,000	73.30	6 Feb 2024	27
2020	400,000	-	400,000	99.60	13 Feb 2025	28
2021	249,000	-	249,000	180.70	16 Feb 2026	31
	1,813,000	576,726	1,236,274			

* The strike price has been adjusted for dividends. Strike prices were set at 10% above the share price at the issue date.

** Including Group Executive Management.

Share-based related costs for 2021 for the Group Executive Management was NOK 12 million in total for all programs.

282,693 share options issued in 2017, 143,033 share options issued in 2018 and 15,000 share options issued in 2019 have been exercised in 2021.

Changes in outstanding share options for Borregaard's employees are shown in the table below:

Number of share options	2021		2020	
	No.	WAEP*	No.	WAEP*
Outstanding at the beginning of the year	1,428,000	86.76	1,384,000	74.26
Exercised during the year	-440,726		-339,947	
Granted during the year	249,000	180.70	400,000	102.10
Forfeited during the year	-		-16,053	
Outstanding at year-end **	1,236,274	103.66	1,428,000	86.76
Exercisable options at year-end**	232,274		288,000	

* Weighted average exercise price adjusted for dividend. Amounts in NOK.

** Expire dates are 17 February 2022 for 5,307 options, 7 February 2023 for 226,967 options, 6 February 2024 for 355,000 options, 13 February 2025 for 400,000 options and 16 February 2026 for 249,000 options.

Borregaard has used the Black-Scholes model when estimating the value of the options. The volatility is calculated on the basis of the average volatility the past years for Borregaard and Borregaard peers. See Note 37 for share options issued in 2022.

Assumptions	2021	2020
Expected dividend-yield (%)	-	-
Expected volatility (%)	28.1	27.6
Historical volatility (%)	28.0	28.0
Risk-free return (%)	1.3	1.4
Expected life of option (years)	5.0	5.0
Weighted average share price (NOK)	160.60	102.14

SHARE OPTIONS AND SHARES HELD BY GROUP EXECUTIVE MANAGEMENT AND RELATED PARTIES AS OF 31 DECEMBER

	Issued 2017 Strike NOK 91.56*		Issued 2018 Strike NOK 70.95*		Issued 2019 Strike NOK 75.30*		Issued 2020 Strike NOK 99.60*		Issued 2021 Strike NOK 180.70*		Shares	
	No. of share options		No. of share options		No. of share options		No. of share options		No. of share options		No. of shares**	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
CEO	0	60,000	45,000	60,000	60,000	60,000	60,000	60,000	40,000	163,899	163,406	
Other members of the Group Executive Management	0	94,000	92,361	125,000	105,000	105,000	150,000	150,000	77,000	302,875	287,160	
Total	0	154,000	137,361	185,000	165,000	165,000	210,000	210,000	117,000	466,774	450,566	

* The strike price has been adjusted for dividends.

** Total share ownership including related parties.

Discounted shares for employees

The Group has a programme that gives employees, including the members of the Group Executive Management, the opportunity to buy a limited number of shares at a discount in relation to the market price. In 2021, Borregaard sold a total of 173,383 shares to employees. The share price was NOK 121.71 per share including a 25% discount. Costs in 2021, including administration costs, related to the programme in 2021 amounted to approximately NOK 7 million.

Special agreements with the President and CEO and other members of the Group Executive Management

If the President and CEO, Per A. Sørli, by mutual agreement and in the best interest of the company, terminates the employment contract, the employee will receive pay for up to 6 months after the period of notice. 75% of any income from another permanent post during the 6-month period will be deducted. The President and CEO is included in the company's ordinary pension schemes up to the retirement age of 68 years. In addition, the employee has a pension agreement which consists of 60% of annual pay in addition to full pension contribution (20% of 100% base salary) in the 2 year period from 65 to 67 years with no deduction for income from other permanent post.

The other members of the Group Executive Management have a six-months period of notice and no severance pay agreement.

There are no loans to the members of the Group Executive Management.

There are no other special agreements with the Group Executive Management team.

Remuneration of the Board of Directors

In the General Meeting in April 2021 it was determined that The Board of Directors is remunerated at annual rates for the period up to the next General Meeting in 2022:

Board of Directors			
Board chair	NOK	575,000	per year
Board member, shareholder-elected	NOK	332,100	per year
Board member, employee-elected	NOK	297,700	per year
Observer, employee-elected	NOK	99,200	per year
Deputy for observer	NOK	7,700	per meeting
Audit Committee			
Committee chair	NOK	92,900	per year
Member	NOK	62,300	per year
Compensation Committee			
Committee chair	NOK	55,700	per year
Member	NOK	43,500	per year

According to a resolution at the General Meeting in 2018, shareholder-elected Board members are required to use 20% of their annual remuneration to acquire shares in the Company, until the share value reaches an amount equivalent to one year's remuneration.

REMUNERATION OF EMPLOYEE-ELECTED BOARD MEMBERS

2021

Amounts in NOK thousand	Base salary	Board allowance	Benefits in kind/bonus	Pension
Ragnhild Anker Eide	872	296	40	67
Arundel Kristiansen	728	296	45	40

Remuneration of the Nomination Committee

The chair of the Nomination Committee receives NOK 61,700 per year and an additional NOK 10,000 per meeting exceeding 4 meetings. Other members receive NOK 43,500 per year and an additional NOK 8,200 per meeting exceeding 4 meetings.

For shares held by the Board of Directors, see Note 5 in the Financial Statement of Borregaard ASA.

FEES TO GROUP EXTERNAL AUDITOR

Amounts in NOK million	2021	2020
Statutory audit	5	5
Other attestation services	-	1
Tax consultancy services	1	1
Other non-audit services	1	2
Total fees to EY	7	9

NOTE 10 PENSIONS

Borregaard has a policy to use defined contribution pension plans. However, there are some defined benefit pension plans, primarily in the USA and Norway.

Defined contribution plans

In the defined contribution pension plans, the company is responsible for making an agreed contribution to the employee's pension assets. The future pension will be determined by the amount of the contributions and the return on the pension savings. Once the contributions have been paid, there are no further payment obligations attached to the defined contribution pension. As a result, there is no liability recorded in the statement of financial position. The pension costs related to defined contribution plans will be equal to the contributions to employees' pension savings in each reporting period.

Contribution plans also comprise pension plans that are common to several companies and where the pension premium is determined independently of the demographic profile in the individual companies (multi-employer plans). The company is obligated to follow the Act on Mandatory company pensions in Norway and the company meets the requirements.

Defined benefit plans

Defined benefit plans are measured at the present value of accrued future pension benefits at the end of the reporting period. Pension plan assets are measured at their fair value.

Changes in accounting estimates for defined benefit plans are recognised in other comprehensive income and the net interest costs for the period is calculated by using the discount rate for the liability at the beginning of the period on the net liability. As such, the net interest cost consists of interest on the liability and the return on the plan assets, whereas both have been calculated by using the discount rate. Changes in net pension liabilities as a result of payments of premiums and pension payments have been taken into consideration. The difference between the actual return and the accounted return is recognised continuously through other comprehensive income. The current service cost and net interest income/costs are recognised immediately. The financial part of the pension cost is recognised as part of financial items, the other part is recognised in the salary and personnel cost in the income statement. Changes in value, both in assets and liabilities, are recognised through other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised through profit and loss when the curtailment or settlement occurs. A curtailment occurs when the Group decides to make a material reduction in the

number of employees covered by a plan or amends the terms of a defined benefit plan such that a considerable part of the current employees' future earnings will no longer qualify for benefits or will qualify only for reduced benefits.

The introduction of a new defined benefit plan or an improvement to the current defined benefit plan will lead to changes in the pension liabilities. These will be charged to expenses in a straight line during the period until the effect of the change has been accrued. The introduction of new plans or changes to existing plans which take place with retroactive effect so that the employees immediately accrue a paid-up policy (or a change in a paid-up policy) are recognised in the statement of comprehensive income immediately. Gains or losses linked to curtailments or terminations of pension plans are recognised through profit and loss when they arise.

Borregaard has pension plans that are classified as funded benefit plans and unfunded benefit plans. Expected contributions for the next year, 2022, to the defined benefit plan obligation is NOK 9 million. The largest part of the benefit plans are in the USA and Norway.

USA

The pension plans in the USA contain three different plans; two defined benefit plans for salaried and hourly employees and one supplemental post-retirement plan. In 2016, the defined benefit plans were closed for new employees and replaced with a contribution plan.

Norway

The net pension liabilities consist of unfunded pension plans for key personnel and liabilities related to contribution-based plans for employees who earn more than twelve times the Norwegian National Insurance Scheme's basic amount (12G). The pension plan for employees in Norway who earn more than 12G is a contribution-based plan. The sum of the accrued contributions and the return on the plan assets are presented as a pension liability in the company's statement of financial position. The pension plan is therefore presented as a defined benefit plan.

The early retirement scheme, AFP, is recognised as a multiemployer defined contribution plan. This may change if there are sufficient reliable, consistent data to be able to recognise it as a defined benefit plan. In 2021, the premium for the early retirement scheme is 2,5% of total payments of wages between 1 and 7.1 times the average basic amount (G). All employees in Norway younger than 62 years are included, 840 employees in 2021, and the cost in 2021 was NOK 11 million.

Pension plan assets

The pension plans with pension plan assets are located in the USA. Pension plan assets are mainly invested in bonds and shares. The estimated return will vary depending on the composition of the various classes of assets. The breakdown of pension plan assets is presented below.

Assumptions defined benefit plans

Borregaard uses the covered bonds interest rate on the

Norwegian benefit plans. The discount rate is fixed at the rate on high quality corporate bonds with the same lifetime as the pension liabilities (AA-rated corporate bonds). As a rule, parameters such as wage growth, growth in G (future social security wage base) and inflation are set in accordance with recommendations on the various countries. The mortality estimate is based on up-to-date mortality tables for the various countries. Norway: K2013, USA: Pri-2012 collar base tables from 2012 projected forward using MP-2021.

ASSUMPTIONS DEFINED BENEFIT PLANS

	NORWAY		USA	
	2021	2020	2021	2020
Discount rate	1.6 %	1.7 %	2.9 %	2.6 %
Rate of return on assets	NA	NA	2.9 %	2.6 %
Future salary adjustment	2.5 %	2.0 %	4 %	4 %
G-multiplier*/Future social security wage base	2.5 %	2.0 %	3.5%	3.5 %
Turnover	2.0 %	2.0 %	2.5%	2.5 %
Expected average remaining vesting period	10.10	11.00	-	1.58

* 1G is NOK 106,399 as of 31 December 2021.

BREAKDOWN OF NET PENSION COSTS

Amounts in NOK million	2021	2020
Contribution plans	-59	-58
Current service cost	-18	-16
Net pension costs (incl. national insurance contributions)	-77	-74

BREAKDOWN OF NET PENSION LIABILITIES AS OF 31 DECEMBER

Amounts in NOK million	2021	2020
Present value of funded pension obligations	-457	-487
Pension plan assets (fair value)	523	478
Net funded pension assets/-obligations	66	-9
Present value of unfunded pension obligations	-95	-81
Capitalised net pension liabilities	-29	-90

CHANGES IN THE PRESENT VALUE OF PENSION OBLIGATIONS DURING THE YEAR

Amounts in NOK million	2021	2020
Pension obligations 1 January	-568	-531
Current service cost (incl. national insurance contributions)	-18	-16
Interest on pension obligations	-22	-17
Actuarial gains and losses	28	-34
Benefits paid during the year	44	16
Currency translations	-16	14
Pension obligations 31.December	-552	-568

CHANGES IN PENSION PLAN ASSETS DURING THE YEAR

Amounts in NOK million	2021	2020
Pension plan assets (fair value) 1 January	478	435
Expected return on pension plan assets	13	14
Contributions and benefits paid during the year	-29	-3
Actuarial gains and losses	45	45
Currency translations	16	-13
Pension plan assets (fair value) 31.December	523	478

BREAKDOWN OF PENSION PLAN ASSETS (FAIR VALUE) AS OF 31 DECEMBER

As of 31 december	2021	2020
Cash and cash equivalents and money market investments	1 %	2 %
Bonds	36 %	37 %
Shares	63 %	61 %
Total pension plan assets	100 %	100 %

SUMMARY OF NET PENSION LIABILITIES AND ADJUSTMENTS IN PAST FIVE YEARS

Amounts in NOK million	2021	2020	2019	2018	2017
Pension obligations	-552	-568	-531	-478	-507
Pension plan assets	523	478	435	399	422
Net pension liabilities	-29	-90	-96	-79	-85

Sensitivity

The above pension cost and pension liabilities related to defined benefit schemes, are based on the assumptions outlined above. The actuarial calculations are sensitive to any changes in the assumptions. A 1% increase in wage adjustment would imply a 1% increase in pension liability and 4% increase in pension cost (defined benefit schemes). A 1% increase in discount rate would imply a 5% decrease

in pension liability and 1% decrease in pension cost while a 1% reduction in discount rate would imply an 5% increase in pension liability and 1% increase in pension cost. The calculation is based on the weighted average of the defined benefit schemes. For the pension cost sensitivity shown only the service cost and interest cost on plan obligations components of cost are reported.

NOTE 11 OTHER OPERATING EXPENSES

The Borregaard Group has chosen to present its income statement based on the nature of the item of income or expense. Operating expenses have been broken down into the following main items: Cost of materials, payroll expenses, depreciation, amortisation and other operating expenses. Thus, other operating expenses comprises all operating expenses that are not related to cost of materials, employee payrolls and capital costs in the form of depreciation. The most important items have been grouped into the following main items.

Amounts in NOK million	2021	2020
External distribution costs	-527	-537
Repair and maintenance costs	-197	-168
Consultants, legal advisors, temporary staff, etc.	-131	-145
Rental/leasing (Note 12)	-44	-56
Other	-268	-283
Total other operating expenses	-1,167	-1,189

NOTE 12 LEASES AND LEASING

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease

payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees, if any. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Discount rates used:

Machinery, vehicles and equipment: Incremental borrowing rate.

Buildings: Implicit interest rate if available

The incremental borrowing rate is based on interbank interest rate (NIBOR, EURIBOR or LIBOR) plus margin plus country risk mark-up.

The Group's lease of buildings have lease terms that vary from 3 years to 25 years, and several agreements involve a right of renewal which may be exercised during the last period of the lease terms. The Group assesses at the commencement whether it is reasonably certain to exercise the renewal right. Group's lease liabilities are included in interest-bearing liabilities. See Note 27.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less) that Borregaard has adopted. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The Group leases several assets such as offices and other facilities, machinery and equipment and vehicles. The Group's right-of-use assets are categorised and presented in the table below:

RIGHT-OF-USE ASSETS

Amounts in NOK million	Land, buildings and other property	Machinery and plants	Fixtures, fittings, vehicles etc.	Other assets	Total
Balance at 1 January 2020	279	-	90	11	380
Depreciations	-31	-7	-34	-5	-77
Additions	20	8	13	7	48
Adjustments to existing contracts and terminations	26	-	1	3	30
Balance at 31 December 2020	294	1	70	16	381
Depreciations	-25	-1	-31	-5	-62
Additions	6	-	19	-	25
Adjustments to existing contracts and terminations	7	-	-	-	7
Balance at 31 December 2021	282	-	58	11	351

LEASE LIABILITIES

Amounts in NOK million	2021	2020
Balance at 01 January	395	387
Additions	25	48
Adjustments to existing contracts and terminations	7	30
Accretion of interests	21	22
Payments	-77	-89
Currency translations	-	-3
Balance at 31 December	371	395

LEASE LIABILITIES CONT.

Amounts in NOK million	2021	2020
Maturity analysis - contractual undiscounted cash flows		
Less than one year	71	72
One to two years	50	63
Two to three years	38	43
Three to four years	32	33
Four to five years	29	28
More than five years	337	356
Total undiscounted lease liabilities at 31 December	557	595
Lease liabilities included in the statement of financial position at 31 December	371	395
Current	52	51
Non-current	319	344

AMOUNTS RECOGNISED IN PROFIT OR LOSS

Amounts in NOK million	2021	2020
Interest on lease liabilities	-21	-22
Depreciation of right-of-use assets	-62	-77
Gains (-) and losses (+) due to terminations, purchases, impairments, and other changes	1	-1
Variable lease payments not included in the measurement of lease liabilities	-2	-3
Expenses relating to short-term leases	-36	-48
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-6	-5
Total amount recognised in profit or loss	-126	-156

AMOUNTS RECOGNISED IN THE STATEMENT OF CASH FLOW

Figures in NOK	2021	2020
Total cash outflow for leases	121	145

The Group is committed to fulfil future cash outflows relating to leases amounting to NOK 26 million which is not recorded in the financial position as of 31 December 2021.

Extension options

Borregaard has lease contracts that include extension options. The Group determines the lease term as the non-

cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Set out below are the discounted liability effects related to extension options:

Amounts in NOK million	2021
Options to extend not yet recognised, discounted liability effect	45
Recognised options to extend, discounted liability effect	39

NOTE 13 OTHER INCOME AND EXPENSES¹

Other income and expenses¹ largely consist of material positive and negative non-recurring items, restructuring costs and any substantial write-downs of both tangible and intangible assets. The main purpose of this line is to present

material non-recurring items and items substantially relating to other periods separately to ensure that the changes in and comparability of the lines presented in EBITDA¹, depreciation and amortisation are more relevant to the company.

Amounts in NOK million	2021	2020
Impairment of assets and restructuring costs mainly related to LignoTech South Africa and LignoTech Ibérica	-	-86
Environmental accruals for preventive measures to reduce risk of emissions to water from former operations at the Sarpsborg site	-	-30
Total other income and expenses¹	-	-116

NOTE 14 NET FINANCIAL ITEMS

Interest income and interest costs on loans and receivables are calculated using the effective interest method.

Commitment fees and costs related to borrowings are reported as part of interest costs. The financial element of pension costs is included in other finance costs and is disclosed in Note 10. Borrowing costs related to plant under construction are recognised in the statement of financial position together with the asset. Foreign currency gains or losses arising from operational assets and liabilities, and the hedging of such, are reported as operating revenues or operating costs. Other foreign currency gains or losses are reported as foreign exchange gain and foreign exchange loss. The foreign currency gains or losses related to net investments in subsidiaries are disclosed in Note 29.

There are no major differences between recognised interest income and inflow of interests. There are no major differences between recognised interest expense and outflow of interests.

FINANCE INCOME AND FINANCE COSTS

Amounts in NOK million	2021	2020
Interest income	3	3
Foreign exchange gain	226	518
Other finance income	-	-
Total finance income	229	521
Interest costs	-62	-79
Foreign exchange loss	-234	-511
Other finance costs	-10	-3
Total finance costs	-306	-593
Share of profit/loss from associate	-2	-
Net financial items	-79	-72

NOTE 15 TAXES

Income tax expense consists of the total of current taxes and changes in deferred tax. Current taxes are recognised in the financial statements at the amount that is expected to be paid to the tax authorities on the basis of taxable income reported for entities included in the combined financial statements. Current taxes and changes in deferred tax are taken to other comprehensive income to the extent that they relate to items that are included in other comprehensive income.

Deferred tax in the statement of financial position have been calculated at the nominal tax rate based on temporary differences between accounting and tax basis of assets and liabilities on the statement of financial position date.

Deferred tax liability relating to goodwill has not been recognised in the statement of financial position. Deferred tax assets are continuously assessed and are only recognised in the statement of financial position to the extent it is probable that future taxable profit will be large enough for the asset to be usefully applied. Deferred tax liability and deferred tax assets are offset as far as this is possible under taxation legislation and regulations.

/ ¹ Alternative performance measures, see page 150 for definition.

TAX EXPENSE

Amounts in NOK million	2021	2020
Profit before tax	873	496
Current tax expense	-221	-84
Deferred tax expense	8	-33
Total tax expense	-213	-117
Tax as % of Profit/loss before taxes	24.4 %	23.6 %

Reconciliation of the group's tax rate

In the following table, reported taxes are reconciled with the tax charge based on the Norwegian tax rate of 22% (22%).

The main tax components are specified.

Amounts in NOK million	2021	2020
22% (22%) of profit before taxes (tax rate in Norway)	-192	-109
Foreign operations with other tax rates than 22% (22%)	-8	5
Changes in tax rate	-	18
Joint venture	-	-11
Permanent differences	-6	-15
Other current taxes	-1	-1
Correction previous years	-6	2
Other deferred taxes	-	-6
The Group's total tax expense	-213	-117

Entities in countries with tax rates other than 22% have the net effect of increasing the tax expense.

In addition to the compilation of the tax rates in the various countries in which Borregaard operates and has taxable income, the income tax rate for the Group is also impacted by the following:

LignoTech Florida is a limited liability company (LLC) which is taxed on the owners' hand. Profit before tax is 100% consolidated in the Borregaard Group, whereas the tax expense is calculated based on Borregaard's 55% ownership. Consequently, profit attributable to non-controlling interests for LignoTech Florida (45%) is calculated on profit before tax.

Share of profit after tax from the joint venture, LignoTech South Africa, is accounted for as part of operating profit and profit before tax (due to IFRS 11). As such, the additional costs related to the permanently closed operation does not reduce the tax expense and thus increases the Group's tax rate.

There are carry forward losses in the Group which will not be recognised as deferred tax assets, and hence increase the Group's tax rate.

Deferred tax liabilities

Deferred tax liability consists of the Group's tax liabilities that are payable in the future. The table below lists deferred tax assets and liabilities relating to the timing differences between tax accounting and financial accounting. The table below shows the composition of the Group's deferred tax.

Amounts in NOK million	2021	2020
Deferred tax on tax increasing/(reducing) differences		
Hedging taken to comprehensive income	41	17
Intangible assets and Property, plant and equipment	199	172
Net pension liabilities	-2	-20
Gain and loss tax deferral	1	1
Other non-current items	-10	-13
Total non-current items	229	157
Current receivables	-1	-1
Inventories	36	46
Provisions	-5	-3
Other current items	-52	-25
Total current items	-22	17
Losses carried forward	-45	-52
Net deferred tax	162	122
Deferred tax assets, not recognised	28	30
Net deferred tax, recognised	190	152
Change in deferred tax	-38	-83
Change in deferred tax taken to comprehensive income	44	53
Acquisitions/sale of companies, translation effects, etc.	2	-3
Change in deferred tax income statement	8	-33

NET DEFERRED TAX PRESENTED IN STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	2021	2020
Deferred tax	197	167
Deferred tax assets	7	15
Net deferred tax	190	152

LOSSES CARRIED FORWARD BY EXPIRY DATE

Amounts in NOK million	2021	2020
Without expiry date	282	303
Total tax losses carried forward	282	303

TAX REDUCING TIMING DIFFERENCES WITH CORRESPONDING DEFERRED TAX ASSETS

2021

Amounts in NOK million	Tax reducing timing differences	Recognised deferred tax assets	Unrecognised deferred tax assets	Total deferred tax assets
Losses carried forward by country				
Spain	114	-	28	28
USA	151	12	-	12
Germany	17	5	-	5
Total	282	17	28	45
Other tax reducing timing differences	326	71	-	71
Total tax reducing timing differences	608	88	28	116
Netted deferred tax	-471	-81	-	-81
Net tax reducing timing differences	137	7	28	35

Deferred tax assets are only capitalised to the extent that it is probable that there will be sufficient future taxable profit for the tax asset to be used, either because the unit recently reported a profit or because assets with excess value have been identified. If future profits are not likely to be sufficient to absorb the tax reducing timing differences, deferred tax assets are not recognised.

Borregaard will always seek to meet the tax laws requirements in the countries where we have commercial activity. The company will not enter into arrangements which could be considered artificial, or which have tax avoidance as their sole or main objective. 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.

TAX PAYMENTS PER COUNTRY

Amounts in NOK million	Tax paid
Norway	-137
United Kingdom	-3
Austria	-2
Czech Republic	-5
USA*	29
Brazil	-2
Singapore	-2
India	-1
Other countries	-1
Total taxes paid in 2021	-124

*In 2021, Borregaard USA got tax credits related to the COVID-19 pandemic.

NOTE 16 EARNINGS PER SHARE (EPS)

Earnings per share are calculated on the basis of profit for the year after non-controlling interests. As a result of the Borregaard Group's option programme (see Note 9), outstanding shares may be diluted when options are exercised. In order to take into account this future increase in the number of shares outstanding, diluted earnings per share are calculated in addition to basic earnings per share. In this calculation, the average number of shares outstanding is adjusted to take into account the estimated dilutive effect of the option programme.

The share capital consists of 100 million shares including 414,862 treasury shares as of 31 December 2021. As of 31 December 2021, there are 99,742,686 diluted shares. There were 99,712,283 diluted shares as of 31 December 2020.

Amounts in NOK million	2021	2020
Profit/loss for the year after non-controlling interests for continuing operations	692	436
Profit/loss/gains discontinued operations	-	-
Profit/loss for the year after non-controlling interests	692	436
Amounts in million shares		
Weighted average number of shares outstanding	99.6	99.6
Estimated dilution effect option programme	0.1	0.1
Weighted average number of shares outstanding diluted	99.7	99.7
Amounts in NOK	2021	2020
Earnings per share	6.95	4.38
Earnings per diluted share	6.94	4.37
Ordinary dividend per share	2.75	2.50
Extraordinary dividend per share	2.25	-

NOTE 17 INTANGIBLE ASSETS

Capitalised expenditure on internally generated or specially adapted computer programmes is presented as intangible assets. The reinvestment need of specially adapted computer programmes is similar to that of other tangible assets, and the amortisation of intangible assets are presented together with Borregaard's other depreciation.

Research and development (R&D) expenditure is the expenses incurred by Borregaard in conducting research and development, including studies of existing or new products and production processes in order to secure future earnings. Expenditure on research is always expensed as incurred, while expenditure on development is recognised in the statement of financial position if the underlying economic factors are identifiable and represent probable future economic benefits of which Borregaard has control. Borregaard has a large number of projects in process at all times, but the number of projects that end in capitalisation is limited. This is due to the considerable uncertainty throughout the decision-making process and the fact that only a small percentage of all projects culminate in commercial products. Furthermore, the portion of the total project expenses that qualify for

recognition in the statement of financial position are relatively small, as it is only from the time the decision to develop the product is made it can be capitalised, and that decision-making point comes at a late stage of the process. The fair value of intangible assets acquired by the company through business combinations is capitalised. Intangible assets with indefinite life will not be amortised while other intangible assets will be amortised over their useful life.

Goodwill is initially measured at cost, being the excess of the aggregate of the transferred and the amount recognised for non-controlling interest over the net identified asset acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in income statement.

Amortisable intangible assets are amortised on a straight-line basis at the following rates: Development 20% and other intangible assets 10-15%. Development consists mainly of internal resources being involved in development projects. IT consists mainly of external costs.

Amounts in NOK million	Development and other intangible assets	IT	Goodwill	Total
Book value 1 January 2021	31	21	34	86
Additions	2	17	-	19
Depreciation/Amortisation	-8	-7	-	-15
Impairment	-	-	-	-
Currency translations	1	-	-2	-1
Book value 31 December 2021	26	31	32	89
Initial cost 31 December 2021	170	173	55	398
Accumulated amortisation and impairment	-144	-142	-23	-309
Book value 31 December 2021	26	31	32	89
Book value 1 January 2020	41	20	32	93
Additions	1	8	-	9
Depreciation/Amortisation	-11	-7	-	-18
Impairment	-	-	-	-
Currency translations	-	-	2	2
Book value 31 December 2020	31	21	34	86
Initial cost 31 December 2020	165	161	55	381
Accumulated amortisation and impairment	-134	-140	-21	-295
Book value 31 December 2020	31	21	34	86

In addition, Borregaard expensed NOK 85 million in 2021 in research and development costs (NOK 100 million).

The amounts include grants and other cost deductions. See Note 34.

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets intended for production, delivery of goods or administrative purposes and have a lasting useful life. They are recognised in the statement of financial position at cost minus any accumulated depreciation and impairment. Annual major maintenance stops are capitalised as part of property, plant and equipment and depreciated over a period of 12 months. All other maintenance and repairs are expensed under operating expenses as and when the maintenance is carried out, while expenditure on replacements or improvements is added to the cost price of the assets. Borrowing costs related to the construction of the Group's own property, plant and equipment are capitalised as part of the cost of the asset.

Property, plant and equipment are depreciated on a straight-line basis over the useful life, at the following rates: buildings 2-4%, machinery, fixtures and fittings 4-20%, vehicles 15-25% and IT equipment 15-33%. The period of depreciation is reviewed each year and if there are changes in useful life, depreciation is adjusted. If there is any indication that an asset may be impaired, the asset will be written down to the recoverable amount if the recoverable amount is lower than the carrying value. The residual value is also calculated and if it is higher than the carrying value, depreciation is stopped. This applies in particular to buildings. The Group is committed to fulfil contracts amounting to NOK 53 million which is not recorded in the statement of financial position as of 31 December 2021 (NOK 125 million as of 31 December 2020).

Amounts in NOK million	Land, buildings and other property	Machinery and plants	Assets under constructions	Fixtures, fittings, vehicles, EDP, etc.	Total
Book value 1 January 2021	1,323	2,213	397	40	3,973
Additions	66	189	279	3	537
Disposals	-	-	-	-1	-1
Transferred assets under construction	174	100	-280	6	-
Impairment	-	-	-	-	-
Depreciation	-81	-249	-	-12	-342
Currency translation	6	16	2	-	24
Book value 31 December 2021	1,488	2,269	398	36	4,191
Initial cost 31 December 2021	2,665	6,973	398	220	10,256
Accumulated depreciation and impairment	-1,177	-4 704	-	-184	-6,065
Book value 31 December 2021	1,488	2,269	398	36	4,191
Book value 1 January 2020	1,284	2,338	191	39	3,852
Additions	65	128	288	12	493
Disposals	-	-2	-	-	-2
Transferred assets under construction	56	24	-81	1	-
Impairment	-1	-	-	-	-1
Depreciation	-77	-263	-	-12	-352
Currency translation	-4	-12	-1	-	-17
Book value 31 December 2020	1 323	2 213	397	40	3 973
Initial cost 31 December 2020	2,432	6,757	397	223	9,809
Accumulated depreciation and impairment	-1,109	-4,544	0	-183	-5,836
Book value 31 December 2020	1,323	2,213	397	40	3,973

NOTE 19 OVERVIEW OF FINANCIAL INSTRUMENTS

Loans, as well as trade receivables, are held to collect contractual cash flows and are expected to give rise to cash flows solely representing payments of principal and interest. The Group analysed the contractual cash flow characteristics

of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. The Group applied the simplified approach and record lifetime expected losses on all trade receivables.

The Group has considered that due to the historical low level of credit losses, the loss allowance will not be materially different from the current level. Transactions in foreign currencies are recognised at the exchange rate on the date of the transaction, while monetary items in foreign currencies are presented at the exchange rate on the balance sheet date, and any gain/loss is reported in the income statement as financial items. Revenues and expenses in subsidiaries with a functional currency different from the Group's presentation currency are translated monthly at the average exchange rate for the month and accumulated. Statement of financial position items in subsidiaries with a different functional currency are translated at the exchange rate on the balance sheet date. Translation differences are reported in comprehensive income.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments, by valuation technique:

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets and liabilities.

Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

The foreign exchange element in currency forward contracts is measured at observable market prices using the foreign exchange rate set by Norges Bank, Norway's central bank. Different maturity dates add an interest rate element resulting in an estimated fair value of the currency forward contracts. There were no transfers from one level to another in the measurement hierarchy in 2020 and 2021. Borregaard has no items defined as level 1. A description of how the derivatives are measured is provided in Note 29.

OVERVIEW OF FINANCIAL INSTRUMENTS 2021

Amounts in NOK million	Note	Measurement level	Financial instruments at fair value through profit and loss	Financial instruments at fair value - hedging instruments	Financial liabilities measured at amortised cost	Deposits and receivables measured at amortised cost	Total	Of this interest-bearing	Fair value
Non-current assets									
Non-current financial receivables	20	2	-	-	-	187	187	3	187
Non-current derivatives	20, 29	2	-	136	-	-	136	-	136
Total			-	136	-	187	323	3	323
Current assets									
Accounts receivable	22		-	-	-	770	770	-	770
Other current receivables	22		-	-	-	15	15	-	15
Current derivatives	22, 29	2	7	109	-	-	116	-	116
Cash and cash equivalents	23		-	-	-	124	124	124	124
Total			7	109	-	909	1,025	124	1,025
Non-current liabilities									
Non-current financial liabilities	12, 27	2, 3	-	-	1,322	-	1,322	1,320	1,322
Non-current derivatives	24, 29	2	-	30	-	-	30	-	30
Total			-	30	1,322	-	1,352	1,320	1,352
Current liabilities									
Current financial liabilities	12, 27	2	-	-	224	-	224	224	224
Accounts payable	25		-	-	435	-	435	-	435
Other current liabilities	25		-	-	1	-	1	-	1
Current derivatives	25, 29	2	3	29	-	-	32	-	32
Total			3	29	660	-	692	224	692
Total financial instruments			4	186	-1,982	1,096	-696	-1,417	-696
Total measurement level 1			-	-	-	-	-	-	-
Total measurement level 2, assets			7	245	-	187	439	3	439
Total measurement level 2, liabilities			-3	-59	-1,146	-	-1,208	-1,144	-1,208
Total measurement level 3					-400	-	-400	-400	-400

OVERVIEW OF FINANCIAL INSTRUMENTS 2020

Amounts in NOK million	Note	Measurement level	Financial instruments at fair value through profit and loss	Financial instruments at fair value - hedging instruments	Financial liabilities measured at amortised cost	Deposits and receivables measured at amortised cost	Total	Of this interest-bearing	Fair value
Non-current assets									
Non-current financial receivables	20	2	-	-	-	195	195	3	195
Non-current derivatives	20, 29	2	-	165	-	-	165	-	165
Total			-	165	-	195	360	3	360
Current assets									
Accounts receivable	22		-	-	-	763	763	-	763
Other current receivables	22		-	-	-	19	19	-	19
Current derivatives	22, 29	2	6	29	-	-	35	-	35
Cash and cash equivalents	23		-	-	-	207	207	207	207
Total			6	29	-	989	1,024	207	1,024
Non-current liabilities									
Non-current financial liabilities	12, 27	2,3	-	-	1,383	-	1,383	1,381	1,383
Non-current derivatives	24, 29	2	-	29	-	-	29	-	29
Total			-	29	1,383	-	1,412	1,381	1,412
Current liabilities									
Current financial liabilities	12, 27	2	-	-	623	-	623	623	623
Accounts payable	25		-	-	361	-	361	-	361
Other current liabilities	25		-	-	1	-	1	-	1
Current derivatives	25, 29	2	2	91	-	-	93	-	93
Total			2	91	985	-	1,078	623	1,078
Total financial instruments			4	74	-2,368	1,184	-1,106	-1,794	-1,106
Total measurement level 1			-	-	-	-	-	-	-
Total measurement level 2, assets			6	194	-	195	395	3	395
Total measurement level 2, liabilities			-2	-120	-1,606	-	-1,728	-1,604	-1,728
Total measurement level 3					-400		-400	-400	-400

1) Includes deposits in Group cash pool

For current assets and liabilities, fair value is estimated close or equal to book value. The bonds are determined as measurement level 3. The fair value of the bonds are deemed

to equal their booked values. The bonds carry floating interest terms and the issuer's credit quality is not considered to have changed since the bonds were issued in June 2018.

NOTE 20 OTHER ASSETS (NON-CURRENT)

Receivables are initially recognised at fair value which is generally the original invoice amount. For trade receivables see Note 22. The interest rate element is disregarded if it is insignificant, which is the case for the majority of receivables.

Amounts in NOK million	2021	2020
Share investments	9	5
Non interest-bearing derivatives (Note 19)	136	165
Receivables interest-bearing (Note 19)	3	3
Receivables non interest-bearing (Note 19)	184	192
Total other assets	332	365

NOTE 21 INVENTORIES AND COST OF MATERIALS

Inventories are measured at the lower of cost and net realisable value. Purchased goods are measured at purchase cost according to the FIFO principle, while internally manufactured finished goods and work in progress are measured at production cost. Deductions are made for obsolescence. Net realisable value is the estimated selling price minus selling costs.

As of 31 December 2021, there is a total write-down of inventories of NOK 3 million (NOK 1 million) related to inventories measured at net realisable value total NOK 33 million (NOK 8 million). There are no reversed write-downs from earlier years.

Amounts in NOK million	2021	2020
Raw materials	149	127
Work in progress	59	53
Finished goods and merchandise	584	707
Total inventories	792	887

Amounts in NOK million	2021	2020
Wood costs	-403	-472
Energy costs	-499	-355
Other materials	-1,133	-1,060
Change in work in progress and finished goods	-117	-34
Cost of materials	-2,152	-1,921

NOTE 22 RECEIVABLES (CURRENT)

Receivables are initially recognised at fair value which is generally the original invoice amount. For trade receivables the Group applies a simplified approach in calculating expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Current receivables are both operating receivables and interest-bearing receivables. Operating receivables are broken down into trade receivables, accrued advance payments to suppliers and other current receivables. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Amounts in NOK million	2021	2020
Accounts receivable (Note 19)	770	763
Non interest-bearing derivatives (Note 19)	116	35
Other current receivables (Note 19)	15	19
Total financial receivables	901	817
Advance payment to suppliers/earned income	173	174
Tax receivables	33	60
Total current receivables	1,107	1,051

CHANGE IN PROVISIONS FOR BAD DEBT:

Amounts in NOK million	2021	2020
Provisions for bad debts 1 January	9	11
Bad debts recognised as expense (- income)	2	-1
Realised losses	-3	-1
Translation effects	-	-
Provisions for bad debts 31 December	8	9

ACCOUNTS RECEIVABLES HAVE THE FOLLOWING DUE DATES:

Amounts in NOK million	2021	2020
Accounts receivable not due	689	669
Overdue receivables 1-30 days	78	93
Overdue receivables 31-60 days	9	4
Overdue receivables 61-90 days	1	1
Overdue receivables over 90 days	1	5
Accounts receivable carrying amount 31 December	778	772

NOTE 23 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held for the purpose of meeting short-term fluctuations in liquidity rather than for investment purposes. Cash and cash equivalents consist of cash, bank deposits and current deposits with a maturity of three months or less. Company policy is to channel excess liquidity in wholly-owned subsidiaries to Borregaard's cash pools (with DNB and Handelsbanken) or placed as deposits with Borregaard AS. In some countries, however, there are legal or technical impediments on participation in Borregaard's cash pools or making deposits with Borregaard AS.

Amounts in NOK million	2021	2020
Cash and cash equivalents	124	207
Bank overdraft	-119	-111
Net cash and cash equivalents	5	96

Bank deposits of NOK 3 million related to tax deductions from employees are restricted as of 31 December 2021. Borregaard has a bank guarantee for the majority of the tax deductions. As of 31 December 2021, the liability related to tax deductions was NOK 30 million (NOK 28 million).

NOTE 24 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Provisions are recognised in the financial statements in the case of onerous contracts or when restructuring measures have been adopted. Future operating losses will not be part of the provisions. In the case of restructuring provisions, there must be a detailed plan that identifies which parts of the business are to be restructured. The location and number of employees affected, and a valid expectation must have been created among those concerned that the restructuring will be carried out. In addition, it must be possible to provide a reliable estimate of the amount of the liability. It is a condition that the restructuring materially changes the size of the business or the way in which it is operated. The provision is calculated on the

basis of the best estimate of estimated expenses. If the effect is material, anticipated future cash flows will be discounted using a current pre-tax interest rate that reflects the risks specific to the provision.

Amounts in NOK million	2021	2020
Pension liabilities (Note 10)	29	90
Derivatives (Note 19)	30	29
Other non-current liabilities	1	2
Environmental provisions (Note 35)	-	3
Total	60	124

NOTE 25 OTHER LIABILITIES (CURRENT)

Current liabilities are operating liabilities (trade accounts payable, unpaid public taxes/charges, prepaid revenues, other accruals, etc.) and financial liabilities (payable interest). All these items are interest-free borrowings. Dividend does not become a liability before it has been approved by the General Meeting.

Amounts in NOK million	2021	2020
Accounts payable (Note 19)	435	361
Derivatives (Note 19)	32	93
Other current liabilities (Note 19)	1	1
Total financial liabilities non interest-bearing	468	455
Value-added tax, employee taxes, etc.	72	67
Accruals	324	273
Total other liabilities	864	795

NOTE 26 CAPITAL MANAGEMENT

Borregaard's financial policy shall ensure short-term and long-term financial flexibility for the Group.

Borregaard aims to maintain key financial ratios corresponding to an investment grade rated company in order to ensure access to debt capital on favourable terms and conditions. Borregaard shall manage financial risks, primarily related to currency fluctuations in a prudent manner and in accordance with established guidelines. Borregaard shall develop and maintain relationships with a core group of banks, based on long-term financing commitments.

Long-term funding

In June 2018, Borregaard issued a five-year NOK 400 million bond in the Norwegian bond market. In March 2014, Borregaard entered into a EUR 40 million term loan agreement with the Nordic Investment Bank with the purpose of refinancing the then recently completed wastewater treatment plant in Sarpsborg and to fund research and development costs associated with innovation projects. The loan has a tenor of ten years with a grace period of three years. Financial covenants are similar to those applicable for the Bank Facilities Agreements described below.

On 7 July 2020, Borregaard refinanced the current long-term revolving credit facilities with sustainability linked revolving credit facilities. The total amount of the Bank Facilities Agreements is NOK 1,500 million, with equal portions of NOK 500 million being provided by each of the three banks (Handelsbanken, DNB and SEB). The tenor of the facilities ranges from 3 to 5 years with two one-year extension options at the discretion of the bank. The facilities are linked to Borregaard's sustainability targets and the margins can be adjusted based on our progress on three parameters: Borregaard's 2030 target of reducing greenhouse gas emissions (scope 1 and 2) as approved by the Science Based Targets initiative in 2019, reduction of the Group's total recordable injuries and finally, keeping emissions of organic compounds to the Glomma river below certain levels. All outstanding loans and all other sums due and outstanding must be repaid in full on the termination date specified for each tranche under the Bank Facilities Agreements.

The Bank Facilities Agreements include the following financial covenant:

Leverage ratio¹: the ratio of Net Interest-Bearing Debt¹ to Consolidated EBITDA¹ including other income and expenses¹, shall not exceed 3.50:1 during the life of the Agreements.

The Bank Facilities Agreements also contain restrictions i.a. on the Group companies' ability to grant security or guarantees (negative pledge). Borregaard is in compliance with the covenants as of 31 December 2021.

Borregaard's policy for long-term funding is for debt to have an average maturity of at least 2.5 years, with a maturity profile spread over several years. Refinancing risk shall be actively managed and the refinancing process for maturing loans shall preferably commence at least one year ahead of scheduled maturity. Borregaard shall seek to diversify its long-term funding sources, supplementing bank loans with debt capital markets and other sources, subject to availability and conditions. The company may utilise commercial paper markets and/or short-term bank loans as sources of liquidity, provided that such loans can be substituted by undrawn long-term committed loan facilities.

Partially owned companies including the joint venture or companies whose domestic legislation prevents them from entering into loan agreements with Borregaard AS, will need either to be financed on equal (pro rata) terms by the partners or will have to establish independent funding.

In June 2017, LignoTech Florida LLC entered into a USD 60 million loan agreement with SEB. The loan facility is guaranteed 70% by The Norwegian Export Credit Guarantee Agency and has a tenor of 8.5 years from commercial completion of the plant. Furthermore, an overdraft facility of USD 15 million was established to meet short term liquidity needs. The owners of LignoTech Florida (see Note 31) will guarantee the loan and the overdraft facility on a pro rata basis until certain financial conditions are met. As an industrial group, Borregaard is not subject to any external capital requirements.

Liquidity and cash management

At 31 December 2021, Borregaard had a multi-currency overdraft facility of 125 million NOK linked to its international cash pool with DNB, a 100 million NOK overdraft limit linked to its cash pool (Group account system) with Handelsbanken and an intra-day facility of NOK 75 million with Nordea related to salary payments. Group liquidity shall be managed in cash pools, with Borregaard AS as owner of top accounts and legal counterpart to relevant banks. Group companies shall participate in cash pools to the extent possible, with allocated internal credit lines. Group companies which are prevented from participating in cash pools, shall enter into

deposit and/or loan agreements with Borregaard AS and shall aim at keeping locally held cash balances at a near-zero level. Excess liquidity shall primarily be used to repay debt. Alternatively, excess liquidity can be placed with relationship banks or other well-rated banks.

Partially owned companies including the joint venture or companies whose domestic legislation prevents them from entering into deposit and/or loan agreements with Borregaard AS, shall invest surplus cash in low-risk deposits and/or pay dividend.

NOTE 27 FUNDING AND INTEREST-BEARING LIABILITIES

Loans and receivables are carried at amortised cost. Thus, changes in fair value resulting from changes in interest rates during the interest rate period are not reported in the income statement. Borrowing costs related to the long-term funding are capitalised over the period of the loan facilities.

Funding

Borregaard's main sources of financing are proceeds from its bond issue of NOK 400 million, its EUR 40 million term loan with Nordic Investment Bank (maturing in 2024) and its long-term revolving loan facilities totalling NOK 1,500 million from three Scandinavian banks. The facilities, granted to Borregaard ASA and Borregaard AS on a joint and several basis, were entered into in July 2020 and will mature in the

period from from 2024 to 2026. The facilities are unsecured (negative pledge), but the loan agreements contain certain financial covenants (leverage ratio– see Note 26) and some limitations on new indebtedness beside change of control and cross-default provisions.

In June 2017, LignoTech Florida entered into a USD 60 million loan agreement. Amortisation started in 2019. To meet short term liquidity needs, an overdraft facility of USD 15 million was established.

For liquidity and cash management purposes two multi-currency overdraft facilities totalling NOK 225 million are in place.

Amounts in NOK million	Book value		Fair value	
	2021	2020	2021	2020
Non-current interest-bearing liabilities				
Bank loans/bond	1,001	1,037	1,001	1,037
Other interest-bearing liabilities	319	344	319	344
Total non-current interest-bearing liabilities	1,320	1,381	1,320	1,381
Current interest-bearing liabilities				
Bank loans/overdraft/commercial paper/bond	172	572	172	572
Other interest-bearing liabilities	52	51	52	51
Total current interest-bearing liabilities	224	623	224	623
Total interest-bearing liabilities	1,544	2,004	1,544	2,004
Interest bearing receivables				
Non-current interest-bearing receivables	3	3	3	3
Cash and cash equivalents	124	207	124	207
Total interest-bearing receivables	127	210	127	210
Net interest-bearing debt¹	1,417	1,794	1,417	1,794

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2021	Cash flows	Additions/ transfer leases	Foreign exchange movement	Fair value changes	31 December 2021
Long-term borrowings	1,381	-49	-25	13	-	1,320
Short-term borrowings excluding overdraft	512	-456	57	-8	-	105
Overdraft	111	4	-	4	-	119
Total liabilities from financing activities	2,004	-501	32	9	-	1,544

	1 January 2020	Cash flows	Additions/ transfer leases	Foreign exchange movement	Fair value changes	31 December 2020
Long-term borrowings	1,419	-53	9	6	-	1,381
Short-term borrowings excluding overdraft	542	-100	69	1	-	512
Overdraft	66	54	-	-9	-	111
Total liabilities from financing activities	2,027	-99	78	-2	-	2,004

There were no drawings under the Bank Facilities Agreements as of 31 December 2021. Drawings originating from the bond issue the term loan with Nordic Investment Bank, and the term loan related to LignoTech Florida

amounted to NOK 1,040 million as of 31 December 2021. The maturity profiles of the Group's interest-bearing liabilities are shown in the table below.

MATURITY PROFILE INTEREST-BEARING LIABILITIES AND UNUTILISED CREDIT FACILITIES

Amounts in NOK million	Gross interest-bearing liabilities		Unutilised credit facilities	
	2021	2020	2021	2020
Maturity < 1 year	224	623	225	225
Maturity 1-3 years	676	651	500	500
Maturity 3-5 years	171	195	1,000	1,000
Maturity 5-7 years	265	311	-	-
Maturity > 7 years	208	224	-	-
Total	1,544	2,004	1,725	1,725

NOTE 28 FINANCIAL RISK

(I) ORGANISATION OF FINANCIAL RISK MANAGEMENT

Borregaard operates internationally and is exposed to financial risks like currency risk, interest rate risk, commodity price risk, climate risk, liquidity risk and credit risk. Borregaard uses derivatives and other financial instruments to reduce these risks in accordance with the Group's finance policy.

Responsibility for managing financial risk in Borregaard is divided between business areas, which manage risk related to business processes and corporate functions, which manages risk related to centralised activities like funding, interest rate management, cash management, currency risk management and credit management policy. Borregaard's CFO and the Group's Treasury Department are responsible for managing centralised financial risk elements.

Financial risks

This section describes the most important risk factors within the Group and the management of these risks. In this context, financial risk is defined as risk related to financial instruments. These may either be hedging instruments for underlying risk, or viewed as inherently a source of risk.

Borregaard is exposed to currency risk for most of its sales, primarily in USD and EUR. A substantial part of this exposure, defined as estimated net cash flow in USD or EUR, is routinely hedged on a rolling basis with a nine-month time horizon. In order to secure medium-term competitiveness, the hedging horizon may gradually be extended to three years for a EUR/NOK hedging rate in the range of 9.25-9.75 and gradually to three years for USD/NOK hedging rates in the 8.00-8.50 range. For USD/NOK exposure, hedging levels may be reduced for hedging rates below 6.00.

On the revenue side, all of Borregaard's business segments are exposed to price risk in international markets. Borregaard is also exposed to price risk on wood, energy (heat energy and electric power) and other strategic raw materials. In 2011, Borregaard entered into a long-term hydroelectric power contract with Eidsiva Vannkraft AS for delivery of a total of 6.1 billion kilowatt hours (6.1 TWh) to be supplied in the

period 2013-2024. In 2018, Borregaard and Eidsiva Vannkraft AS entered into a new long term supply contract for electric power for a total of 2.8 TWh to be supplied to the Sarpsborg site in the period 2020 to 2029. The new contract replaces the existing contract between the parties for the period 2020 to 2024, with a gradual reduction of annual deliveries from about 420 GWh in 2020 to about 130 GWh in 2029. The agreement between Eidsiva and Borregaard secures power deliveries for Borregaard's plants in Sarpsborg from January 2013 until December 2029. In 2019, Borregaard and E-CO Energi entered into a long-term contract for hydroelectric power for a total of 1.66 TWh to be supplied to the Sarpsborg site in the period 2022 to 2033, with annual deliveries increasing from 88 GWh to 175 GWh. In 2019, Borregaard also entered into a new long-term contract with Statkraft for delivery of renewable electric power to the Sarpsborg site. A total of 1.75 TWh will be supplied in the period 2020 to 2029, with annual deliveries of 175 GWh. This is energy to be used by Borregaard solely for production purposes. Borregaard also has a hedging strategy which enables hedging of part of its future expected power consumption. The purpose of this hedging is to reduce the risk from volatility in the power prices.

(II) CATEGORIES OF FINANCIAL RISKS FOR THE BORREGAARD GROUP

Currency risk

As NOK is the presentation currency for the Group, Borregaard is exposed to currency translation risk for net investments in foreign operations. Borregaard hedges this category of risk using currency forward contracts for USD and a mix of forward contracts and loan for EUR.

Transaction risk is hedged against each entity's functional currency. Borregaard applies hedge accounting for most hedges of future transactions, either cash flow hedges or fair value hedges of firm commitments. The different types of hedges are described in Note 29.

The Group's aggregated outstanding currency hedges of future transactions on the balance sheet date are shown in the tables on the next page.

FOREIGN EXCHANGE CONTRACTS LINKED TO HEDGING OF FUTURE REVENUES AND COSTS

2021

Amounts in million

Purchase currency	Amount	Sale currency	Amount	Maturity
USD	5	NOK	43	2022
NOK	1,344	USD	151	2022
NOK	1,280	USD	139	2023
NOK	832	USD	95	2024
EUR	2	USD	2	2022
NOK	1,247	EUR	118	2022
NOK	1,189	EUR	110	2023
NOK	789	EUR	74	2024
SEK	48	NOK	48	2022

2020

Amounts in million

Purchase currency	Amount	Sale currency	Amount	Maturity
USD	11	NOK	93	2021
USD	4	NOK	32	2022
NOK	1,190	USD	142	2021
NOK	1,177	USD	132	2022
NOK	832	USD	88	2023
EUR	4	USD	5	2021
EUR	10	NOK	108	2021
NOK	1,053	EUR	103	2021
NOK	1,067	EUR	100	2022
NOK	742	EUR	67	2023
GBP	1	NOK	14	2021
SEK	51	NOK	53	2021

Interest rate risk

Borregaard's interest rate risk is mainly related to the Group's interest-bearing liabilities and assets. This risk is managed at parent level. Borregaard shall primarily follow a floating rate strategy, but may consider fixed rates for a maximum of 50% of its debt, using appropriate derivatives. As of 31 December 2021, Borregaard has the following fixed rate exposure:

2021

Amounts in NOK million

Currency	Interest-bearing debt	Maturity
NOK	200	2023
USD	22	2023

Liquidity risk

Liquidity risk is the risk that Borregaard is not able to meet its payment obligations. This risk is managed centrally, but in close concert with affected subsidiaries. Borregaard AS initiates measures deemed necessary to maintain a

strong liquidity. Cash flow from operations, which among other factors is affected by changes in working capital, is managed operationally at Group level, and is relatively stable. Borregaard monitors liquidity flows, short and long-term, through reporting and selected forecasting routines. Due to the aforementioned measures, the Group has limited liquidity risk.

The table below shows the maturity profile for the Group's contractual financial liabilities, including liabilities which are not recognised in the financial position.

The amounts represent undiscounted future cash flows and may therefore deviate from recognised figures. The table also includes derivatives recognised as assets on the balance sheet date, as derivatives may include both positive and negative cash flows, and the fair value fluctuates over time. Forward prices are used to determine the future settlement amounts for electric power and currency derivatives.

MATURITY PROFILE FINANCIAL LIABILITIES

2021

Amounts in NOK million	Book Value	Contractual cash flows	< 1 year	1-3 years	3-5 years	5-7 years	> 7 years
Interest-bearing liabilities excluding lease liabilities	1,173	1,173	172	621	141	239	-
Lease liabilities	371	557	71	88	61	24	313
Interest payable bank loans & bonds	1	81	30	30	17	4	-
Accounts payable	435	435	435	-	-	-	-
Gross settled derivatives*	-190	-	-	-	-	-	-
Inflow	-	-7,903	-3,805	-4,095	-2	-1	-
Outflow	-	7,713	3,724	3,989	-	-	-
Total	1,790	2,056	627	633	217	266	313

* Including derivatives recognised as assets.

MATURITY PROFILE FINANCIAL LIABILITIES

2020

Amounts in NOK million	Book Value	Contractual cash flows	< 1 year	1-3 years	3-5 years	5-7 years	> 7 years
Interest-bearing liabilities excluding lease liabilities	1,609	1,609	572	580	164	286	7
Lease liabilities	395	595	72	106	61	23	333
Interest payable bank loans & bonds	1	104	31	48	19	6	-
Accounts payable	361	361	361	-	-	-	-
Gross settled derivatives*	-78	-	-	-	-	-	-
Inflow	-	-7,506	-3,650	-3,850	-2	-2	-2
Outflow	-	7,428	3,709	3,719	-	-	-
Total	2,288	2,591	1,095	603	242	313	338

* Including derivatives recognised as assets.

The financial liabilities are serviced by cash flow from operations, liquid and interest-bearing assets, and, when necessary, drawings on unutilised credit facilities.

Credit risk

The management of credit risk related to accounts receivable and other operating receivables is handled as part of the business risk but based on guidelines set by Borregaard AS and continuously monitored by the operating entities. There is no significant concentration of credit risk in respect of single counterparts. A credit management policy is in place. Credit losses are historically modest due to a stable and financially healthy customer base as well as stringent monitoring of trade receivables. See Note 22. For sales to countries or customers associated with high political or commercial risk, trade finance products are widely used to reduce credit risk. With these risk mitigation measures in place, the current credit risk is considered to be acceptable. See Note 8 for geographical breakdown of sales revenues.

Borregaard considers its credit risk related to other financial instruments to be low. Firstly, only relationship banks act as counterparts for financial hedge transactions. Secondly, bank accounts are mainly held with relationship banks. For deposits of liquidity with other counterparts in countries where relationship banks are not present, Borregaard has requirements relating to the bank's credit rating.

Maximum credit risk

The maximum credit exposure for the Group related to financial instruments corresponds to total gross receivables. In the hypothetical and highly unlikely event that no receivables are redeemed, this amounts to:

Amounts in NOK million	2021	2020
Cash and cash equivalents	124	207
Accounts receivable	770	763
Other current receivables	15	19
Non-current receivables	187	195
Derivatives	252	200
Total	1,348	1,384

Commodity price risk

The Group is exposed to price risks in respect of a number of raw materials, of which electric power, liquefied natural gas and wood are the most substantial. However, prices of sold products are also affected by raw material prices, and it is generally Borregaard's policy to reduce the price risk through commercial contracts.

Climate risk

Climate risk assessment comply with the Task Force on Climate-related Financial Disclosures. The short and medium-term climate risk is considered to be low. See page 36.

Sensitivity analysis

The financial instruments of the Borregaard Group are exposed to different types of market risk which can affect the income statement or equity. Financial instruments, in particular derivatives, are applied as means of hedging both financial and operational exposure.

In the table below, Borregaard presents a partial analysis of the sensitivity of financial instruments, where the isolated effect of each type of risk on the income statement and on equity is estimated. This is done on the basis of a selected reasonably possible change in market prices/rates on the statement of financial position as of 31 December.

According to IFRS, the analysis covers only financial instruments and is not meant to give a complete overview of the Group's market risk, for instance:

- For currency hedges of contracts entered into, changes in fair value of the hedging instrument will affect the income statement, while changes in the fair value of the underlying hedged contract offset by the hedging instrument will not be shown, as it is not a financial instrument.

- If one of the parameters changes, the analysis will not take account of any correlation with other parameters.
- Financial instruments denominated in the entities' functional currencies do not constitute any currency risk and are therefore not included in this analysis. Nor is the currency exposure on translation of such financial instruments to the presentation currency of the Group included, for the same reason.

- No sensitivity analysis is performed for the power hedges as the exposure is considered immaterial.

Generally, the effect on the income statement and equity of financial instruments in the table below is expected to offset the effects of the hedged items where financial instruments are part of a hedging relationship.

SENSITIVITY FINANCIAL INSTRUMENTS 2021

Amounts in NOK million	ACCOUNTING EFFECTS ON			
	Income statement of		Equity of	
	Increase	Decrease	Increase	Decrease
Financial instruments in hedging relationships				
Interest rate risk: 100 bp parallel shift in interest curves all currencies	-6	6	-	-
Currency risk: 10% change in FX-rate USD/NOK	-	-	-263	263
Currency risk: 10% change in FX-rate EUR/NOK	-	-	-241	241
Currency risk: 10% change in FX-rate SEK/NOK	-	-	4	-4

SENSITIVITY FINANCIAL INSTRUMENTS 2020

Amounts in NOK million	ACCOUNTING EFFECTS ON			
	Income statement of		Equity of	
	Increase	Decrease	Increase	Decrease
Financial instruments in hedging relationships				
Interest rate risk: 100 bp parallel shift in interest curves all currencies	-14	14	-	-
Currency risk: 10% change in FX-rate USD/NOK	-	-	-233	233
Currency risk: 10% change in FX-rate EUR/NOK	-	-	-216	-216
Currency risk: 10% change in FX-rate SEK/NOK	-	-	4	-4
Currency risk: 10% change in FX-rate GBP/NOK	-	-	1	-1

Accounting effects of changes in market risk are classified to income statement and equity according to where the effect of the changes in fair value will be recognised initially. Effects

recognised in the income statement will also affect equity beyond the figures presented in the table.

NOTE 29 DERIVATIVES AND HEDGING

Derivatives are measured at fair value on the balance sheet date and reported as receivables or liabilities. Changes in fair value are reported in the income statement in cases where the derivative is not part of a hedge relationship that satisfies the criteria for hedge accounting. Embedded derivatives in contracts are identified and measured separately. Purchases and sales of derivatives are recognised at trade date. The Group applies IFRS 9 on its financial instruments

Hedge accounting

The Group's existing hedge relationships designated in effective hedging relationships qualify for hedge accounting under IFRS 9.

The Group uses the following criteria for classifying a derivative or another financial instrument as a hedging instrument:

- (1) the hedging instrument is expected to be highly effective in offsetting the changes in fair value or the cash flow of an identified object.
- (2) the hedging effectiveness can be measured reliably,
- (3) satisfactory documentation is established before entering into the hedging instrument, showing among other things that the hedging relationship is effective,
- (4) for cash flow hedges, that the future transaction is considered to be highly probable, and

- (5) the hedging relationship is evaluated regularly and is considered to be effective.

The table below shows the fair value of all outstanding derivative financial instruments grouped according to treatment in the financial statements:

DERIVATIVES AND HEDGING

Amounts in NOK million	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges				
Currency forwards, currency swaps	225	53	179	102
Power hedges	-	-	-	-
Interest swaps	-	6	-	17
Embedded derivative	9	-	7	1
Hedges of net investments				
Currency forwards, currency swaps	11	-	8	-
Other derivatives - Fair value changes recognised in income statement				
Currency forwards, currency swaps, options	7	3	6	2
Total derivatives	252	62	200	122

Calculation of fair value

- Currency forwards and currency swaps are measured at fair value using the observed forward exchange rate for contracts with a corresponding term to maturity at the balance sheet date.
- The fair value of currency options is calculated using Garman-Kohlhagen's version of the Black Scholes Option pricing method, and the variables are based on observed indicative market prices at the balance sheet date.

These derivative financial instruments are designated in hedge relationships as follows:

Cash flow hedges

The effective part of changes in the fair value of a hedging instrument is recognised in comprehensive income and reclassified to the income statement when the hedged transaction affects profit or loss and is presented on the same line as the hedged transaction. The ineffective part of the hedging instrument is reported in the income statement. When a hedging instrument is sold, exercised or terminated,

the accumulated gains and losses at this point will remain in hedging reserve of equity and will be recognised in the income statement when the hedged transaction affects profit or loss. The group has established a hedge ratio of 1:1 for the hedging relationship as the underlying risk of foreign exchange are identical to the hedged components. If the hedged transaction is no longer expected to occur, the accumulated unrealised gain or loss recognised in the hedging reserve of equity will be recognised in the income statement immediately. Embedded EUR derivatives in power contracts are designed as hedging instruments to hedge currency fluctuations of highly probable future sales.

In 2021, a loss of NOK 0.6 million (2020: loss of NOK 3.5 million) was recorded in the income statement as a result of hedging inefficiency. All expected cash flows which have been hedged during 2021 still qualify for hedge accounting.

Hedges of net investments in foreign currencies

Currency risk on foreign net investments is hedged with currency forward contracts and currency loans. Realised

and unrealised effects of the effective part of the hedging instrument are recognised through comprehensive income. Effects from ineffective parts of the hedging instrument are recognised through profit and loss. The group has established a hedge ratio of 1:1 for the hedging relationship as the underlying risk of foreign exchange are identical to the hedged components.

DEVELOPMENT IN THE EQUITY HEDGING RESERVE

Amounts in NOK million	2021	2020
Opening balance hedging reserve before tax	-93	-331
Reclassified to P/L - operating revenues	59	82
Reclassified to P/L - operating costs	2	1
Reclassified to P/L - net financial income	9	17
Reclassified to Balance sheet	2	-
Fair value change cash flow hedges	38	132
Change in gain/(loss) on hedges of net investments in subsidiaries	-12	6
Closing balance hedging reserve before tax	5	-93
Deferred tax and tax payable hedging reserve	6	27
Closing balance hedging reserve after tax	11	-66

A negative hedging reserve means a negative recognition in the income statement in the future. In 2021, the impact of hedging activities on the operating profit was NOK -29 million (NOK -241 million). Hedging gains from cash flow hedges recognised in the equity hedging reserve as of 31 December 2021 are expected to be recycled to the income statement as follows (before tax):

2022: NOK 69 million (NOK -70 million)

After 2022: NOK 106 million (NOK 136 million)

Fair value hedges

Gains and losses on derivatives designated as hedging instruments in fair value hedges are reported in the income statement and are offset by changes in the value of the hedged item.

There have not been any significant fair value hedges in the period 2021-2022.

NOTE 30 EQUITY AND SHARE CAPITAL

Borregaard ASA was established on 22 August 2012 with a share capital of NOK 1 million. As part of establishing the Borregaard Group, capital transactions to increase share capital and share premium fund was made. Share capital,

share premium fund, other paid-in equity and retained earnings are presented from the establishment of the Borregaard Group in October 2012.

Date/year	Number of shares	Nominal value (NOK)	Share capital (NOK million)
31 December 2021	100,000,000	1	100
31 December 2020	100,000,000	1	100

THE 20 LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2021*

Shareholder	Number of shares	% of capital
1 FOLKETRYGDFONDET	9,690,539	9.69 %
2 NN INVESTMENT PARTNERS	7,585,756	7.59 %
3 ERIK MUST A/S	7,297,755	7.30 %
4 IMPAX ASSET MGT	5,238,443	5.24 %
5 NORDEA BANK ABP	4,527,135	4.53 %
6 SCHRODER INVESTMENT MGT	4,476,856	4.48 %
7 ODIN FUND MGT	3,693,341	3.69 %
8 THE VANGUARD GROUP, INC	3,328,609	3.33 %
9 ALFRED BERG	3,275,771	3.28 %
10 STOREBRAND INVESTMENTS	2,588,763	2.59 %
11 SVENSKA HANDELSBANKEN ASSET MGT	2,499,598	2.50 %
12 PARETO ASSET MGT	2,447,818	2.45 %
13 ABERDEEN STANDARD INVESTMENTS (STANDARD LIFE)	2,365,492	2.37 %
14 BLACKROCK INC	2,246,890	2.25 %
15 ARCTIC ASSET MGT	1,768,849	1.77 %
16 ALLIANZ GLOBAL INVESTORS	1,612,316	1.61 %
17 DIMENSIONAL FUND ADVISORS	1,473,293	1.47 %
18 KLP KAPITALFORVALTNING	1,408,313	1.41 %
19 JUPITER ASSET MGT	1,301,603	1.30 %
20 BARINGS	1,291,255	1.29 %
Total shares	70,118,395	70.12 %

* The list of top 20 shareholders is based on information from Orient Capital Ltd in their capacity as shareholder analysis provider. In preparing this report, Orient Capital has used data sourced from third parties. None of the third parties have been involved in the preparation of this report and do not accept any liability for its contents. The information disclosed is factual information only and is not financial product advice. Neither Borregaard, Orient Capital or any third party supplier of data accepts any responsibility for any investment decision or action taken or not taken.

TREASURY SHARES OWNED BY BORREGAARD ASA

	Nominal value (NOK)	Number of shares	Fair value (NOK million)
1 January 2020	366,775	366,775	35
Exercise of share options in 2020	-339,947	-339,947	-
Shares to employees	-239,361	-239,361	-
Purchase/Buy-back of treasury shares	597,211	597,211	-
31 December 2020	384,678	384,678	55
Exercise of share options in 2021	-440,726	-440,726	-
Shares to employees	-173,383	-173,383	-
Purchase/Buy-back of treasury shares	644,293	644,293	-
31 December 2021	414,862	414,862	92

NOTE 31 NON-CONTROLLING INTERESTS

As of 31 December 2021, non-controlling interests consist of LignoTech Ibérica SA and LignoTech Florida LLC. Borregaard owns 60% of LignoTech Ibérica located in Spain

and 55% of LignoTech Florida located in USA. The entities are fully consolidated into the Borregaard Group's financial statements and minority interests are recognised.

As of 31 December 2021, current assets were NOK 115 million (NOK 94 million) in LignoTech Florida and non-current assets amounted to NOK 792 million (NOK 820 million). Current liabilities were NOK 181 million (NOK 151 million) and

non-current liabilities amounted to NOK 557 million (NOK 526 million). LignoTech Florida had a loss for the year of NOK -84 million in 2021 (NOK -109 million).

Amounts in NOK million	2021	2020
Changes in non-controlling interests:		
Non-controlling interests 1 January	110	158
Non-controlling interests' share of profit/loss	-32	-57
Additions of non-controlling interests	2	8
Translation differences, etc.	4	1
Non-controlling interests 31 December	84	110

NOTE 32 PLEDGES AND GUARANTEES

In 2017, LignoTech Florida LLC (55% owned by Borregaard) entered into a USD 60 million loan agreement as well as a USD 15 million overdraft facility. The owners will guarantee the loan and the overdraft facility on a pro rata basis until

relevant financial conditions are met. As of 31 December 2021, USD 57.5 million of the facility was drawn. See Note 26 and 31.

NOTE 33 RELATED PARTIES

Activity within the Group is reported in the segment information disclosed in Note 7.

Borregaard has one joint venture, Umkomaas Lignin (proprietary) Limited trading as LignoTech South Africa (50%). This company is jointly owned with Sappi Southern Africa Ltd. The equity method is used for consolidation according to IFRS 11 for joint arrangements (see also Note 6). In 2020, the operation at LignoTech South Africa was mothballed and later the decision to permanently close the operation was taken. There were no internal transactions between LignoTech South Africa and other Borregaard companies in 2021.

Internal trading within the Group is carried out in accordance with special agreements on an arm's length basis, and joint expenses in Borregaard are distributed among the Group companies in accordance with distribution formulas, depending on the various types of expense. For further information on intercompany transactions, see Note 7 "Segments". The members of the Group Executive Management of Borregaard hold a total of 629,361 stock options in the Company. Further information regarding the Group Executive Management is disclosed in Note 9.

Other transactions with related parties are part of ordinary business operations.

NOTE 34 GOVERNMENT GRANTS

Government grants are recognised in the financial statements when there is a reasonable assurance that the requirements of the grants will be complied with and that the grants will be received. Grants related to income are presented as reduction of expenses they are intended to compensate for. Government grants that relate to assets are recognised as a reduction in the acquisition cost of the asset. The grant reduces the depreciation of the asset.

Borregaard recognised NOK 85 million in government grants in 2021 (NOK 118 million)⁴. Of this amount, NOK 55 million was recognised as reduced expenses (NOK 96 million), while NOK 30 million was recognised as a reduction of the acquisition cost of the asset concerned (NOK 22 million). The grants are provided by Norwegian government and the European Union mainly on research and development projects, environmental investments and CO₂ compensation.

The previous CO₂ compensation scheme expired on 31 December 2020. The Norwegian Government has proposed a revised regulation on CO₂ compensation for industrial enterprises for the period 1 January 2021 to 31 December 2030. The purpose of the Norwegian CO₂ compensation scheme is to counteract carbon leakage due to increases in electricity prices as a result of the EU ETS system. The EU enacted guidelines for such schemes in September 2020, and the EFTA Surveillance Authority approved the guidelines

for use in the EEA in December 2020. Furthermore, funds to pay for the revised scheme were included in the approved National Budget for 2022, and the revised scheme is supported by both the previous and current administrations.

Based on the criteria in the proposed regulation, which are in compliance with the EU guidelines, Borregaard has concluded that there is reasonable assurance that it will comply with the conditions of the revised CO₂ compensation scheme and that the grants will be received. Therefore, Borregaard recognised a grant from the CO₂ compensation scheme of NOK 30 million in 2021 (NOK 62 million), based on its best estimate. The grant was presented as a reduction of expenses.

A consortium of European companies and research institutions, with Borregaard as lead member, was granted financial support for the development and commercialisation of Borregaard's Exilva microfibrillar cellulose under the Horizon 2020 Flagship programme⁵, the EU Framework Programme for Research and Innovation. The support covered 60% of Borregaard's project costs and made it possible to further increase business development activities in the Exilva project. The amount granted to Borregaard was EUR 25 million over a period of four years from 1 May 2016 to 30 April 2020. The grant has been presented as a reduction in operating expenses during the grant period.

NOTE 35 ENVIRONMENT, HEALTH AND SAFETY MATTERS

A provision is recognised when the Group has a present obligation (legal or constructive) following a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of the cash flows.

Environment, Health and Safety issues (EHS): Sulphur dioxide (SO₂) is one of the most important chemicals used in the productions processes at Borregaard. There are several EHS regulations to secure safe operations, safe

working environment and low emissions to environment. The use of SO₂ has been regulated for many years, but the authorities both in the EU and in Norway have enhanced the regulations during the last years and new demands are coming. Borregaard decided to introduce new technology to substantially reduce the amount of SO₂ stored at the plant in Sarpsborg in order to further improve safety. The majority of the installation was done in 2020 and finalised in 2021. Technology for recovering and scrubbing of emissions will be installed in different process areas during the next years, as well as measures to reduce the exposure to SO₂ in the working environment. In 2021, there were four hourly exceedances of local air quality, compared to zero in 2020. The exceedances were a result of the commissioning start-up of a new plant for production of SO₂. The new plant is expected to give an improvement in local air quality.

/ ⁴ Figures in parentheses are for the corresponding period in the previous year.

/ ⁵ This project has received funding from the Bio-Based Industries Joint Undertaking (BBI) under the European Union's Horizon 2020 research and innovation programme under grant agreement No 709746.

Cuts in COD effluents: Borregaard has identified both short-term and long-term goals for further cuts in COD effluents. In 2021, Borregaard transmitted its long-term plan for reduction of COD to water to the Norwegian Environmental Authorities. The plan included several measures to reduce the emission of COD from 57 tonnes/day to a level between 40 to 47 tonnes/day in 2026. In 2022, Borregaard will complete a plan for how to reach the new target of 30-40 tonnes of COD/day by 2030.

Chlor-alkali plant: From 1949 to 1997, Borregaard used mercury-based technology for chlor-alkali production at the site in Sarpsborg. This process led to pollution of the soil in the area surrounding the plant. In 1994, a ground water barrier was built and a water monitoring programme was established. A six-year programme for improving barriers, cleaning and deposition of the polluted areas was finalised in 2021. The initial estimated cost was NOK 60 million based on the best estimate related to cleaning, transportation and deposition at an approved landfill was accrued in 2016.

During 2020, Borregaard identified two other polluted areas. A total provision of NOK 14 million was made for cleaning

and deposition. The concentration of mercury in ground water wells and in the sewage systems has decreased due to these actions, the total emissions of mercury was 870 g in 2021. The area will be continuously monitored in close co-operation with the authorities to secure stable and acceptable mercury levels.

As of 31 December 2021, the actions are finalised and the remaining part of the provision, NOK 9 million, was spent in 2021. Borregaard reports progress to the Norwegian Environment Agency quarterly.

Old landfills: The permanent seal off of the Opsund landfill was completed in 2020 and the total cost of NOK 30 million was in accordance with the accrual made in 2014. In 2020, Borregaard identified damages in soil related to a former waste disposal site on the premises in Sarpsborg which has been fallow for decades. A total provision of NOK 16 million was recognised in 2020. Measures to secure the landfill were implemented in 2021, and there is no remaining provision as of 31 December 2021.

ENVIRONMENTAL ACCRUALS

Amounts in NOK million	Chlor-alkali plant	Opsund landfill	Former waste disposal	Total
Initial accrual	60	30	-	
Utilised prior to 2020	-44	-28	-	
Accrual 1 January 2020	16	2	-	18
Accrual related to matters identified in 2020	14	-	16	30
Utilisation in 2020 of initial accrual	-16	-2	-1	-19
Utilisation of additional accrual in 2020	-5	-	-	-5
Accrual 31 December 2020	9	-	15	24
Accrual related to matters identified in 2021	-	-	-	-
Utilisation in 2021 of initial accrual	-9	-	-15	-24
Utilisation of additional accrual in 2021	-	-	-3	-3
Accrual 31 December 2021	-	-	-	-

Borregaard's site in Norway has several areas that are defined as polluted by the Norwegian Environment Agency, due to former operations. Borregaard's future costs for environmental remediation depends on a number of uncertain factors, such as changes in regulations or approval from authorities for the extent of actions. Monitoring of contaminated areas will continue to confirm that implemented measures are sufficient. Borregaard is required to submit a Baseline report according to the Industry

Environmental Directive to the Norwegian Environment Agency by the end of 2022.

Conditions which could require future expenditures may be determined to exist for various sites, including Borregaard's major production facilities and warehouses.

NOTE 36 COVID-19

The COVID-19 pandemic situation has been challenging for Borregaard's operations and employees also in 2021. However, only minor disturbances have occurred in production, sales, logistics and investment projects.

In line with the Group's values, safety and health have been put first. Logistical and other practical challenges have been managed without significant adverse effects on deliveries and production. At the biorefinery in Norway, the annual maintenance stop was prolonged compared to previous years. Limited travel activities in 2021 have led to reduced travel costs compared to a normal year.

Borregaard's diversified market strategy has proven its value as a safety net during difficult financial times. This strategy enables the Group to reduce its exposure to cyclical market segments through reallocation of volumes across several applications and geographical markets. Overall, there have been only minor interruptions in operations as a result of the pandemic.

Borregaard, as a global supplier of products, may be affected by possible further consequences of the COVID-19 pandemic. Borregaard will continue to focus on maintaining sufficient financial capacity to responsibly manage and mitigate any potential effects from the COVID-19 pandemic and will closely monitor the situation.

NOTE 37 OTHER MATTERS AND SUBSEQUENT EVENTS

Shares to employees: As part of the employee share programme, Borregaard has sold a total of 162,810 shares to employees in February 2022. The share price was NOK 152.50 per share including a 25% discount. Costs in 2022, including administration costs, related to the employee share programme amount to approximately NOK 9 million. For more details, see notifications to the Oslo Stock Exchange on 7 and 14 February and 1 March 2022.

Share options issued: In February 2022, 200,000 share options at a strike price of NOK 228.75 were granted under the long-term incentive programme. The options will expire after five

years, the vesting period is three years and the options may be exercised during the last two years. For more details, see notification to the Oslo Stock Exchange on 17 February 2022.

There have been no events after the balance sheet date that would have had a material impact on the financial statements, or the assessments carried out.





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INCOME STATEMENT

Amounts in NOK thousand	Note	2021	2020
Other operating expenses	5, 9	-7,984	-7,616
Operating profit		-7,984	-7,616
Finance income	6, 9	623,776	339,910
Finance costs	6	-6,527	-11,680
Financial items, net	6, 9	617,249	328,230
Profit/loss before taxes		609,265	320,614
Taxes	8	-134,040	-70,538
Profit/loss for the year		475,225	250,076
Proposed dividend		-497,926	-249,038

STATEMENT OF FINANCIAL POSITION

Amounts in NOK thousand	Note	2021	2020
Assets			
Deferred tax assets	8	127	99
Shares in subsidiaries	7	1,158,347	1,158,347
Loans to Group companies	9	1,349,028	1,746,510
Non interest-bearing receivables		360	600
Non-current assets		2,507,862	2,905,556
Receivables	9	600,439	310,625
Cash, cash equivalents and deposits in Group cash pool	9	2,235	9,278
Current assets		602,674	319,903
Total assets		3,110,536	3,225,459
Equity and liabilities			
Share capital	11	100,000	100,000
Treasury shares	11	-415	-385
Share premium		1,758,347	1,758,347
Other paid in equity		62,881	10,534
Retained earnings		156,051	235,701
Equity		2,076,864	2,104,197
Interest-bearing liabilities	10	400,000	400,000
Non-current liabilities		400,000	400,000
Interest-bearing liabilities	10	-	400,000
Dividends		497,926	249,038
Income tax payable	8	134,068	70,591
Accounts payable	9	949	370
Other liabilities		729	1,263
Current liabilities		633,672	721,262
Equity and liabilities		3,110,536	3,225,459

Sarpsborg, 14 March 2022
The Board of Directors of Borregaard ASA

<i>Signed</i> HELGE AASEN <i>Chair</i>	<i>Signed</i> TERJE ANDERSEN	<i>Signed</i> TOVE ANDERSEN	<i>Signed</i> MARGRETHE HAUGE
<i>Signed</i> JOHN ARNE ULVAN	<i>Signed</i> ARUNDEL KRISTIANSEN	<i>Signed</i> RAGNHILD ANKER EIDE	<i>Signed</i> PER A. SØRLIE <i>President and CEO</i>

STATEMENT OF CASH FLOW

Amounts in NOK thousand	2021	2020
Profit/loss before taxes	609,265	320,614
Changes in net working capital, etc.	-289,529	-35,754
Taxes paid	-70,591	-65,415
Cash flow from operating activities	249,145	219,445
Cash flow from investing activities	-	-
Dividends	-248,864	-229,063
Proceeds from sales of treasury shares	113,400	64,100
Buy-back of treasury shares	-118,206	-62,113
Net paid to shareholders	-253,670	-227,076
Change in interest-bearing liabilities	-400,000	-
Change in interest-bearing receivables	397,482	10,077
Change in net interest-bearing liabilities	-2,518	10,077
Cash flow from financing activities	-256,188	-216,999
Change in cash and cash equivalents	-7,043	2,446
Cash and cash equivalents as of 1 January	9,278	6,832
Change in cash and cash equivalents	-7,043	2,446
Cash and cash equivalents as of 31 December	2,235	9,278

The cash flow statement has been prepared according to the indirect method and reflects cash flows from operating, investing and financing activities and explains changes in cash and cash equivalents in the reporting period.

STATEMENT OF CHANGES IN EQUITY

Amounts in NOK thousand	Share capital	Treasury shares	Share premium	Other paid-in equity	Retained earnings	Total equity
Equity 31 December 2019	100,000	-367	1,758,347	19,659	223,440	2,101,079
Profit/loss for the year	-	-	-	-	250,076	250,076
Proposed dividend 2019	-	-	-	-	229,156	229,156
Actual paid-out dividend in 2020	-	-	-	-	-229,063	-229,063
Proposed dividend for 2020	-	-	-	-	-249,038	-249,038
Buy-back/sales of treasury shares	-	-18	-	-9,125	11,130	1,987
Equity 31 December 2020	100,000	-385	1,758,347	10,534	235,701	2,104,197
Profit/loss for the year	-	-	-	-	475,225	475,225
Proposed dividend 2020	-	-	-	-	249,038	249,038
Actual paid-out dividend in 2021	-	-	-	-	-248,864	-248,864
Proposed dividend for 2021	-	-	-	-	-497,926	-497,926
Buy-back/sales of treasury shares	-	-30	-	52,347	-57,123	-4,806
Equity 31 December 2021	100,000	-415	1,758,347	62,881	156,051	2,076,864

NOTES TO THE FINANCIAL STATEMENTS

NOTE 01 GENERAL INFORMATION

Borregaard ASA ("The Company") was incorporated as a public limited liability company on 22 August 2012.

On 17 September 2012, the Company was inserted as a holding company of Borregaard AS.

NOTE 02 ACCOUNTING PRINCIPLES

The financial statements for Borregaard ASA have been prepared and presented in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway (Norwegian GAAP). The annual accounts give a true and fair view of assets and liabilities, financial status and result.

Classification of items in the financial statements

An asset or liability is classified as current when it is part of a normal operating cycle, when it is held primarily for trading purposes, when it falls due within 12 months and when it consists of cash or cash equivalents on the statement of financial position date. Other items are non-current.

All amounts are in NOK thousand unless otherwise stated. The functional currency of Borregaard ASA is NOK.

NOTE 03 PAYROLL AND PENSIONS

Borregaard ASA has no employees and therefore no pension plan. The executive management is employed in Borregaard AS. For matters relating to the remuneration of the

executive management, reference is made to Note 9 in the Consolidated Financial Statements and the separate report "Management remuneration" at the company's website.

NOTE 04 GUARANTEES

MORTGAGES AND GUARANTEES

Amounts in NOK thousand	2021	2020
Guarantees to subsidiaries	1,500,000	1,500,000
Total guarantee commitments	1,500,000	1,500,000

Borregaard ASA is jointly and severally liable as guarantor and as borrower for the long-term credit facilities entered into by Borregaard AS (NOK 1 500 million).

In 2017, LignoTech Florida LLC (55% owned by Borregaard) entered into a USD 60 million loan agreement as well as a USD 15 million overdraft facility. The owners will guarantee the loan and the overdraft facility on a pro rata basis until certain financial conditions being met.

In addition, Borregaard ASA is jointly and severally liable borrower with Borregaard AS for the EUR 40 million term loan contracted with Nordic Investment Bank.

NOTE 05 REMUNERATION AND CONTRACTUAL ARRANGEMENTS

Remuneration of the Board of Directors

In the General Meeting in April 2021 it was determined that The Board of Directors is remunerated at annual rates for the period up to the next General Meeting in 2022:

Board of Directors			
Board chair	NOK	575,000	per year
Board member, shareholder-elected	NOK	332,100	per year
Board member, employee-elected	NOK	297,700	per year
Observer, employee-elected	NOK	99,200	per year
Deputy for observer	NOK	7,700	per meeting
Audit Committee			
Committee chair	NOK	92,900	per year
Member	NOK	62,300	per year
Compensation Committee			
Committee chair	NOK	55,700	per year
Member	NOK	43,500	per year

Remuneration of the Nomination Committee

The Chair of the Nomination Committee receives NOK 61,700 per year and an additional NOK 10,000 per meeting exceeding four meetings. Other members receive NOK 43,500 per year and an additional NOK 8,200 per meeting exceeding four meetings.

SHAREHOLDINGS OF CEO AND MEMBERS OF THE BOARD OF DIRECTORS

	Number of shares*
President & CEO	
Per A. Sørli	163,899
Shareholder-elected Board members	
Helge Aasen	3,900
Terje Andersen	4,371
Tove Andersen	6,000
Margrethe Hauge	4,077
John Arne Ulvan	2,000
Employee-elected Board members	
Ragnhild Anker Eide	3,699
Arundel Kristiansen	493
Employee-elected Board observers	
Bente Seljebakken Klausen	1,094
Roy Kåre Appelgren	1,498
Total	191,031

* Total share ownership including related parties

FEES TO EXTERNAL AUDITOR

Amounts in NOK thousand	2021	2020
Statutory audit	422	420
Other attestation services	425	726
Other non-audit services	50	87
Total	897	1,233

NOTE 06 FINANCE INCOME AND FINANCE COSTS

Amounts in NOK thousand	2021	2020
Group contribution	600,000	310,000
Interest income from Borregaard AS	23,761	29,858
Interest income	15	47
Foreign exchange gain	-	5
Total finance income	623,776	339,910
Interest costs	-6,527	-11,680
Total finance costs	-6,527	-11,680
Financial items, net	617,249	328,230

NOTE 07 SHARES IN SUBSIDIARIES

Long-term investments in subsidiaries, associated companies and other shares and bonds, which are held to maturity date, are classified as non-current assets in the balance sheet and entered at the lower of cost and market value.

Only directly owned subsidiaries are included in the below table.

Amounts in NOK thousand	Book value	Group's share of capital
Borregaard AS, Norway	1,158,347	100%
Total	1,158,347	-

The Group also has indirect ownership in the following subsidiaries and joint venture, of which the profit/loss and equity are important in the valuation of the above company.

	Group's share of capital
Indirectly owned subsidiaries	
Borregaard, Inc.	100%
Nutrancell AS	100%
Borregaard Austria GmbH	100%
Borregaard Czech s.r.o.	100%
Borregaard UK Ltd.	100%
Borregaard Deutschland GmbH	100%
Borregaard S.E.A. Pte. Ltd	100%
Borregaard Poland sp. z.o.o.	100%
Borregaard France SarL	100%
Borregaard Ibérica, S.L.	100%
LignoTech Ibérica SA	60%
Borregaard Synthesis Inc.	100%
Borregaard USA, Inc.	100%
Borregaard North America, Inc.	100%
Borregaard Brasil LTDA	100%
Borregaard South Asia Pvt. Ltd	100%
Borregaard China Company Limited	100%
SenseFi Inc.	100%
LignoTech Florida LLC	55%
Borregaard South Africa (Pty) Ltd.	100%
Indirectly owned joint ventures	
Umkomaas Lignin (Pte) Ltd	50%
Indirectly owned associate company	
Alginor ASA	25%

NOTE 08 TAXES

Deferred tax shows the company's tax liability assuming its assets and debt are realised at book value by year-end. Positive temporary differences state that book value is higher than taxable value, and vice versa for negative differences. The item Tax income/(cost) in the profit and loss statement, consists of two elements: The tax payable, and the change in deferred tax. Deferred tax/tax benefit is reflected as long-term debt/non-current assets in the balance sheet.

TAX EXPENSE

Amounts in NOK thousand	2021	2020
Profit before tax	609,265	320,614
Current tax expense	-134,068	-70,591
Change in deferred tax	28	53
Total tax expense	-134,040	-70,538
Tax as % of Profit/loss before taxes	22 %	22%

Deferred tax liabilities

Deferred tax liability consists of the tax liabilities that are payable in the future. The table below lists deferred tax assets and liabilities relating to the timing differences between tax accounting and financial accounting.

Amounts in NOK thousand	2021	2020
Deferred tax on tax increasing/reducing differences		
Provisions	-127	-99
Deferred tax liabilities/assets	-127	-99
This year's change in deferred tax	28	53
Change in deferred tax income statement	28	53

Deferred tax assets are only capitalised to the extent that it is probable that there will be sufficient future taxable profit for the tax asset to be used, either because the unit recently reported a profit or because assets with excess value have been identified. If future profits are not likely to be sufficient to absorb the tax reducing timing differences, deferred tax assets are not recognised.

Reconciliation of total tax expense

Amounts in NOK thousand	2021	2020
22% of profit before taxes	-134,038	-70,535
Other non-deductible expenses	-2	-3
Total tax expense	-134,040	-70,538

The tax rate in Norway is 22%.

NOTE 09 RELATED PARTIES**INTERCOMPANY RELATIONS WITH BORREGAARD AS**

Amounts in NOK thousand	2021	2020
Other operating expenses (Note 5)	3,633	3,528
Group contribution	600,000	310,000
Interest income from Group companies (Note 6)	23,761	29,858
Loans to Group companies*	1,349,028	1,746,510
Current receivable Group contribution	600,000	310,000
Accounts payable	677	-

* The loan is interest-bearing and the interest is calculated in accordance with market conditions.

NOTE 10 INTEREST-BEARING LIABILITIES**Unsecured bond loan 2018-2023**

On 7 June 2018 Borregaard issued NOK 400 million in an open bond issue with a tenor of 5 years and a coupon of 3 months NIBOR plus 77 basis points. Settlement of the transaction took place on 20 June 2018. Maturity is 20 June 2023.

NOTE 11 OTHER MATTERS AND SUBSEQUENT EVENTS**Share Capital and shareholders**

Information about the share capital and a list of the largest shareholders in Borregaard ASA is presented in Note 30 in the Consolidated Financial Statements for the Borregaard Group.

STATEMENT FROM THE BOARD OF DIRECTORS

We confirm that the financial statements for the period 1 January up to and including 31 December 2021, to the best of our knowledge, have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial positions and profit or loss of the Company and the Group as a whole. The Board

of Directors' report includes a fair review of the development and performance of the business and the position of the Company and the Group as a whole, together with a description of the principal risks and uncertainties that they face.

Sarpsborg, 14 March 2022

THE BOARD OF DIRECTORS OF BORREGAARD ASA

Signed

HELGE AASEN

Chair

Signed

TERJE ANDERSEN

Signed

TOVE ANDERSEN

Signed

MARGRETHE HAUGE

Signed

JOHN ARNE ULVAN

Signed

ARUNDEL KRISTIANSEN

Signed

RAGNHILD ANKER EIDE

Signed

PER A. SØRLIE

President and CEO

AUDITOR'S REPORT



Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Borregaard ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Borregaard ASA (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2021 and the income statement, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway,
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 10 years from the election by the general meeting of the shareholders on 22 August 2012 for the accounting year 2012.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate



opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Hedging of cash flows related to sales

Basis for the key audit matter

The Group is exposed to currency risk as a significant part of sales are invoiced in foreign currencies. A portion of future forecasted cash flows from sales are hedged using currency forward contracts. Borregaard applies hedge accounting for cash flow hedges. The use of hedge accounting requires effective hedging relationships and supporting documentation. Accounting for cash flow hedging related to sales is material to Borregaard and we consider this a key audit matter.

Our audit response

We assessed the Group's requirements for use of hedge accounting. We tested, on a sample basis, whether the documentation of cash flow hedging meets the requirements of IFRS as adopted by EU and that the hedging instruments therefore are eligible for hedge accounting. We examined the assessments of cash flows forecasts from sales and the relationship between hedging instruments and hedged items. Furthermore, we considered the retrospective effectiveness testing to assess that the ineffective part of the hedge has been calculated accurately. We reconciled the outcome of the retrospective effectiveness testing resulting in the hedge adjustment to the financial statements. We obtained external confirmations for unrealized forward contracts at year-end and assessed the changes in fair value of forward contracts and changes in foreign exchange for hedged items. Further, we assessed the impact on profit and loss, comprehensive income and the balance sheet.

We refer to note 28 financial risk and note 29 derivatives and hedging.

Environmental obligations

Basis for the key audit matter

The Group operates in an industry with risk of environmental contamination. The site in Norway has, due to former operations, areas that are defined as polluted by the Norwegian Environment Agency. Contaminated areas are monitored on a continuous basis to assess if implemented measures are sufficient. Environmental provisions are recognized when contamination and environment clean up obligations are identified, and a reliable estimate can be made of the amount of the obligation. Since environmental obligations may be material

Our audit response

We read correspondence with the Group's external advisors on the current situation and risks regarding potential environmental obligations and potential provisions and correspondence with environmental authorities to assess the recognition criteria and suggested measures. In addition, we inspected the Group's litigation and compliance reports and held discussions with the Group's internal counsel. We also held discussions with management and internal representatives responsible for monitoring and assessing potential environmental obligations.



and subject to estimation uncertainty, we consider recognition and measurement of environmental provisions to be a key audit matter.

We refer to note 35 environment, health and safety matters.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the general manager) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility contain the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit



evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirement

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of our audit of the financial statements of Borregaard ASA we have performed an assurance engagement to obtain reasonable assurance whether the financial statements included in the annual report, with the file name *borregaardasa-2021-12-31-en.zip*, has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.



In our opinion, the financial statements included in the annual report have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's responsibilities

Management is responsible for the preparation of an annual report and iXBRL tagging of the consolidated financial statements that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report and iXBRL tagging of the consolidated financial statements that is compliant with the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation based on the evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – “Assurance engagements other than audits or reviews of historical financial information”. The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 16 March 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Jan Wellum Svensen
State Authorised Public Accountant (Norway)

HISTORICAL KEY FIGURES

	Definitions	2021	2020	2019	2018	2017
Profit & loss						
Operating revenues	(mill.NOK)	5,805	5,328	5,063	4,785	4,618
EBITDA ¹	(mill.NOK)	1,372	1,132	1,007	903	1,055
Depreciation and write-down	(mill.NOK)	-416	-443	-418	-323	-306
Amortisation intangible assets	(mill.NOK)	-4	-5	-4	-4	-4
Other income and expences ¹	(mill.NOK)	-	-116	-27	-	-9
Operating profit	(mill.NOK)	952	568	558	576	736
EBITDA margin ¹	(%)	23.6	21.2	19.9	18.9	22.8
Ordinary profit before taxes	(mill.NOK)	873	496	467	562	715
Profit / loss for the year	(mill.NOK)	660	379	351	425	558
Cash flow						
Cash flow from operating activities	(mill.NOK)	1,431	886	697	558	780
Return						
Return on capital employed ¹	(%)	16.1 %	11.4 %	10.5 %	12.7 %	19.1 %
Capital as of 31 december						
Book value of total assets	(mill.NOK)	7,166	7,003	6,744	5,951	5,333
Market capitalisation	1 (mill.NOK)	22,108	14,125	9,465	7,446	8,111
Equity ratio ¹	(%)	60.1	53.9	51.4	55.8	56.2
Net interest-bearing debt ¹	(mill.NOK)	1,417	1,794	1,876	1,297	845
Leverage ratio ¹		1.03	1.58	1.86	1.44	0.80
Share of floating interest-bearing liabilities	2 (%)	74	79	78	67	100
SHARES						
Number of shares outstanding diluted	(x 1,000)	99,743	99,712	99,807	99,901	99,957
Shares outstanding excluding treasury shares	(x 1,000)	99,585	99,615	99,633	99,550	99,516
Share-related key figures						
Share price at 31 December	(NOK)	222	142	95	75	82
Earnings per share diluted	3 (NOK)	6.94	4.37	4.18	4.76	5.66
Ordinary dividend per share (proposed for 2021)	(NOK)	2.75	2.50	2.30	2.25	2.00
Extraordinary dividend	(NOK)	2.25				
Payout ratio	4 (%)	72.05	57.21	55.16	47.27	35.34
Price/earnings ratio	5	31.99	32.45	22.78	15.71	14.40
Personell						
Number of man-years at 31 December (excluding JV)		1,072	1,091	1,103	1,097	1,065

DEFINITION:

1 Market capitalisation is calculated on the basis of number of shares outstanding x average share price at year end

2 Liabilities with remaining period of fixed interest of less than one year

3 Profit for the year after minority interests/Average number of shares outstanding diluted at year end

4 Total dividend per share/Earnings per share diluted

5 Share price/Earnings per share diluted

/ ¹ Alternative Performance Measures, see page 150 for definition.

/ ² Excluding employees in the joint venture LignoTech South Africa.

AUDITOR'S REPORT GRI



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To the Board of Directors of Borregaard ASA

Independent accountant's assurance report

Scope

We have been engaged by Borregaard ASA to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on Borregaard ASA's sustainability reporting as the Borregaard ASA have defined and referred to in the Borregaard ASA's GRI Index (see the document GRI Index 2021 on <https://www.borregaard.com/sustainability/sustainability-documentation/>) (the "Subject Matter") as of 31 December 2021 for the period from 01 January 2021 to 31 December 2021.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the sustainability reporting, and accordingly, we do not express a conclusion on this information.

Criteria applied by Borregaard ASA

In preparing the Subject Matter, Borregaard ASA applied the relevant criteria from the Global Reporting Initiative (GRI) sustainability reporting standards, "Core" option (the "Criteria"). The Criteria can be accessed at globalreporting.org and are available to the public. Such Criteria were specifically designed for companies and other organizations that want to report their sustainability impacts in a consistent and credible way. As a result, the Subject Matter information may not be suitable for another purpose. We consider these reporting criteria to be relevant and appropriate to review the sustainability reporting.

Borregaard ASA's responsibilities

The Board of Directors and Group Chief Executive Officer (management) are responsible for the selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000'). This standard requires that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.



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We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. EY also applies *International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- ▶ Review of Borregaard ASA's process for preparation and presentation of the sustainability report to develop an understanding of how the reporting is conducted within the business
- ▶ Interviewed those in charge of sustainability reporting to develop an understanding of the process for the preparation of the sustainability reporting
- ▶ Verified on a sample basis the information in the sustainability reporting against source data and other information prepared those in charge
- ▶ Assessed the overall presentation of sustainability reporting against the criteria in the GRI Standards including a review of the consistency of information against the GRI index.

We believe that our procedures provide us with an adequate basis for our conclusion. We also performed such other procedures as we considered necessary in the circumstances.



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Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter as of 31 December 2021 and for the period from 1 January 2021 to 31 December 2021 in order for it to be in accordance with the Criteria.

Oslo, 16 March 2022
ERNST & YOUNG AS

The assurance report is signed electronically

Jan Wellum Svensen
State Authorised Public Accountant

MEASURE	DESCRIPTION	REASON FOR INCLUDING
EXPANSION INVESTMENTS	Borregaard's investments are either categorised as replacement or expansion. Expansion investments is defined by Borregaard as investments made in order to expand production capacity, produce new products or to improve the performance of existing products. Such investments include business acquisitions, pilot plants, capitalised research and development costs and new distribution set-ups. In 2021, the major expansion investments in Borregaard were related to the investment in Alginor ASA and the biovanillin capacity expansion.	Borregaard's strategic priorities are specialisation and diversification, increase value added from the biorefinery, develop business areas and to continue emphasis on ESG along the entire value chain. To be able to deliver on those priorities, expansion investments are needed. As such, expansion investments are important information for investors. One of Borregaard's financial objectives is to have an internal rate of return >15% pre-tax for expansion investments.
EXPANSION INVESTMENTS		2021 2020
Investments property, plant and equipment and intangible assets		701 503
Replacement investments		-398 -344
Expansion investmests		303 159

MEASURE	DESCRIPTION	REASON FOR INCLUDING
OTHER INCOME AND EXPENSES	Other income and expenses is defined by Borregaard as non-recurring items or items related to other periods or to a discontinued business or activity. These items are not viewed as reliable indicators of future earnings based on the business areas' normal operations. These items will be included in the Group's operating profit. (See Note 13).	To be able to compare the EBITDA from year to year, significant non-recurring items not directly related to operating activities, are included in Other income and expenses.
OTHER INCOME & EXPENSES		2021 2020
Other income & expenses		0 -116

MEASURE	DESCRIPTION	REASON FOR INCLUDING
LEVERAGE RATIO	Leverage ratio is defined by Borregaard as net interest bearing debt (see note 27) divided by last twelve months' (LTM) EBITDA.	Leverage ratio is an indicator of the overall strength of the statement of financial position. Borregaard has a targeted leverage ratio between 1.0 and 2.25 over time. Leverage ratio is one of Borregaard's financial covenants on long-term credit facilities.
LEVERAGE RATIO		2021 2020
Net interest-bearing debt		1,417 1,794
EBITDA		1,372 1,132
Leverage ratio (net interest-bearing debt/EBITDA)		1.03 1.58

MEASURE	DESCRIPTION	REASON FOR INCLUDING	
NET INTEREST-BEARING DEBT	Net interest-bearing debt is defined by Borregaard as interest-bearing liabilities minus interest-bearing assets (see Note 26 og 27).	Net interest-bearing debt provides an indicator of the net indebtedness and an indicator of the overall strength of the statement of financial position. Net interest-bearing debt is part of Borregaard's financial covenants (leverage ratio) and is important in understanding the capital structure.	
NET INTEREST-BEARING DEBT		2021	2020
Total non-current interest-bearing liabilities		1,320	1,381
Total current interest-bearing liabilities including overdraft of cashpool		224	623
Non-current interest-bearing receivables (included in "Other assets")		-3	-3
Cash and cash equivalents		-124	-207
Net interest-bearing debt		1,417	1,794

MEASURE	DESCRIPTION	REASON FOR INCLUDING	
CAPITAL EMPLOYED	Capital employed is defined by Borregaard as the total of net working capital, intangible assets, property, plant and equipment, right-of-use assets and investment in joint venture and associate company minus net pension liabilities.	Borregaard uses capital employed as basis for calculating ROCE.	
CAPITAL EMPLOYED (END OF YEAR)		2021	2020
Receivables		1,107	1,051
Inventories		792	887
Other liabilities		-865	-795
Derivatives, etc. not included in above items		-105	39
Working Capital		929	1,182
Intangible assets ex historical amortisation & impairment		259	251
Property, plant & equipment		4,191	3,973
Right-of-use assets		351	381
Investment in joint venture & associate		173	38
Capitalised net pension liabilities (note 10)		-29	-90
Other items (part of "Other assets")		169	169
Capital employed (end of year)		6,043	5,904

MEASURE	DESCRIPTION	REASON FOR INCLUDING	
RETURN ON CAPITAL EMPLOYED (ROCE)	Return on capital employed (ROCE) is defined by Borregaard as last twelve months' (LTM) capital contribution (operating profit before amortisation and other income and expenses) divided by average capital employed based on the ending balance of the last five quarters. (See Note 7).	ROCE is an important financial ratio to assess Borregaard's profitability and capital efficiency. One of Borregaard's financial objectives is to have ROCE >15% pre-tax over a business cycle.	
RETURN ON CAPITAL EMPLOYED (ROCE)		2021	2020
Q4'19			5,815
Q1'20			6,371
Q2'20			6,091
Q3'20			6,103
Q4'20		5,904	5,904
Q1'21		5,884	
Q2'21		5,854	
Q3'21		5,991	
Q4'21		6,043	
Average capital employed		5,935	6,057
EBITA		2021	2020
EBITDA		1,132	1,132
Depreciation and impairment property, plant and equipment		-416	-443
EBITA		956	689
RETURN ON CAPITAL EMPLOYED (ROCE)		2021	2020
EBITA		956	689
Average capital employed		5,935	6,057
Return on capital employed (ROCE) (%) (EBITA/average capital employed)		16.1	11.4



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