

Appendix to the AGM

Item 3: Guidelines for remuneration of senior management

The requirements of the Public Limited Liability Companies Act indicate that this item should be divided into three subsections:

1. The Board's statement on wage policy
2. Advisory vote on wage policy
3. Binding vote on share-related compensation

3.1. The Board's statement on wage policy

Borregaard has established guidelines for compensation to leading employees. In recent years the guidelines have been revised and developed and include guidelines for fixed salary, pension, annual bonus and long-term incentives (LTI)/options. Comparable wage data are obtained from an external company that are used in the assessment of the compensation level. In connection with option allocations in 2014 and in subsequent years, allocations have taken place in accordance with own rules, with certain adjustments, which the board has been authorised by the respective AGMs to implement.

The board has, also through the Remuneration Committee, used the adopted guidelines as a basis for compensation to leading employees. The board has also reviewed that exercises of options and bonus payouts are in line with the guidelines and intentions for the schemes.

The board asserts that the company's wage policy has been followed through 2018.

The Board's proposal for resolution

The AGM takes the Board's account on wage policy for information.

3.2. Advisory vote on wage policy

The company's general guidelines for wage and terms policy:

- Overall, terms must be competitive
- The schemes must be simple, long-term and have adequate flexibility
- The compensation schemes shall contribute to conformity between the company's goals and results - and the various elements of the personal terms

Key elements of the compensation schemes

Fixed salary - The level should be close to the average for comparable positions and companies.

Pension - Based on the established defined contribution based schemes' intention that the schemes' relative pension payment should be independent of income level.

Annual Bonus System - Predefined criteria that emphasises good results and progress.

The criteria include return on capital employed (ROCE), economic value added (EVA), safety and sick leave and personal goals. The annual bonus can amount to a maximum of 50% of an annual salary. The target level for "good results" is approx. 30%. If it proves that there have been errors in the bonus basis for bonus paid in the past three years, the company is entitled to correct this in future bonus payments.

Long-term incentive scheme - Option or cash-based scheme, tied to developments in share price.

(For detailed guidelines, see section 3.3)

The Board's proposal for resolution

The AGM recommends the proposed guidelines for establishing management salary for the 2019 fiscal year.

3.3. Vote on share incentives

The AGM must approve the guidelines for share-related compensation, including that leading employees are entitled to take part in the programme for *Shares to employees*, which entails a right to buy a limited number of shares at a discount.

Guidelines for Borregaard's share-related option scheme

The scheme in general

Borregaard's scheme for long-term incentives (LTI) is a share price-related option scheme and constitutes a part of an overall compensation package to leading employees. The option scheme means that employees in the scheme can receive options that entitle them to acquire a defined number of shares at a given value after a fixed period. When options are exercised, a sale of these shares will yield a profit. In order for the scheme to be scaled in accordance with its purpose, there are several limitations to profit opportunities.

The Board shall assess annually whether options should be provided, and may provide guidelines for allocation within the scope of these guidelines. The Board may determine whether the options shall be physical or synthetic. The Board and the Remuneration Committee ensure that allocations and administration of the scheme are consistent with the intentions. For all allocations since 2014, the strike price was set at 10% above the price at the time of allocation.

The purpose of the scheme

The scheme is justified with particular emphasis on two issues:

- Strengthen the owner perspective in that the development in value of the company and investment in the share are criteria for this compensation.
- Contribute to leaders and key employees having an incentive for a long-term employment relationship in the company.

There is an expectation that the members of the senior management through the option scheme also acquire and hold Borregaard shares corresponding to 2 yearly salaries for the CEO and 1 yearly salary for the other members of the senior management.

Allocation criteria

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

- The CEO and other members of the senior management and management and key individuals/specialists in the business areas and corporate staffs based on the following criteria:
 - The employee/position is particularly important/critical for achieving the company's goals.
 - The employee has shown good results in line with the company's culture and value basis.
 - The employee is considered difficult to replace and there may be a risk that the person leaves the company.
- The scheme/rights apply only as long as the option holder is employed (in a position that has not been terminated) in the group.

Item 3 - Guidelines for remuneration of senior management

- The scheme does not automatically follow a position, and one or more allocations does not entitle one to subsequent allocations.

Allocation limitations

- The annual overall allocation of new options may amount to no more than 0.8% of the company's shares. The total number of outstanding options may amount to no more than 2.0% of the company's shares.

Profit limitations

- The option shall have a defined strike price that requires a defined increase in value at the allocation time where the interest level is included in the assessment of how the strike price is set.
- The strike price is adjusted for dividends and other relevant share capital conditions (e.g. buybacks, write-downs, issues).
- The total redemption gain (before tax) may amount to a maximum of 2 yearly salaries for the CEO and 1 yearly salary for others per calendar year.

Time constraints

Redemption of the options may take place no sooner than 3 years after allocation, and must be exercised no later than 2 years after the first redemption opportunity.

Requirement to purchase shares

Employees must use at least half of the gains (after tax) to purchase shares in Borregaard with a tie-in period of 3 years. For senior management this requirement applies until a holding of 2 yearly salaries has been accumulated for the CEO and 1 yearly salary for others.

Discounted shares to employees

In 2013 Borregaard established a scheme where the employees were given the opportunity to purchase a limited number of shares at a discount relative to the market price. The programme has largely been implemented annually, most recently in February 2019 where employees could purchase shares amounting to a maximum of NOK 58,000 after a 25% discount. The programme is available to all of Borregaard's employees – including leading employees – with the exception of a few countries where practical/legal conditions make it difficult. In recent years between 400 and 500 employees have taken part in the programme.

Every year, the board determines whether the programme should be implemented. A programme may also be introduced in the upcoming general meeting period.

The Board's proposal for resolution

The AGM approves the guidelines for share-related compensation.