



Borregaard

# ANNUAL REPORT 2023

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# CONTENTS

The Borregaard Group .....	3
Message from CEO .....	5
The Board of Directors .....	6
Report of the Board of Directors including Sustainability statements .....	7
Corporate Governance .....	77
The Group Executive Management .....	86
Consolidated financial statements .....	87
Notes to the consolidated financial statements .....	92
Borregaard ASA financial statements .....	130
Notes to the financial statements .....	133
Statement of the Board of Directors .....	137
Auditor's report .....	138
Historical key figures .....	140
Independent assurance of Sustainability Reporting .....	141
Alternative performance measures .....	142
Group Directory .....	147



# THE BORREGAARD GROUP

*Borregaard operates one of the world's most advanced biorefineries. The Group provides sustainable 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

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

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

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 2023, the Group had 1,127 full-time equivalent (FTE) employees.

## SUSTAINABILITY INTEGRATED IN STRATEGY

Borregaard provides sustainable solutions with a documented favourable environmental and climate impact which can improve the customers' climate footprint or substitute chemicals of concern. The Group has also committed to science-based targets to further reduce greenhouse gas emissions and strengthen its sustainability platform.

Borregaard's business model and products are

### Business segments

#### 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 advanced bioethanol.

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 page 20](#)).

## BORREGAARD'S THREE BUSINESS SEGMENTS

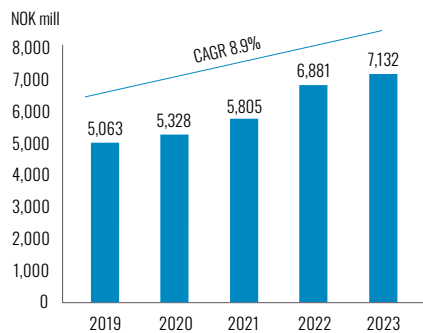
*BioSolutions* develops, produces and sells biopolymers and biovanillin from lignin. Biopolymers are used in a wide range of end-market applications, such as agrochemicals, batteries, industrial binders and construction.

Biovanillin is supplied to flavour and fragrance companies, as well as to the food and beverage industry.

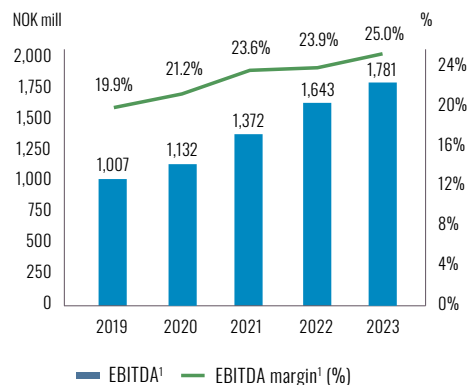
*BioMaterials* develops, produces and sells speciality cellulose mainly for use as a raw material in the production of cellulose ethers, cellulose acetate and other speciality products. BioMaterials also includes cellulose fibrils for industrial applications.

*Fine Chemicals* consists of fine chemical intermediates for contrast agents and advanced bioethanol.

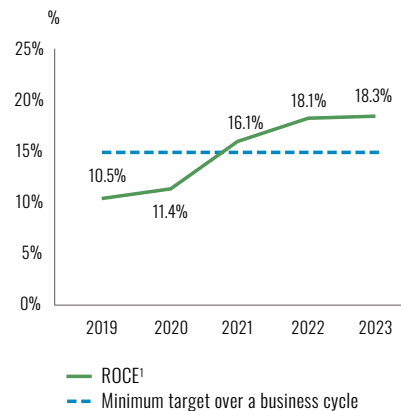
### OPERATING REVENUES



### EBITDA<sup>1</sup>



### ROCE<sup>1</sup>



/ <sup>1</sup> Alternative performance measures, see page 142 for definition.



## MESSAGE FROM THE CEO

### RESILIENT SPECIALISATION STRATEGY

An important feature of our specialisation strategy has been to reduce exposure to cyclical markets over time. In addition, our diversified market strategy with 800 products to numerous applications in combination with a global presence provides many alternatives in the marketplace and takes risk out of the integrated operations. In 2023, the specialisation strategy again demonstrated its resilience as Borregaard delivered another record year under challenging business conditions.

### SUSTAINABILITY

Borregaard has developed a transition plan to reduce scope 1 and 2 GHG emissions to net zero by 2050. The transition plan is in line with the 1.5°C goal in the Paris Agreement and the targets have been approved by the Science Based Targets initiative. In 2023, we started on the road to delivery of our 2030 targets. We are investing NOK 230 million to improve the environmental footprint at the Sarpsborg biorefinery in Norway. This investment will not only reduce our CO<sub>2</sub> emissions but also remove our absolute dependence on LNG and increase the flexibility between alternative energy sources.

In the coming years, we will announce new projects with the aim to reduce emissions to both air and water. Further electrification is a key enabler for delivery of our environmental

targets. Therefore, both availability of new green energy and transmission capacity for delivery to our facilities are prerequisites for a successful completion of these projects. It is crucial that the authorities work in concert with the industry to secure delivery of targeted reductions.

### SIGNIFICANT POTENTIAL FOR FURTHER SPECIALISATION AND VALUE GROWTH

Borregaard has been on a specialisation journey for more than 30 years. We continue to believe that further specialisation and product mix improvements are the best ways forward for all our business areas. Our innovation portfolio consists primarily of projects that will increase the level of specialisation when commercialised. Sustainability is also a key decision criterion in relation to innovation.

The Sarpsborg biorefinery is the primary driver for specialisation. There is still capacity available from previously completed expansion investments. In addition, we are in the process of debottlenecking our facilities for production of highly specialised lignin-based biopolymers. Targeted application areas will be batteries, oilfield chemicals, pigments, and dyes. We have also announced the construction of a 1,000 mtds/year demonstration plant for the next generation lignin-based biopolymers in homecare applications like detergents, laundry, and cosmetics. This facility

will also make it possible to deliver existing and new products as granules.

Borregaard is also actively seeking to invest in bio-based start-ups to complement our existing business portfolio. Selection criteria for new investments are conversion of bio-based raw materials into specialised chemicals or materials, a strong ESG profile, synergies with Borregaard's existing business and competence, a significant revenue potential and time to market of less than five years.

Based on these criteria, we increased our ownership share in the marine biotech company Algisor to 35% on a fully diluted basis in 2023. This "blue" biorefinery will produce high-value ingredients for pharmaceutical and nutraceutical applications from kelp. We have also invested in a 12% ownership share in the bioscience company Kaffe Bueno that derives functional ingredients for a wide range of consumer and industrial products from coffee by-products. In addition, we have smaller holdings in two start-up companies; Lignovations, creating sustainable materials from lignin and Oceanium, a company based on conversion of seaweed-based raw materials into functional ingredients for food and personal care products.

Kind regards,  
Per A. Sørli,  
President and CEO

# THE BOARD OF DIRECTORS



**HELGE AASEN** – Chair  
Chair of the Board and the Board's Compensation committee.  
[Read more](#)



**TERJE ANDERSEN**  
Member of the Board and Chair of the Board's Audit and Sustainability committee. [Read more](#)



**TOVE ANDERSEN**  
Member of the Board and the Board's Audit and Sustainability committee. [Read more](#)



**MARGRETHE HAUGE**  
Member of the Board and the Board's Compensation committee. [Read more](#)



**JOHN ARNE ULVAN**  
Member of the Board and the Board's Audit and Sustainability committee. [Read more](#)



**ARUNDEL KRISTIANSEN**  
Employee elected member of the Board and the Board's Audit and Sustainability committee. [Read more](#)



**RAGNHILD ANKER EIDE**  
Employee elected member of the Board and the Board's Compensation committee. [Read more](#)



**BENTE SELJEBAKKEN KLAUSEN**  
Employee elected observer of the Board. [Read more](#)



**ROY KÅRE APPELGREN**  
Employee elected observer of the Board. [Read more](#)



# REPORT OF THE BOARD OF DIRECTORS INCLUDING SUSTAINABILITY STATEMENTS

## CONTENTS

Highlights and market trends .....	8
Financial performance .....	10
Sustainability statements - general information .....	14
E – Environmental information .....	29
S – Social information .....	59
G – Governance information .....	70
Other matters and subsequent events .....	74
Allocation of profit .....	75
Outlook .....	76



## HIGHLIGHTS AND MARKET TRENDS

*Borregaard's financial performance improved in 2023 with an all-time high EBITDA<sup>1</sup>. The resilient business model with a diversified market strategy proved its value during the year.*

<sup>1</sup> Alternative performance measures, see page 142 for definition.

Borregaard's business model and diversified market strategy demonstrated its resilience during 2023. The strong market positions and global market exposure provide flexibility and an inherent hedge against market fluctuations, and were the main reasons why Borregaard was able to largely offset a slowdown in certain end-markets. Sales volumes to the construction market and certain industrial and speciality applications were particularly affected by lower demand. Sales prices were largely in line with the previous year and currency effects contributed positively.

The demand for most of BioSolutions' lignin-based biopolymers was good. Sales volume was lower than in 2022, but increased prices and changes in product mix compensated for the volume shortfall. An increased global supply of synthetic vanillin and ethyl vanillin affected the company's trading of synthetic vanillin products. However, towards the end of the year the global oversupply also started to affect demand for and sales volume of biovanillin.

In BioMaterials, higher sales prices for speciality cellulose and positive net currency effects more than compensated for lower sales to the construction market for cellulose ethers. Lower sales to construction were largely compensated by sales to other applications.

For Fine Chemicals, the demand for bioethanol to biofuel in regulated markets was strong with increased prices.

Energy prices decreased during the year, both for natural gas and electricity. Reduced energy prices also had a positive impact on the price for several raw materials and chemicals. The exception was wood prices which increased during the year. Other operating expenses were affected by a high general cost inflation and increased labour costs.

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 the negative environmental impact from our own production, as well as improving the environmental impact in the customers' value chains. Greenhouse gas emissions (scope 1 and 2) decreased by 8% due to energy conservation and lower use of fossil fuel for heat energy. Process improvements contributed to a 15% reduction in emissions of organic material (COD) compared with 2022.

In the beginning of 2023, Borregaard announced a NOK 230 million investment to reduce CO<sub>2</sub> emissions and increase energy flexibility at the biorefinery in Norway. This investment will allow for a 30,000 tonnes annual reduction in



CO<sub>2</sub> emissions, improve energy efficiency and increase the flexibility between alternative energy sources. In October, Borregaard entered into a new long-term power purchase agreement for the period 2024 to 2033 representing 10-15% of the Sarpsborg site's annual consumption. The new contract volume will replace the use of natural gas and thereby contribute to a further reduction in CO<sub>2</sub> emissions.

Further electrification of the Sarpsborg site based on availability of new green energy and transmission capacity in the grids serving our facilities, are prerequisites for delivery of Borregaard's environmental targets. It is vital that the authorities work in concert with the industry to secure delivery of targeted reductions.

Borregaard's strategic priorities are increased specialisation and value growth with sustainability as a driver. Two investments are on-going at the Sarpsborg site to support specialisation and value growth. Increased production capacity for highly specialised lignin-based biopolymers will be completed in the 1<sup>st</sup> half of 2024 with a total cost of NOK 70 million. The new capacity will gradually be phased into attractive niche markets, mainly targeting battery applications. NOK 100 million will be invested in a new green technology platform and an associated commercial scale demonstration plant. The platform will enable deliveries of next generation lignin-based

biopolymers and granulation of existing and new products. Targeted application areas are homecare, industrial cleaners, water treatment and agriculture.

Borregaard has invested a total of NOK 171 million in bio-based start-ups in 2023. The ownership in the Norwegian marine biotech company Alginor ASA was increased to 35% on a fully diluted basis. Borregaard holds 12% of the shares in the Danish bioscience company Kaffe Bueno ApS after participating in a direct offering of new shares. From coffee by-products, Kaffe Bueno derives active and functional ingredients which can be applied in a wide range of consumer and industrial products. See Note 6.

Borregaard has also made smaller investments in Lignovations GmbH, an Austrian start-up company creating sustainable materials from lignin and the Scottish company Oceanium Ltd that develops functional ingredients to food and personal care products from farmed seaweed.



## FINANCIAL PERFORMANCE

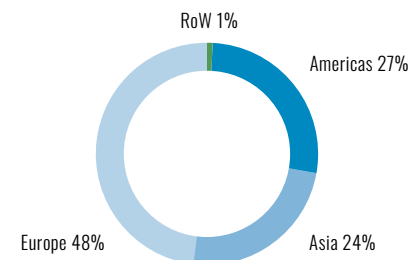
Borregaard's operating revenues increased to NOK 7,132 million (NOK 6,881 million)<sup>2</sup> in 2023. EBITDA<sup>1</sup> reached an all-time high of NOK 1,781 million (NOK 1,643 million). The result increased in BioMaterials and Fine Chemicals while BioSolutions' result decreased compared with 2022.

In BioSolutions, higher sales prices, reduced energy costs and positive net currency effects were more than offset by reduced contribution from traded vanillin products, lower sales volume, changes in product mix and general cost inflation. Higher sales prices for speciality cellulose and positive net currency effects were the main reasons for the EBITDA<sup>1</sup> improvement in BioMaterials. Fine Chemicals' EBITDA<sup>1</sup> improved mainly due to higher sales prices for bioethanol and net positive currency effects.

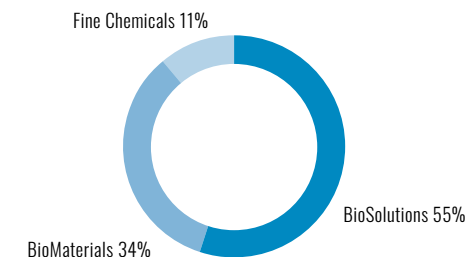
Operating profit was NOK 1,291 million (NOK 1,186 million). Net financial items amounted to NOK -167 million (NOK -68 million). Higher interest rates led to increased interest expenses. Profit before tax was NOK 1,124 million (NOK 1,118 million). Tax expense was NOK -268 million (NOK -267 million), giving a tax rate of 24% (24%).

Earnings per share were NOK 8.73 (NOK 8.95). Return on capital employed<sup>1</sup> was 18.3% (18.1%), well above the targeted level of minimum 15% pre-tax. Borregaard ASA's share price was NOK 171.40 (NOK 152.00) at the end of 2023.

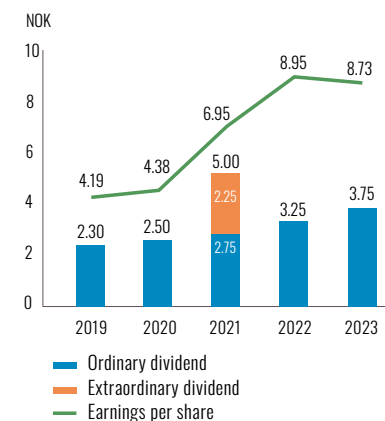
### SALES REVENUES BY GEOGRAPHICAL AREA 2023



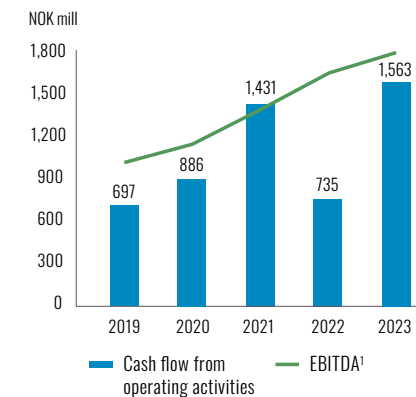
### SALES REVENUES BY BUSINESS AREA 2023



### EARNINGS PER SHARE AND TOTAL DIVIDEND



### CASH FLOW FROM OPERATING ACTIVITIES



/ <sup>1</sup> Alternative performance measures, see page 142 for definition.

/ <sup>2</sup> Figures in parentheses are for the corresponding period in the previous year.

## Business segments

### BioSolutions

BioSolutions had operating revenues of NOK 3,944 million (NOK 4,050 million) in 2023. EBITDA<sup>1</sup> was NOK 915 million (NOK 986 million).

Higher sales prices, reduced energy costs and positive net currency effects were more than offset by a reduced contribution from traded vanillin products, lower sales volume, changes in product mix and general cost inflation.

The demand for most of BioSolutions' lignin-based biopolymers was good in 2023. The average price in sales currency was 3% higher than in 2022 due to price increases for lignin-based biopolymers, partly offset by changes in product mix. Total sales volume was 8% lower than last year. Strong sales within several industrial applications partly compensated for lower deliveries to other applications.

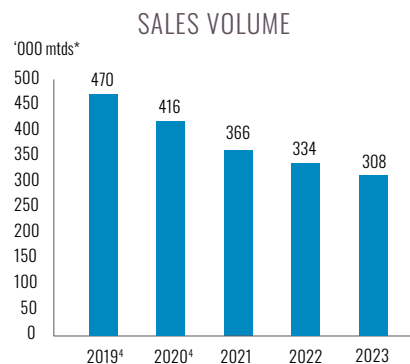
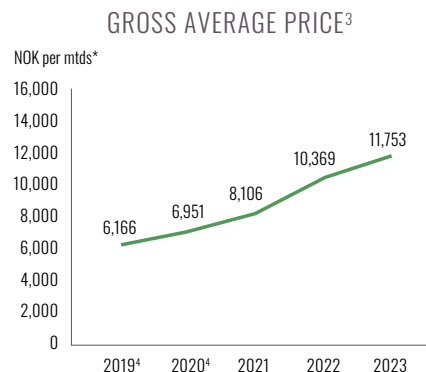
An increased global supply of synthetic vanillin and ethyl vanillin mainly affected the company's trading of synthetic vanillin products. However, towards the end of the year the global oversupply also started to affect demand for and sales volume of biovanillin.

/ <sup>1</sup> Alternative performance measures, see page 144 for definition.

/ <sup>3</sup> Average sales price is calculated using actual FX rates, excluding hedging impact.

/ <sup>4</sup> Includes volume from discontinued operations in South Africa and Spain.

Average sales price and sales volume reflect 100% of sales and volume from the J/V in South Africa till the end of the 2<sup>nd</sup> quarter 2020.



\* Metric tonnes dry solid

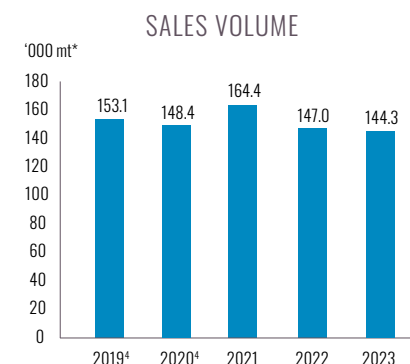
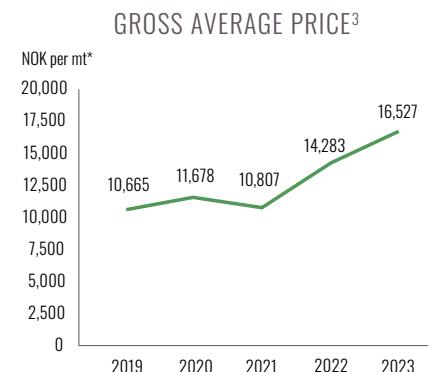
Sales price and sales volume include lignin-based biopolymers and biovanillin.

## BioMaterials

BioMaterials' operating revenues increased to NOK 2,439 million (NOK 2,250 million) in 2023. EBITDA<sup>1</sup> reached NOK 534 million (NOK 427 million).

Higher sales prices for speciality cellulose and positive net currency effects were the main reasons for the EBITDA<sup>1</sup> improvement. The product mix was weaker due to lower sales to the construction market for cellulose ethers. Lower sales to construction were largely compensated by sales to other applications. Total costs increased as higher wood costs and a general cost inflation more than offset lower energy costs.

The average price in sales currency was 4% higher than in 2022.



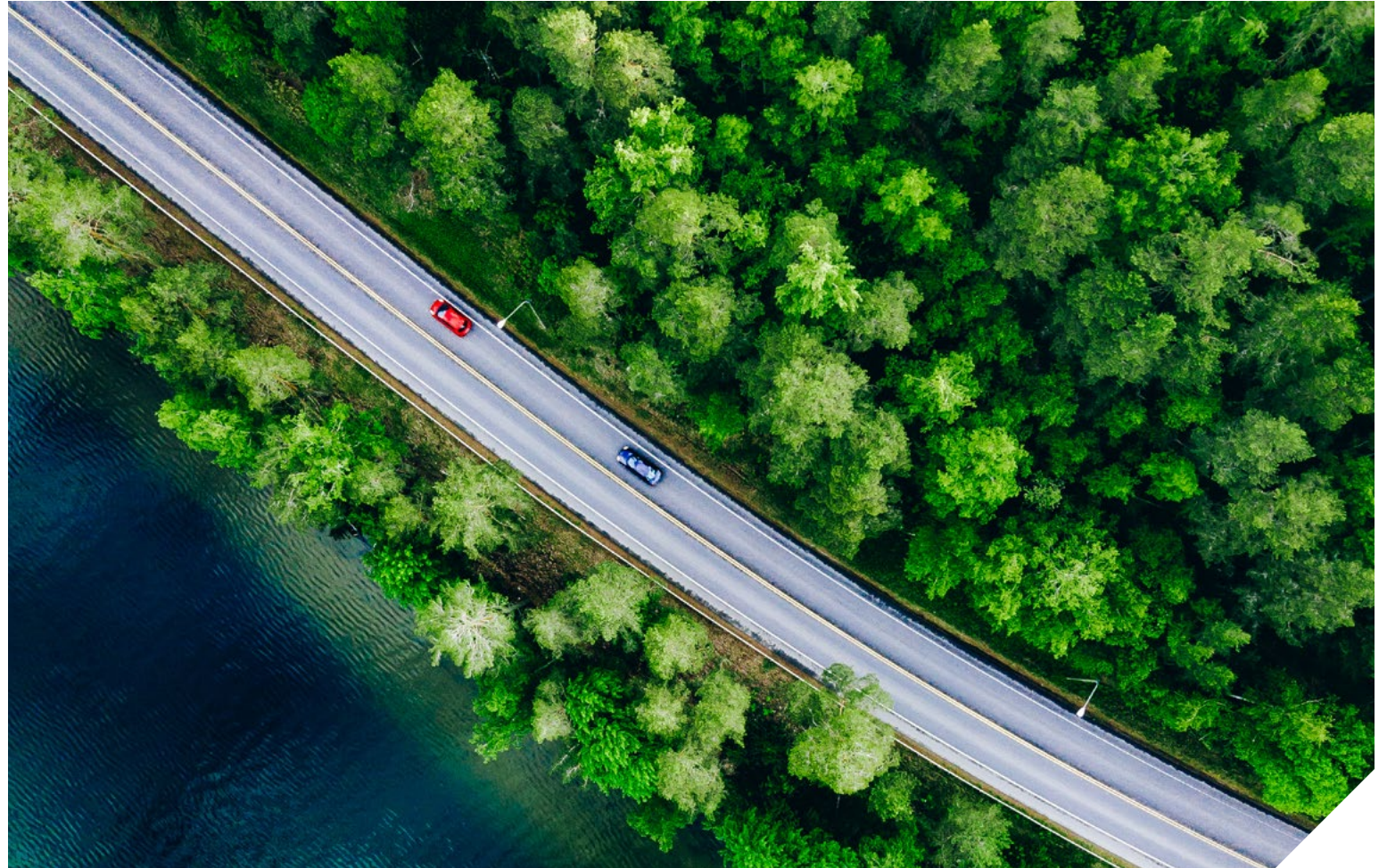
\* Metric tonne

Sales price and sales volume include speciality cellulose and cellulose fibrils.

## Fine Chemicals

Operating revenues in Fine Chemicals reached NOK 786 million (NOK 632 million). EBITDA<sup>1</sup> increased to NOK 332 million (NOK 230 million).

EBITDA<sup>1</sup> improved mainly due to higher sales prices for bioethanol. Demand for advanced bioethanol to biofuel in several European countries was strong with increased prices. Fine chemical intermediates had a result in line with 2022. The net currency impact was positive for Fine Chemicals.



## Cash flow

In 2023, cash flow from operating activities was NOK 1,563 million (NOK 735 million). The significant improvement was mainly due to a more favourable development in net working capital. In addition, the cash effect from a higher EBITDA<sup>1</sup> contributed to the improvement. Net financial costs and tax payments were higher compared with 2022.

Investments amounted to NOK 838 million (NOK 464 million). Replacement investments were NOK 550 million (NOK 359 million), where the largest expenditure was related to the investment to reduce CO<sub>2</sub> emissions and increase energy flexibility at the biorefinery in Norway. Expansion investments<sup>1</sup> totalled NOK 288 million (NOK 105 million), where the largest expenditures were related to the increased ownership in Alginor ASA and specialisation projects within BioSolutions.

Dividend of NOK 324 million (NOK 499 million) was paid out in the 2<sup>nd</sup> quarter. In 2023, the Group has sold and repurchased treasury shares with net proceeds of NOK -43 million (NOK -27 million). Realised effect of hedging of net investments in subsidiaries was NOK -38 million (NOK -79 million).

On 31 December 2023, the Group had net interest-bearing debt<sup>1</sup> totalling NOK 1,791 million (NOK 1,836).

At the end of 2023, the Group was well capitalised with an equity ratio<sup>1</sup> of 53.7% (54.8%) and a leverage ratio<sup>1</sup> of 1.01 (1.12).

## Financial 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 2023, 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 and nature risk assessment comply with [IFRS S2](#) and [TNFD](#) standards. See also a summary of climate risks and potential financial impact in Note 28.

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 as Borregaard has ensured ample short-term and long-term financing from a group of leading Nordic banks. As of 31 December 2023, 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 longstanding 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 ratio<sup>1</sup> 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 under the assumption of a going concern. See Note 28 to the Group's financial statements for further disclosure of financial and operational risks.

/ <sup>1</sup> Alternative performance measures, see page 144 for definition.

# SUSTAINABILITY STATEMENTS - GENERAL INFORMATION

## SUSTAINABILITY RATING

**A, A, A-**

CDP'S CLIMATE, WATER, FOREST



## DIVERSITY

**27%**

FEMALE SHARE OF NEW  
RECRUITMENTS



## ECOVADIS RATING

**GOLD**



## INNOVATION EFFORTS

**211**

MILL NOK



## APPROVAL OF NEW SCIENCE-BASED TARGET

**1.5°C**

TEMPERATURE INCREASE



## CERTIFIED PART OF PURCHASED WOOD

**99%**

OF 1,000,000 M<sup>3</sup> WOOD



## ENERGY

**61%**

RENEWABLE ENERGY



## GHG REDUCTIONS

**8%**

SCOPE 1 AND 2  
FROM 2022



## Reporting standards and basis for preparation

The reporting scope includes the subsidiaries listed on [page 153](#), and covers the whole value chain from sourcing, production, distribution and use of products. The sustainability reporting has been prepared in accordance with the Global Reporting Initiative (GRI) Universal Standard 2021. The materiality assessment has been prepared according to the new European Sustainability Reporting Standard (ESRS), which covers the requirements in GRI. We have also made other alignments to prepare for full reporting in accordance with ESRS from 2024.

Our [GRI Index](#) with cross references to ESRS is available at our website. The sustainability statements should be read in conjunction with the GRI index to get an overview of the full extent of the reporting. For a more thorough report on nature and climate, we have disclosed in accordance with the International Financial Reporting Standards S2, [IFRS-S2](#) standard for climate (replaces TCFD standard), and the [Task Force on Nature-related Financial Disclosures](#) for nature. We have presented these results in a [separate report](#).

Borregaard participates in external schemes that contribute to tighter control, improvements

and inspiration regarding 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 supporting universal principles on human rights, labour, the environment and anti-corruption. We view this report as our Communication on Progress to the UN Global Compact.

Borregaard is certified in accordance with several standards. Read more at [borregaard.com](https://borregaard.com).

### ESG DOCUMENTATION TO THE ANNUAL REPORT

#### [GRI INDEX](#)

The index gives an overview of reporting elements according to the GRI index and structure.

#### SUPPLEMENTING REPORTS

[COMPLIANCE REPORT](#)

[TAXONOMY REPORT](#)

[REMUNERATION REPORT](#)

[SCENARIO ANALYSIS](#)

[CLIMATE AND NATURE RISK REPORT](#)

[SCOPE 3 REPORT](#)

[EQUALITY AND INCLUSION REPORT](#)

[HUMAN RIGHTS AND DECENT WORKING CONDITIONS REPORT](#)

[DOUBLE MATERIALITY ASSESSMENT REPORT](#)

# Corporate Governance

Borregaard’s governance systems are based on principles set out in the Norwegian Code of Conduct for Corporate Governance. [Our Corporate Governance Report](#) is an integral part of the Report of the Board of Directors. Borregaard’s Compliance Board reviews and controls compliance matters and reports to the Board annually.

Sustainability is an integral part of Borregaard’s governance mechanisms. The Board of Directors considers sustainability issues when reviewing and guiding strategy, risk management policies, annual budgets and business plans, as well as setting Borregaard’s performance objectives. The Board has established an Audit and Sustainability Committee (ASC) which monitors and evaluates the more specific issues and plans on behalf of and as preparation for the Board meetings.

The 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 informs and guides the President and CEO and the Group Executive Management about which sustainability issues to address and the measures to be implemented. The Sustainability Board reports to the President and CEO and is chaired by the Senior Vice President of Organisation and

Public Affairs. The Sustainability Board consists of three members from the Group Executive Management, as well as other key employees who are responsible for the entire value chain and relevant sustainability functions.

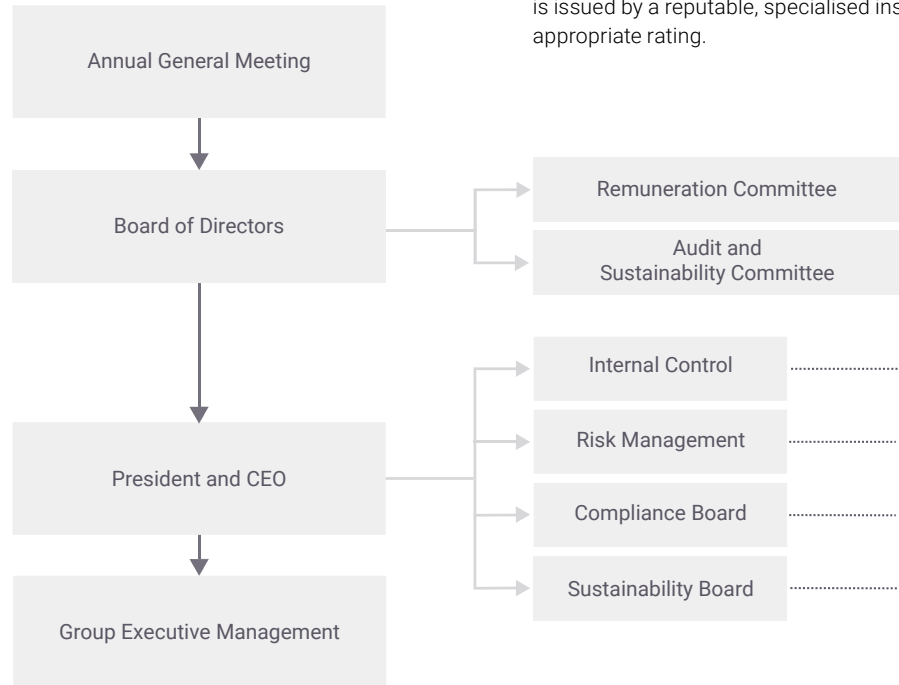
The President and CEO reports current matters, including climate and nature-related issues, to the ASC and the Board of Directors. The President and CEO meets the Board and ASC 6-8 times a year. Every quarter, the Board oversees nature and climate-related issues, and sets overall annual goals for the company. A Sustainability Statement concerning material risks and opportunities, plans, targets and results are reported in the Report of the Board of Directors. The Board of Directors also oversees major capital expenditures, acquisitions and divestitures where ESG-related risks are considered in the process.

Internal control of ESG matters is documented in the management system and includes a description of authority. Key ESG data are reviewed by the ASC prior to the Board meeting and was included in the Group’s biannual reports from 2023. The Board of Directors engage independent accountants to perform a [limited assurance report](#) of sustainability that is disclosed annually according to the GRI standard. Sustainability-related performance, including

personal goals related to ESG, is integrated in incentive schemes and described in the [Remuneration Report](#).

Borregaard holds a Directors and Officers Liability Insurance Policy on behalf of the members of the Board of Directors and the President and CEO. The insurance additionally covers any person 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.

## GOVERNANCE OF SUSTAINABILITY





## Strategy and business model – a biorefinery with high value added

Borregaard operates one of the world's most advanced biorefineries which utilises the three key components of wood – fibres, lignins and sugars – to produce a diversified portfolio of alternatives to fossil-based products. Our products have a documented favourable environmental and climate impact which can improve the customers' climate footprint or substitute chemicals of concern. The wood is sourced from sustainably managed forests and the biorefinery utilises 94

percent of the feedstock to make biochemicals, biomaterials and energy.

Borregaard is a supplier of specialised biochemicals and biomaterials to a global customer base. Our main products are lignin-based biopolymers and biovanillin, speciality cellulose, cellulose fibrils, fine chemical intermediates and advanced bioethanol. The products are used in a variety of applications in

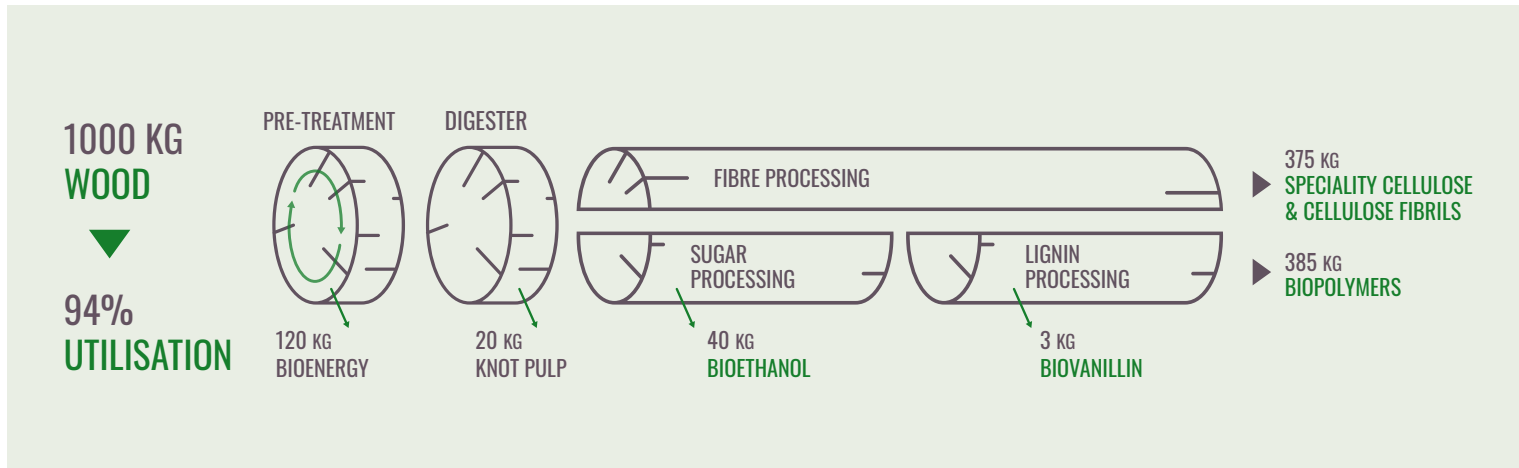
sectors such as feed and agriculture, construction and building materials, food and pharma, personal care, batteries, biofuel and various other industries.

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

We are a competence-driven company with research and development (R&D), production, sales and marketing as our core competencies. To maintain our leading position, we have a strong focus on training programmes and cooperation between the various disciplines.

Borregaard has a leading research centre combining various chemistry disciplines, biotechnology and microbiology, developing new or improved products, applications and production technologies.

In addition to our biorefinery in Norway, we operate five additional lignin production sites based on the biorefinery concept located in USA, Germany, the Czech Republic and UK. In total, the company has manufacturing operations and sales offices in 13 countries in Europe, Asia and the Americas serving our global customer base. At the end of 2023, Borregaard had 1,127 full-time equivalent (FTE) employees.



## Sustainable business model

Borregaard’s understanding of sustainability and corporate responsibility derives from the fact

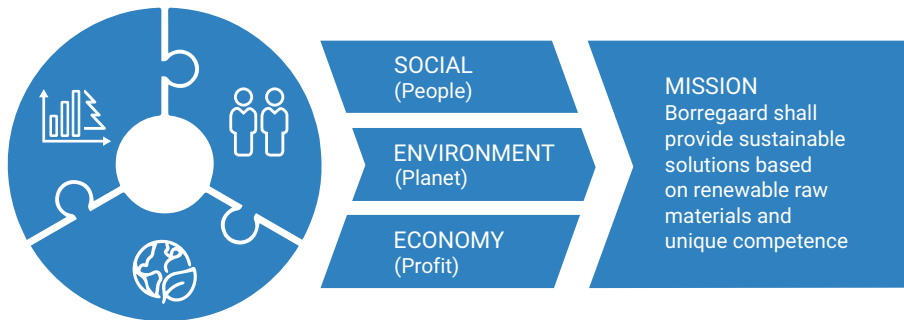
that our business model itself, the way we run our company and the products we produce, is sustainable and meets global needs.

### 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).

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

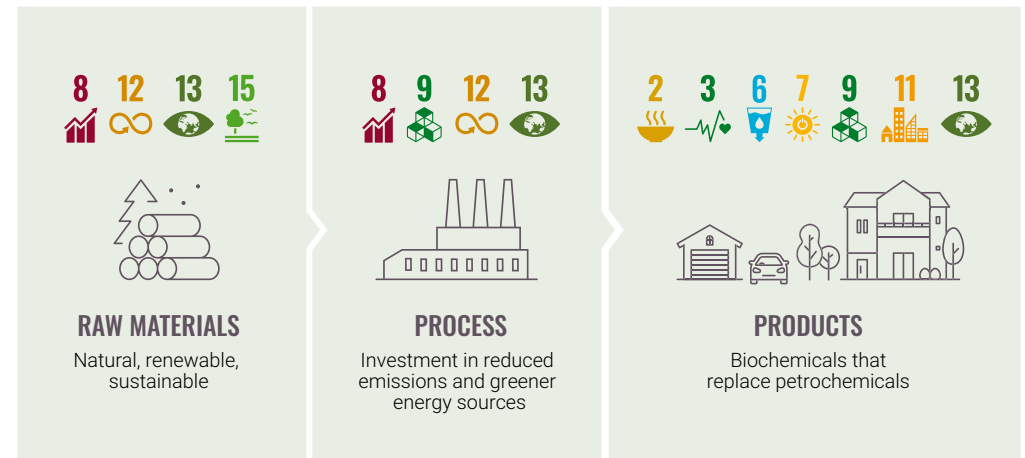
Sustainability is composed of three pillars: social (people), environment (planet) and economy (profit).



The world is facing major challenges related to population growth, climate change and sustainable resource access. These challenges will generate an increased demand for climate and environmentally friendly solutions for food production, infrastructure, transportation, housing, energy and jobs.

these challenges, they have 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.

The UN predicts population growth of around 13% by 2030, which will generate resource scarcity and an extraordinary demand for climate friendly solutions in our daily lives. As a response to



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

Successful development and marketing of our bio-based products will have a positive impact both on the environment and our customers and end-users. Borregaard's business model and products are well positioned to support the UN's Sustainability Development Goals (SDGs) set out in the UN 2030 Agenda for Sustainable Development. We have prioritised six of the SDGs based on our contributions to solving the global sustainability challenges through our activities and solutions. Borregaard can have a positive impact in all these areas through our unique biorefinery concept and our sustainable products. Read more about our [contributions to the UN's SDGs here](#).

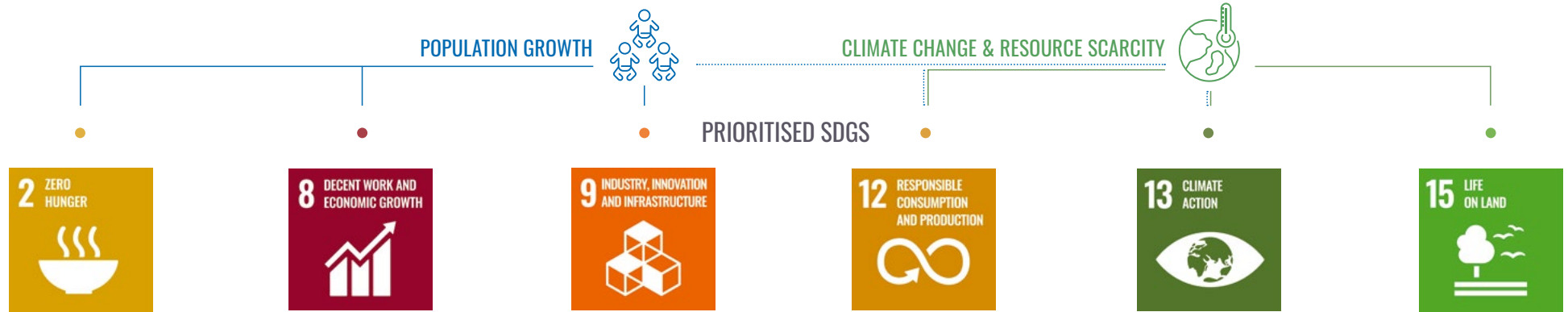
Sustainability is a natural component of Borregaard's overarching goals, and our business model is closely linked to the integrated nature of our biorefinery concept.

Our products 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 fossil-

based alternatives and will contribute positively to climate change mitigation (SDG 13). Thus, Borregaard's innovative products and solutions can play an important role in addressing some of the world's biggest sustainable development challenges: [Population growth, climate change and resource scarcity](#).



## GLOBAL CHALLENGES



## OUR CONTRIBUTION

### SUSTAINABLE FOOD PRODUCTION

- 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

### RESPONSIBLE BUSINESS

- 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 for investments, R&D and competence development
- Promoting human rights and decent working conditions

### NEW AND IMPROVED PRODUCTS

- 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

### SUSTAINABLE BIOREFINERY

- Full utilisation of raw materials
- Continuously improved environmental lifecycle impact
- Sustainable sourcing programme
- Continuous productivity improvements, including digitalisation
- Improved chemical safety
- Reduced emissions and reduced impact on the environment

### CLIMATE MITIGATION

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

### FOREST RAW MATERIAL

- Bio-based raw materials from responsibly managed and certified sources

## Market position and impact

### Strong market positions

- Market and technology leader in lignin-based biopolymers.
- Only producer of wood-based vanillin.
- Leading speciality cellulose supplier.
- Pioneer in cellulose fibrils.
- Leading producer of fine chemical intermediates for contrast agents.
- Significant producer of advanced bioethanol.

Most of our customers purchase products primarily for their performance. However, customers and end-users are becoming increasingly concerned about which products they buy, favouring natural starting materials, health benefits and a low GHG footprint.

The positive environmental impact in our customers' value chains depends on the application and each customer's production process. Reduced

energy consumption, increased lifetime of process equipment due to less corrosion, increased utilisation of raw material and increased production capacity, as well as less exposure to hazardous chemicals, are all examples of positive impacts our products have on our customers' processes.

End-users such as farmers experience increased crop yields and improved soil conditions from plant nutrition, as well as better working conditions related to less exposure to hazardous chemicals (pesticides). Increased lifetime of lead batteries in energy storage systems and improved recycling ability of packaging materials are examples of long horizon environmental impacts caused by our products.

Our innovative culture and unique combination of a high-value raw material base, biorefinery assets and expert knowledge, make a solid platform for capitalising on the increasing momentum for bio-based products. The product of consumer and investor attention as well as policy measures drives the demand for sustainable solutions. While sustainability is now becoming more of a pull from the market, our key strategic considerations remain the same. This means that specialisation and value growth will take priority in the years to come. For example, we see significant potential

for an upgrade of our product portfolios in BioSolutions and Speciality Cellulose. We also believe that environmental investments will strengthen our competitive advantage and that

further development of the biorefinery in Norway is a low-risk investment. Ultimately, the Borregaard specialisation journey is a continuous process towards full specialisation.

### SUSTAINABILITY DILEMMAS

Although Borregaard's products consistently have good climate and environmental performance, some applications of our products 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. However, we are constantly assessing possibilities of developing bio-based or more sustainable alternatives to raw materials, process chemicals or finished products.

## Interests and views of stakeholders

We assess our stakeholders' views and concerns through our community involvement programme, regular dialogue, media analyses, investor meetings, as well as other relevant arenas. We include stakeholder views in the steps of identifying and assessing impacts, risks and opportunities in our [double materiality assessment](#).

The most important subject in the stakeholder dialogue in 2023 was resilience towards uncertainty in the global economy and how this may impact Borregaard's markets, cost inflation and interest rates. This was especially important for our customers and investors. Several of our stakeholders pay increasing attention to sustainability issues such as climate impact from our products, scope 3 emissions, nature-related risks (in particular biodiversity) from the use of wood as a raw material as well as emerging changes in sustainability regulations from the EU Green Deal. Transparency in the value chain is important for our stakeholders to better understand impact, risks, and opportunities from our business, including human rights.

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 socioeconomic contributor through taxes and duties from our operations and as an associate for many stakeholders and voluntary organisations.

Complaints and other enquiries from external stakeholders are dealt with in a proper manner, including through our grievance mechanisms. The illustration below summarises the stakeholder dialogue in 2023 and reflects the stakeholders' expectations of Borregaard and how we respond to these in our strategy and business model.



STAKEHOLDER GROUP	IMPORTANT TOPICS IN STAKEHOLDER DIALOGUE	STAKEHOLDER EXPECTATION AND HOW WE RESPOND
	Business environment; potential economic slowdown	<ul style="list-style-type: none"> <li>• Security of supply, act on the basis of a long-term perspective and predictability in the market. Transparent and available information</li> </ul>
	Cost inflation	<ul style="list-style-type: none"> <li>• Competitive terms and conditions</li> <li>• Clear and consistent reporting on important and relevant factors</li> <li>• Profitability</li> </ul>
	Borregaard's Sustainability Strategy	<ul style="list-style-type: none"> <li>• Environmental, climate and social responsibility</li> <li>• Product safety, quality, performance and sustainability including certifications</li> <li>• Our market position and reputation</li> <li>• Compliance with regulations - High governance standard</li> </ul>
	Environmental and climate footprint of products	<ul style="list-style-type: none"> <li>• Documented climate and environmentally friendly products, EPD's and certifications</li> <li>• Product safety, quality, performance of products</li> </ul>
	Scope 3 emissions	<ul style="list-style-type: none"> <li>• Contribute to reduced scope 3 emissions both in supply chain and to the customers</li> </ul>
	Transparency in the value chain	<ul style="list-style-type: none"> <li>• Product safety, quality, performance and sustainability including certifications</li> <li>• Predictability/long-term perspective, Business ethics</li> <li>• No human rights violations</li> </ul>
	Transition plan to cut climate gas emissions to air and effluents to water by 2030	<ul style="list-style-type: none"> <li>• Documentation of sustainability/ESG, no greenwashing</li> <li>• High ESG score – take position as a climate leader</li> </ul>
	EU Taxonomy	<ul style="list-style-type: none"> <li>• Transparent and available information about aligned and eligible economic activities, "Green" financing</li> </ul>
	Renewable energy supply and grid capacity	<ul style="list-style-type: none"> <li>• Energy and climate measures</li> <li>• Flexibility in energy consumption, security of supply</li> </ul>
	Forest certification/changes in EU forest regulations	<ul style="list-style-type: none"> <li>• Sustainable sourcing of certified wood</li> <li>• Predictability/long-term perspective</li> </ul>
	Employee branding of Borregaard	<ul style="list-style-type: none"> <li>• Sustainable and attractive jobs and educational systems</li> </ul>
	Investment forecast and financial resilience	<ul style="list-style-type: none"> <li>• To have a comprehensive risk management including climate and nature related risks</li> <li>• Transparent and available information about investments</li> </ul>

Customers

Suppliers

Investors and lenders

Local communities

Employee

Authorities

Business partners

## Material impacts, risks and opportunities and their interaction with strategy and business model

[The Intergovernmental Panel on Climate Change](#) (IPCC) Sixth Assessment report from August 2021 provides estimates of the chances of crossing the global warming level of 1.5°C within the next decades, and states that unless there are immediate, rapid, and large-scale reductions in greenhouse gas emissions, the limiting of the global warming to close to 1.5°C will be beyond reach. In 2022, we revised our GHG emissions reduction target according to the 1.5°C ambition. Our new target supported by a Board approved transition plan has been approved by the Science Based Targets initiative (SBTi).

The climate challenge and possible long-term consequences of this are dealt with in our qualitative [scenario analysis](#) describing impacts, risks and opportunities for Borregaard's operations, our value chain and the markets we operate in, as well as the resilience of our climate and environmental strategy. It addresses two different scenarios, limiting global warming to 1.5°C and business as usual. The framework for TCFD and for 2023 updated to IFRS S2 has been used to gain a comprehensive understanding of impact, potential risks and opportunities associated with climate change.

In December 2022, UN's Biodiversity Conference (COP 15) agreed on a new set of goals to guide global action through 2030 to halt and reverse nature loss. The conference declared that "nature is critical to meeting the SDGs and limiting global warming to 1.5 degrees. Adoption of a bold global biodiversity framework that addresses the key drivers of nature loss is needed to secure our own health and well-being alongside that of the planet". In light of this we expanded our climate and environment impact analysis to gain a more in-depth understanding of Borregaard's nature-related impacts and dependencies, risks and opportunities and conducted a preliminary assessment report according to the TNFD.

We have been recognised as a TNFD early adopter. The expanded analysis covers our impact on a variety of ecosystems, such as boreal forests, freshwater ecosystems, tidal areas, salmon stocks, and land and air pollution. Our nature-related dependencies are focused on access to wood raw materials, fresh water sources and impact from tier 1 suppliers in the value chain. We are actively working on and monitoring our risks, both in terms of setting targets to minimise our nature-related impacts and maintaining an approach to sustainable

sourcing and transition to a more circular economy.

In evaluating our risks in relation to our dependencies and impacts on nature, we also identified our opportunities to create positive outcomes for Borregaard and nature through positive impacts or mitigation of negative impacts. Managing risks and opportunities are integrated multidisciplinary parts of Borregaard's business processes, which also covers climate and nature-related risks and opportunities.

Our life cycle assessments give valuable input to our materiality impact assessment process and is the most valuable tool to understand the impact on our business model throughout the entire value chain, both when it comes to severity of negative impact on the environment from production and transportation, and positive impact on the environment when our products replace fossil-based alternatives for our customers and end-users.

Health and safety are integrated parts of Borregaard's management system and cover processes for managing impact and risk related to our own workforce and external contractors.

We carry out risk assessment across our entire supplier base to identify risk distribution per topic: environment, labour and human rights.

Our business' impact, risks and opportunities are materiality assessed. Our [Double Materiality Assessment Report](#) describes the process for identifying the material topics in detail, following the European Sustainable Reporting Standard (ESRS) 2023.

We have assessed our impacts, risks and opportunities in relation to the ESRS standard's predefined Environment, Social and Governance (ESG) topics and sub-topics. The following figure shows the results of our double materiality assessment based on these topics. The assessment identifies which topics are material with regard to Borregaard's business operations, while at the same time giving us a better basis for making good strategic choices and carrying out relevant measures to achieve our business goals.



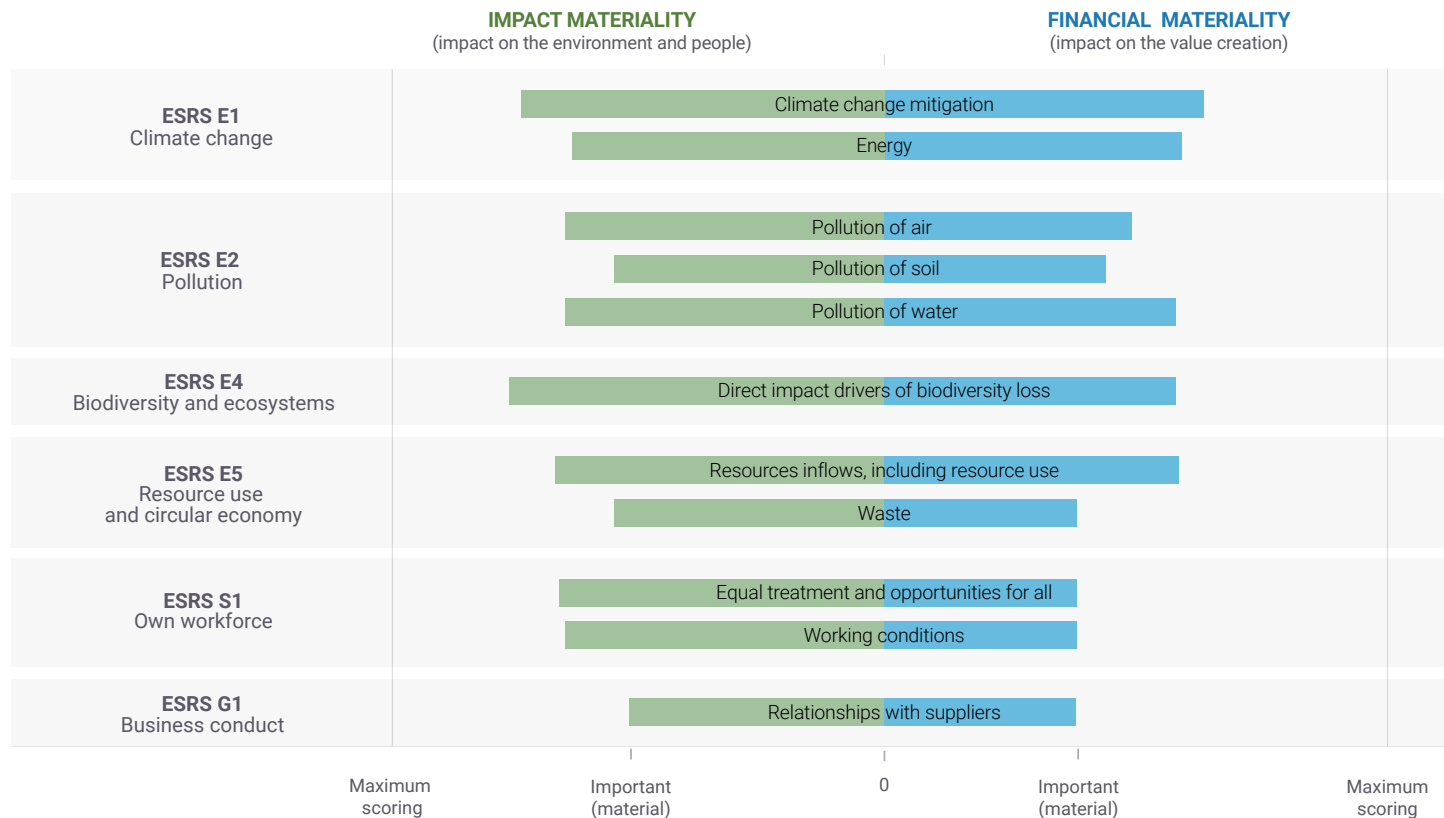
The green and blue columns show the degree of importance within the material topics, both in terms of Borregaard's impact on the environment and the people around us (green columns) as well as how external conditions linked to climate change and new regulations affect Borregaard's economic value creation and financial risk (blue columns).

The columns show the average of absolute values of positive and negative impact within the various topics. Thus, they show the degree of importance, but not whether the impact is positive or negative.

The double materiality assessment points out the main actions needed to increase the resilience of our business, both in terms of reaching our ambitious business targets and meeting the 1.5°C target and the COP15 agreement:

1. Reduce climate impact and GHG emissions (scope 1, 2 and 3) according to our science-based targets.
2. Develop, produce and sell sustainable and climate friendly products, with focus on circular economy and high resource utilisation.
3. Ensure long-term access to sustainable forest raw material with low impact on biodiversity.
4. Investments to reduce environmental impact of effluents to water (COD) from direct operation.

## BORREGAARD'S DOUBLE MATERIALITY ASSESSMENT - IDENTIFIED MATERIAL TOPICS



The figure illustrates a double materiality assessment covering Borregaard's material topics. The sub-topics shown makes the topics material.

High competence and a good working environment among our own workforce have a positive impact on achieving targets and improving value-creation. Interaction with our suppliers to make our supply chain sustainable and robust to climate changes is also among material topics. These conditions, both in terms of risk assessments and measures, are discussed and dealt with in the company's [Human Rights and Decent Working Conditions Report](#) (in relation

to the Norwegian Transparency Act) and the assessments in the [Equality and Inclusion Report](#).

Climate and nature impacts, risks and opportunities are presented in the Climate and Nature Risk report and included in our double materiality assessment. In the following figure, the main risks and opportunities are listed. In [Note 28](#), we have disclosed information about the short and medium-term financial impact from

the main climate and nature-related risks and opportunities.

This is our first time assessing [double materiality](#) according to the new ESRS standard. The predefined topics and sub-topics in the standard have led to changes in the naming of the topics compared to last year, nevertheless, the metrics and targets have remained the same. More details regarding materiality are described separately

under each topic/sub-topic. We address our material topics while describing our goals and efforts in our sustainability reporting. Goals, short and long-term ambitions and measures that cover the entire value chain have been established for all ESG areas. An overview of the disclosure requirements from the double materiality assessment is disclosed in our [GRI index](#). Borregaard has policies that guide our efforts for all material topics, which is described in the introductions to the E, S and G chapters below.

Business ethics (including anti-corruption), human rights and decent working conditions are no longer material topics in our 2023 materiality assessment. This is based on an updated risk analysis including the countries, industries and value chains we operate in. Borregaard's corporate culture, as well as our values within integrity and sustainability set out in Borregaard's culture and value document, [The Borregaard Way](#), include standards and objectives for sound business ethics as well as obligations to operate in a way that avoids violations of human rights. This is further described in our [Code of Conduct](#) and [Human Rights Policy](#) and more specific guidelines for [anti-corruption](#), [competition legislation](#) and [responsible sourcing](#).

CLIMATE AND NATURE RISKS	CLIMATE AND NATURE OPPORTUNITIES
<b>Current and emerging carbon pricing mechanism</b> , due to EU ETS and other CO <sub>2</sub> taxes (see page <a href="#">121</a> ).	<b>Resource efficiency in biorefinery</b> , energy and material streams are optimised in a symbiotic industrial ecosystem (see pages <a href="#">53-55</a> and <a href="#">122</a> ).
<b>Increased energy prices</b> , production processes require energy (see page <a href="#">121</a> ).	<b>Renewable energy</b> : Technology available for reduction in direct GHG emissions from energy consumption (see pages <a href="#">53-55</a> and <a href="#">122</a> ).
<b>Availability and resource use of wood and salt material</b> , (see pages <a href="#">48</a> , <a href="#">51</a> , <a href="#">121</a> ).	<b>Products and services</b> : Increased value from bio-based products, (see pages <a href="#">31</a> and <a href="#">122</a> ).
<b>Physical acute</b> : Disturbance in supply chain. Operations, ground conditions related to heavy precipitation. See <a href="#">Climate and Nature Risk Report</a> and the <a href="#">Scenario analysis</a> .	<b>Capital markets</b> : High ESG trust, (see pages <a href="#">30-31</a> and <a href="#">122</a> ).
<b>Physical chronic</b> : Sea level rise, see the <a href="#">scenario analysis</a>	<b>Resilience</b> : Products in many different markets, high competence and innovation rate for new developments, (see pages <a href="#">39-45</a> ).
<b>Emerging legislations on land use change and resource use</b> , (see page <a href="#">51</a> ).	<b>Ecosystem protection</b> : Purchase 99 % certified wood (target 100%), (see page <a href="#">51</a> ).
<b>Pollution to water</b> : Emissions of organic material to water (COD) affect the aquatic environment in the River Glomma, emission reduction plan and target established (see pages <a href="#">48-50</a> ).	<b>Capital flow and financing</b> : Green Financing Framework/EU Taxonomy, (see page <a href="#">30</a> ).
<b>Air pollution</b> : Borregaard's emissions of SO <sub>2</sub> , NO <sub>x</sub> and dust particles to air can impact local air quality, plan established to reduce emissions (see pages <a href="#">48-49</a> ).	<b>Resource efficiency of sidestreams</b> : Sidestreams from the cellulose production are utilised to produce lignin-based biopolymers, biovanillin, bioethanol and energy, (see pages <a href="#">53-54</a> ).

Borregaard works continuously on these topics and an internal Compliance Board consisting of SVP Organisation and Public Affairs (Chair), General Counsel, Vice President Finance and Chief Risk Officer supports the Group companies' management by raising awareness of compliance matters, reporting on its activity and findings and contributing to improvements. The Compliance Board summarises its work in an annual [Compliance Report](#) approved by the Board of Directors which also includes any violation of anti-corruption, competition regulations or human rights. There were 0 violations in 2023.

We also perform a separate human rights and decent working conditions due diligence assessment pursuant to the [Norwegian Transparency Act](#) and the results are reported in a separate [Human Rights and Decent Working Conditions Report](#), which is updated annually. We comply with the [UN's Universal Declaration of Human Rights](#), [ILO's Declaration on Fundamental Principles and Rights at Work](#) and [OECD Guidelines on Multinational Enterprises](#). With these high standards and systems implemented, the risk related to violations of business ethics and human rights are low. The low risk level is maintained by regular mandatory training of our own workforce in both anti-corruption, code of conduct and human rights.



## Sustainability performance in 2023

Greenhouse gas emissions (GHG, scope 1 and 2) decreased by 8%, due to energy conservation and lower use of fossil fuel as results of climate transition plan investments and fuel mix. Total scope 3 emissions increased by 16% as a result of better data quality (primary data) and increased scope in some categories. Within our focus area transportation, the emissions decreased by 12%. Process improvement contributed to a 15%

reduction in emissions of organic material (COD) compared with 2022. 99% of the purchased wood to Borregaard's biorefinery was PEFC and/or FSC certified.

Innovation is of strategic importance to Borregaard in order to develop more specialised and sustainable products. The innovation rate<sup>5</sup> increased to 16% in 2023, up from 15% in 2022.

There were no fatal or high consequence of work-related injuries in 2023. The total recordable injuries per million hours worked (TRIF) were 5.3 (4.9). The number of lost time injuries was reduced from two in 2022 to one in 2023. Sick leave was reduced to 3.9% (4.3%).

Borregaard is rated by several independent third-parties with regard to sustainability. CDP evaluates

companies within climate, water security and forest and in 2023, Borregaard received A, A and A-grades within these categories. EcoVadis assesses companies in the value chain based on a number of ESG parameters and in 2023, Borregaard achieved Gold status (top 5%).

The table below shows key sustainability metrics and targets.

KEY SUSTAINABILITY METRICS AND TARGETS	2023	2022	TARGET 2023	TARGET 2024	LONG-TERM TARGET (2030)
Scope 1 and 2 GHG emission (1000 tonnes)	197	214			42% reduction from base year 2020 (science-based target)
Scope 3 GHG emissions (1000 tonnes)	411	354			25% reduction from base year 2020 (science-based target)
COD, organic material in process water discharged (t/day)	46	54	52	49	40
Innovation rate (%)	16	15	15	15	
PEFC and/or FSC certified wood at Borregaards biorefinery (%)	99	98	100	100	100
Total recordable injuries per million hours worked (TRIF)	5.3	4.9	3.5	3.5	0
Sick leave (%)	3.9	4.3	3.5	4.0	3.0
Sustainability rating:					
CDP Climate	A	A			
CDP Forest	A-	A			
CDP Water	A	A-			
EcoVadis	Gold	Platinum			

/ <sup>5</sup> Innovation rate = share of sales revenues from new products and applications introduced during the previous five years.



## E | Environmental information

Sustainability is an integral part of Borregaard's business model and strategy. We believe that a strong environment and climate performance will strengthen the company and contribute to long-term value creation. We are actively working on measures that can contribute to an environmentally sound resource management, as stated in our [Policy for Environment, Climate, Health and Safety Engagement](#). The aim of the policy is to enhance commitment, awareness and continuous improvement in these areas and determine our specific procedures and practices. The policy applies to the entire Borregaard Group and also states our expectations for suppliers and key partners. The policy is approved by the Board of Directors.

Emissions and environmental impacts are material to Borregaard and our stakeholders, both in view of the environmental benefits of our products themselves, and the importance of managing the impact and risk of emissions to the environment. Innovation plays a key

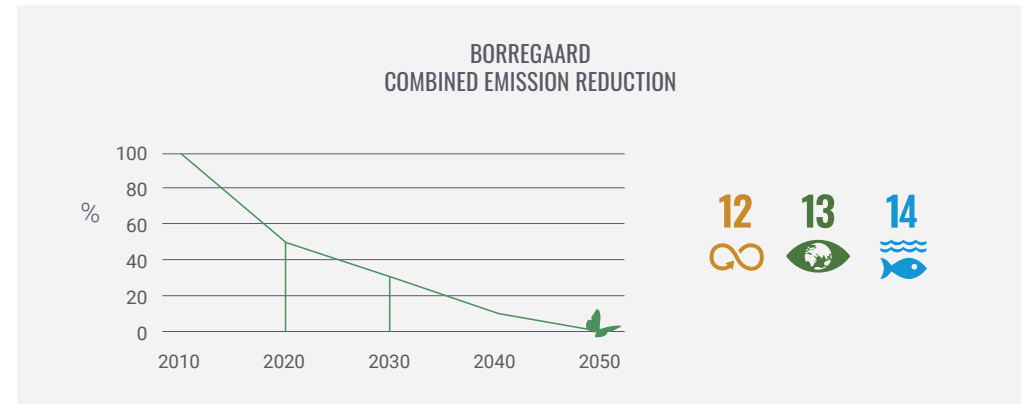
role in developing the sustainability aspects of our business model through solutions that reduce our process emissions and energy consumption, and improve the environmental footprint of our products as well as the environmental performance in our customers processes. Our main negative environmental impact is linked to emissions from our largest operational unit, the biorefinery in Norway. We have developed a transition plan to reduce our emissions in the short and long-term. The results, targets and new initiatives in this chapter focus mostly on the biorefinery as our other production units are much smaller and represent less complexity and environmental impact.

As Borregaard's bio-based products contribute positively to several of the UN's Sustainable Development Goals, they are important to several of our stakeholders and society in general. By utilising renewable carbon from plants to make alternatives to fossil-based products, we contribute positively to climate change and the transition to a circular economy. Long-standing research and development have resulted in

sustainable solutions with documented lower GHG footprint that responds to important long-term global challenges.

We prioritise innovations that can improve our processes by reducing emissions and waste, improve water and energy efficiency and increase circularity. Our production processes are supported by certified energy and environmental management systems. The production units with the highest impacts are certified by ISO 14001 Environmental Management and ISO 50001 Energy Management systems. Emissions from the various production units are regulated by national and/or local authorities.

Borregaard has worked systematically to reduce the environmental impact of our business for many years, resulting in a reduction in total emissions to air and water of 54% during the last 13 years. We will continue to reduce our emissions according to our own targets, as well as the ambitions of the European Green Deal and the zero-pollution vision for 2050. In our long-term transition plan, effluents of COD to water and emissions of GHG to air will be prioritised. Emissions of other components will also be reduced. Borregaard aims for a reduction towards zero emissions in 2050 as indicated in the diagram below.



The illustration shows the % average reduction of both emissions to water and to air, a 50% reduction was achieved from 2010 to 2020 and how the reduction will continue in line with our transition plan.

# Climate change

Climate change represents one of Borregaard's main challenges. Our ambitions cover the entire value chain, from reducing emissions

related to sourcing of raw materials, production and transportation of products to our customers, to producing and developing new products with

positive climate impacts. Our continuous efforts to increase Borregaard's energy efficiency, our use of renewable energy as well as streamlining of

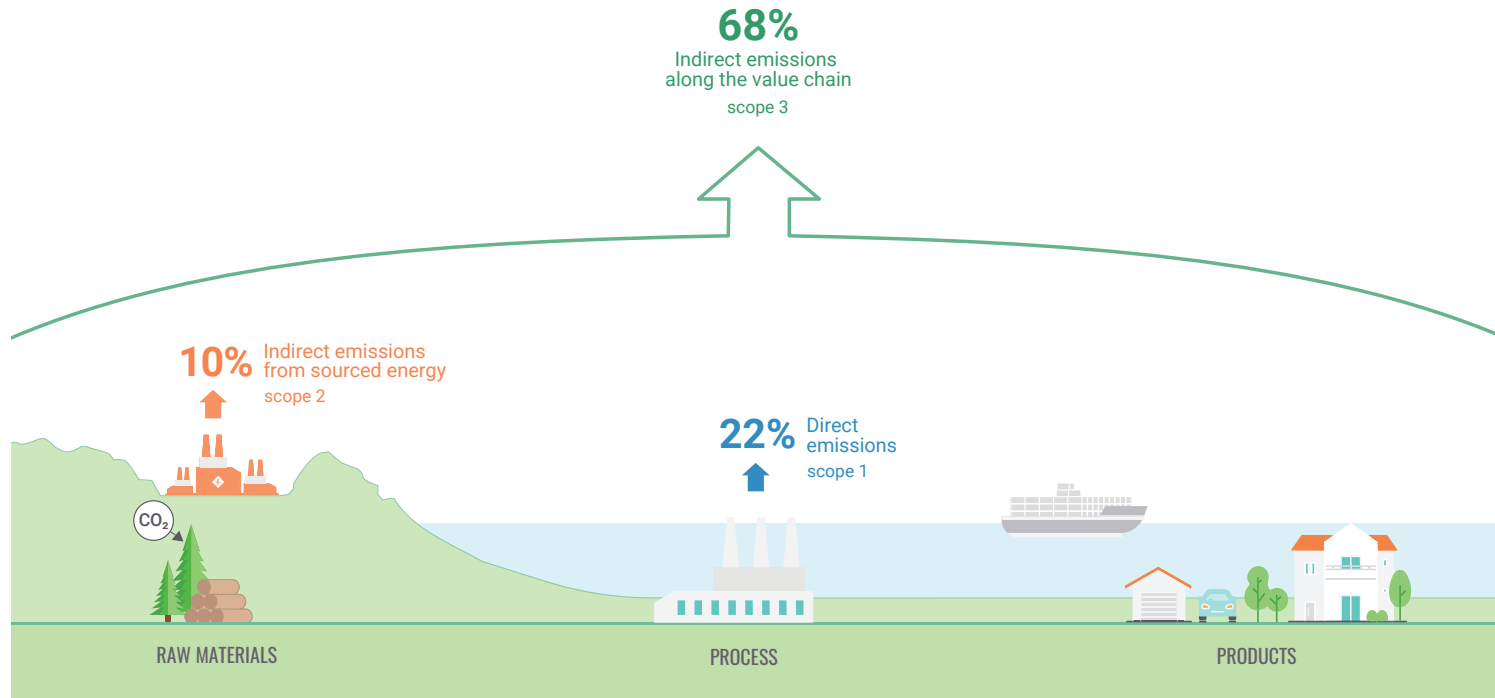
production, decrease the input factors per tonne of product produced. This way, the GHG footprint of our products is constantly reduced. Thus, Borregaard's strategy to reduce these emissions is switching to renewable energy sources and reducing the consumption of energy.

Our business can help advance sustainable development by both minimising negative and maximising positive climate and environmental impacts. Thus reduced GHG emissions will contribute positively and directly to UN's Sustainable Developments Goals.

As stated in our [Policy for Environment, Climate, Health and Safety Engagement](#), our business model and strategy are compliant with the transition to a climate-neutral economy and limiting global warming to 1.5°C in line with the Paris Agreement.

## Taxonomy regulation and sustainable financing

The EU Taxonomy is a new classification system, establishing a list of environmentally sustainable economic activities.



The illustration shows the distribution of our scope 1,2 and 3 GHG emissions along the value chain, updated with actual results for 2023.

The processes in Borregaard's biorefinery are integrated in value chains that substantially support and enable a transition to a circular economy, whereas our bio-based products significantly contribute to climate change mitigation. Moreover, our biochemicals are in some cases a less polluting substitute for chemicals classified as hazardous.

Borregaard's 2023 [Taxonomy report](#) is prepared in accordance with the EU Taxonomy Regulation and the supplementing acts Climate Delegated Act and Disclosure Delegated Act (effective in Norway as of 1 January 2023). In the report, we account for which parts of our business are eligible and aligned pursuant to this legislation. The conclusion is that 30% of our turnover is eligible

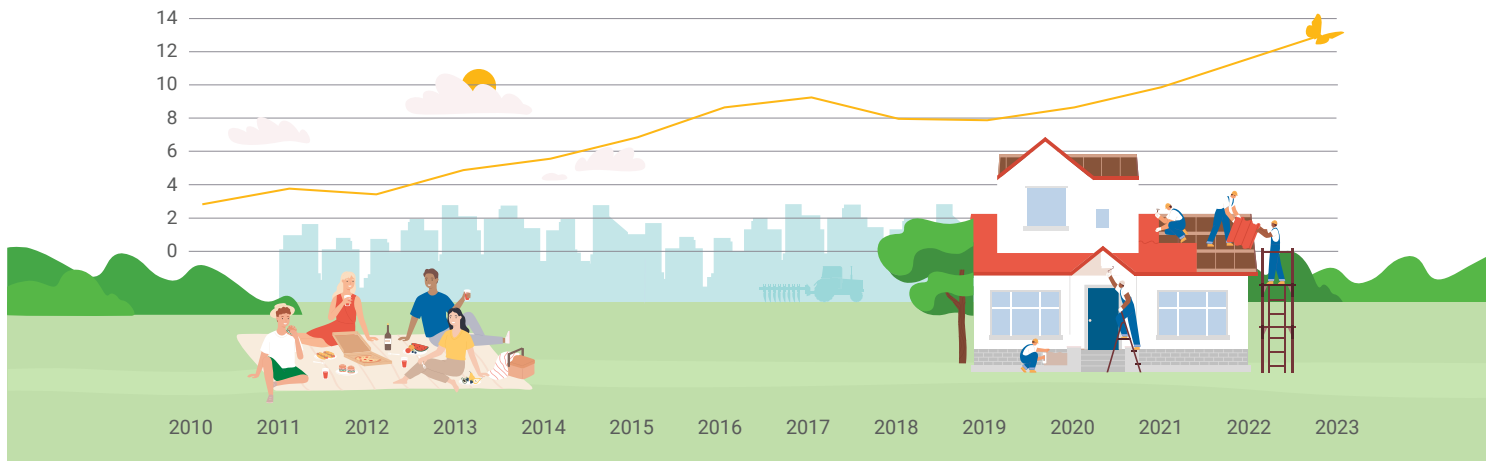
and aligned activities within climate change. The EU Taxonomy is under development and relevant technical screening criteria for water, pollution, circular economy and biodiversity are not yet implemented in Norway. We are monitoring the development of the legislation and anticipate that also products such as speciality cellulose and cellulose fibrils will be covered by the EU

Taxonomy when the circular economy criteria are finally determined.

In 2023, we established a green financing framework in which Borregaard can issue green financing instruments. The framework is structured in accordance with the 2021 ICMA Green Bond Principles (GBP), as well as the 2023 LMA, APLMA and LSTA Green Loan Principles (GLP). S&P Global Ratings has provided a second-party opinion on the framework. In June 2023, Borregaard successfully placed NOK 500 million in new senior unsecured green bonds.

Borregaard has previously made two financial commitments linked to two of our main sustainability 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. The agreed 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.

VALUE CREATION PER TONNES CO<sub>2</sub> SCOPE 1 AND 2  
(NOK 1,000)



The figure shows the increase in value creation in NOK 1,000 per tonnes CO<sub>2</sub> scope 1 and 2 emission. The increase was 20% from 2022 to 2023. Value creation is defined as the value of products sold (revenues) minus the cost of materials, services and depreciation.

## GHG emissions and energy of own operation (Scope 1 and 2)

Borregaard's scope 1 and scope 2 emissions are mainly linked to use of energy in the

production processes. The high utilisation of wood for products (82%) at the biorefinery in Norway results in a limited quantity of residual biomass and hence available biogas for use as renewable energy. Therefore, Borregaard obtains heat energy from other sources such as renewable

energy sources, energy recovery from production processes, incineration of sorted household waste and natural gas. In 2023, 87% of Borregaard's scope 1 and 2 emissions came from the biorefinery in Norway, 12% came from our operations in the US, while 1% came from our German operation.



## KEY METRICS, TARGETS AND RESULTS

### KEY METRICS

- Scope 1 and 2 2023: 196,865 tCO<sub>2</sub>e
- Reduction from base year (2020) same level, but 8% reduction from 2022
- Total energy consumption 1,722 GWh, of which 61% renewable
- 91% of energy consumption covered by ISO 5001.
- CDP Climate A score

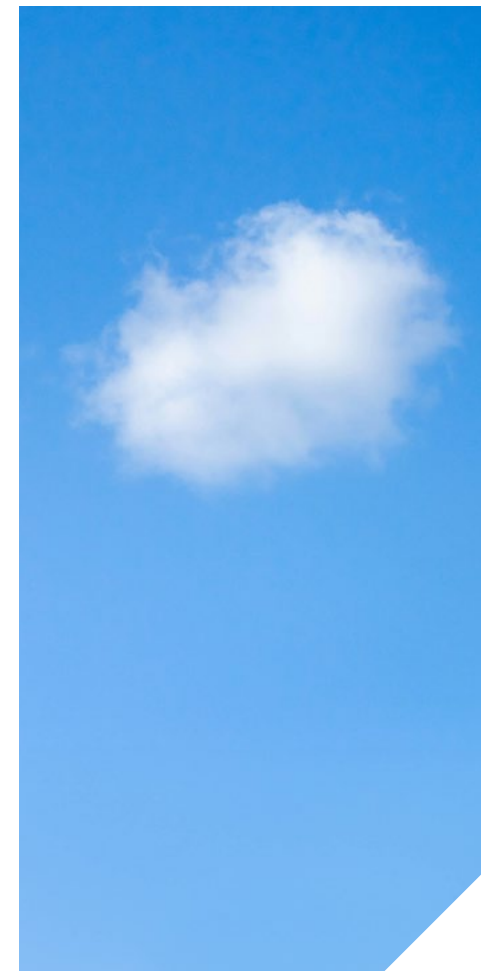
### 2023

- **Target:** Final investment decision and start implementation work for electrification of spray dryers
- **Result:** Electrification of spray dryers are ongoing with completion planned for 1<sup>st</sup> half of 2024
- **Target:** Initiate sourcing of green electricity to electrify spray dryer operations at Borregaard in Sarpsborg
- **Result:** Borregaard signed 10-year PPA in October 2023 and have initiated additional sourcing activities for electric power

### FUTURE TARGETS

- Sourcing activities related to green electricity/grid capacity to the Sarpsborg site
- Completion of construction activities related to electrification of spray dryers in 2024
- Science-based target for scope 1 and 2 (base year 2020):
  - 2024: improvement from 2023
  - 2025: 10% reduction
  - 2030: 42% reduction
  - 2050: Net-zero, 90% absolute reduction.
- Heat consumption at the Sarpsborg site per air dried tonne (TAD) of cellulose (base year 2020: 20.9 GJ/TAD). 2025: 20.7 GJ/TAD

*For the calculation of scope 2 emission location-based factors are used.  
For a complete list of GRI (ESRS) metrics related to energy and climate, [see page 57](#)*





## How we work

Borregaard's investments in renewable energy sources and energy efficiency during the last 14 years have resulted in a 34% reduction in GHG emissions. The investments are mainly technology for energy efficiency and increased use of renewable energy sources such as hydropower and biogas.

We have developed a GHG transition plan to meet our long-term GHG emission targets. The plan was presented at our Capital Markets Day in September 2022, and is in line with our commitment to a science-based target consistent with limiting global temperature rise to 1.5°C. The major investments will be at the biorefinery in Sarpsborg, Norway, and the availability of renewable energy and the technology to utilise it is a key priority for us. Examples of such measures are investments in new innovative technologies, such as a highly efficient heat pump and technology for recycling of waste heat to improve efficiency of evaporation.

Access to and utilisation of electric power are prerequisites to complete the transition plan towards 2030 and 2050. Hence, sufficient grid capacity is required to realise several key projects of the plan. Details of the effectuation of the increased capacity will be developed throughout 2024. We are

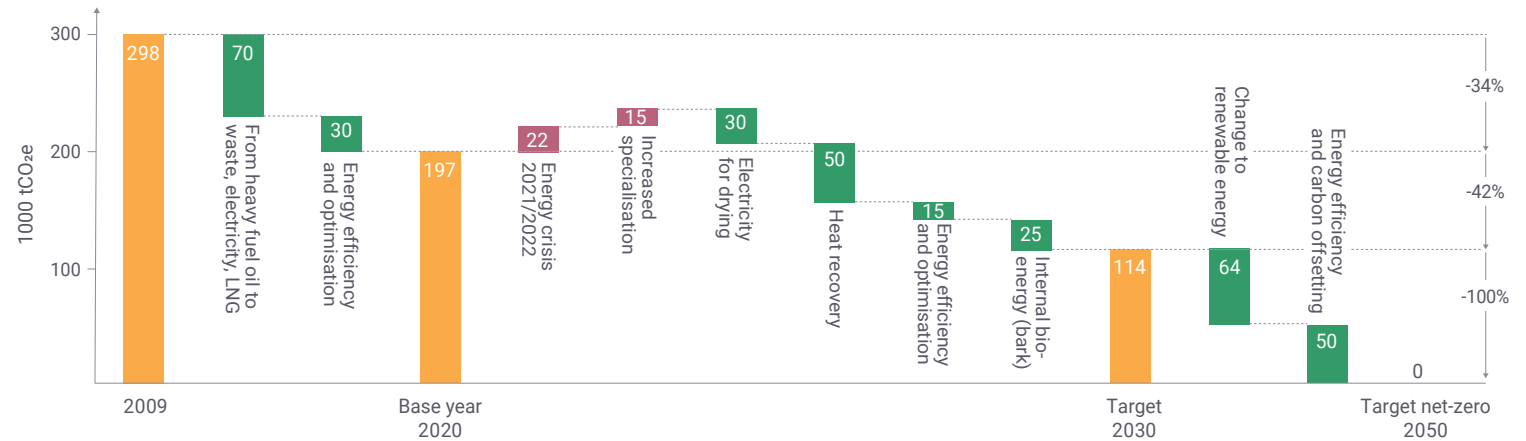
planning investments for upgrading Borregaard's internal power intake station and the increased power capacity allows for further maturation and development of projects according to the transition plan. Borregaard will further work on securing long-term power purchase agreements to secure future costs and we will seek funding for energy efficiency measures and innovative heat recovery technologies from various government support schemes such as [Enova](#).

Development in technologies for carbon capture and storage (CCS) or sustainable carbon capture and use (CCU) may be a prerequisite to achieving our net-zero target in 2050, including a possible 10% carbon offsetting. Borregaard has joined a cluster of companies in establishing CCUS Norway, a non-commercial and science-based organisation where members from academia, the industry and technology developers 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 base load of heat energy in the form of steam through energy recovery from waste, internal bio-based sources, biogas and heat recovery from production. For the variable load of heat energy, we can use either electrical boilers or a multifuel boiler. The GHG emissions associated

BORREGAARD'S TRANSITION PLAN TO CUT GHG EMISSIONS



The diagram shows our transition plan with measures to reach our science-based target from base year 2020 towards our near-term target in 2030 and net-zero target in 2050, and the results of completed measures from 2009 to 2020. The increase from 2020 is due to increased use of fossil-fuel for energy linked to the energy crisis in Europe. Net-zero means 90% absolute reduction and 10% carbon offsetting.

with the production of heat energy will vary from year to year, depending on both the production volume and the renewable energy share for the variable load.

GHG emissions, energy consumption and progress in reduction targets for Borregaard's different units are reported monthly or quarterly. Energy management at Borregaard's biorefinery in Norway is ISO 50001 certified and we have a dedicated energy team responsible for monitoring and reporting on targets related to energy consumption and GHG emissions. The team addresses changes that could have negative or positive impact on our operations, such as regulations, energy cost including CO<sub>2</sub> taxes, and development in technology and supply of renewable energy.

The surplus energy from Borregaard's production processes in Sarpsborg is part of a symbiotic industrial ecosystem serving as the main source of energy at the local district heating plant. Hence, our sustainable energy source reduces the use of fossil fuel for district heating. The positive effect of this contribution in terms of emissions avoided are however not included in our emission reduction figures.

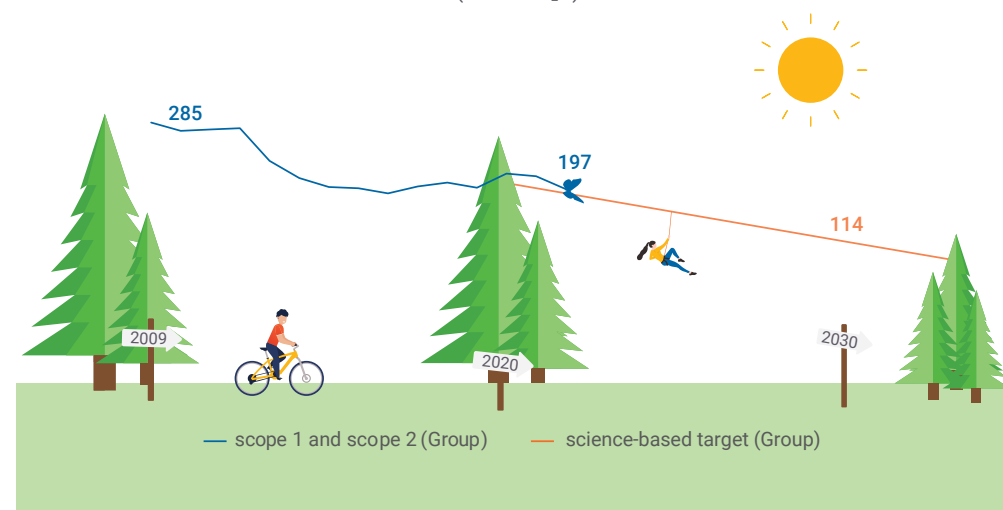
## Developments in 2023

The high energy prices in 2022, largely caused by the Russian invasion of Ukraine and associated impact on the gas market, have partially been mitigated throughout 2023 based on several converging factors. The combination of mild weather, policy measures, reduced demand and LNG supply attracted by high prices reconfigured European supply during the winter of 2022-2023, resulting in a healthier balance and record high natural gas storage levels throughout 2023. Markets were observed as fragile throughout the year, with periods of high volatility in prices, resulting in a continuous focus on enhancing flexibility in energy use and utilisation.

In 2022, Borregaard re-introduced light oil as input to the multi-fuel boiler to counteract impacts from constraints in electricity and natural gas in specific periods. In 2023, the need for light oil was minor and contributed less than 5% to the scope 1 emissions.

During 2023, we have progressed our long-term transition plan to achieve our science-based targets for 2030 and 2050. Energy efficiency measures and increased availability of renewable electricity from hydropower, combined with optimisation of biogas usage, remain key priorities. The inherent flexibility of Borregaard's energy system supply was continuously

## GREENHOUSE GAS REDUCTIONS AND TARGETS (1000 tCO<sub>2</sub>e)



The illustration shows Borregaard's progress towards our science-based target. Scope 1 and Scope 2 emissions decreased by 8% from 2022 to 2023, as a result of investment activities in line with the transition plan.

strengthened in 2023 through dedicated projects in Norway, focused on reducing Borregaard's dependency and consumption of independent fuels and contracting more power.

Investments at Bio-boiler:

- The LNG consumption as auxiliary fuel was reduced as a result of technical modifications that allow for a higher calorific value of the biofuel and hence a reduction of auxiliary fuel. The NOK 130 million investment finished in 2022 has a reduction potential of 17,000 tonnes GHG annually.
- In November 2023, biogas was introduced as input to the Bio-boiler, providing base load to Borregaard. Initial results are positive and further optimisation will take place in 2023 and 2024, with an anticipated 30% additional reduction of LNG.

Electrification of spray dryers:

- Borregaard is phasing out an absolute dependency on LNG in the spray dryers, accustoming the process in favour of electricity and other alternative fuels. Planned completion is in the 1<sup>st</sup> half of 2024.

The investments in the spray dryers and introducing biogas to the Bio-boiler are approximately NOK 230 million and provides

a reduction potential of 30,000 tonnes GHG annually.

In October 2023, Borregaard entered into a new 10-year power purchase agreement of 10 MW starting from January 2024, strengthening Borregaard's portfolio of long-term power contracts in accordance with Borregaard's transition plan to reduce GHG emissions.

Borregaard Group's GHG emissions for scope 1 and 2 decreased by 8% in 2023, to the level of the base-year 2020. Scope 1 emissions at Borregaard Norway decreased by 22,000 tonnes of CO<sub>2</sub> (16%) compared to 2022. The reduction was a result of reduced LNG consumption in the Bio-boiler and a higher renewable share of variable load due to increased use of electricity.

The total energy consumption in the Borregaard Group was 1,722 GWh in 2023, compared with 1,781 GWh in 2022. The reductions were mainly at the biorefinery in Norway resulting from the effect of various energy efficiency measures.

Borregaard's biorefinery in Norway supplies surplus heat from low temperature water to the district heating system in Sarpsborg municipality. In October 2023, we finished a NOK 13 million investment to increase surplus heat utilisation to 11.3 GWh (5.2 GWh) in 2023. Our continuous efforts to enhance energy efficiency and increase

usage of low temperature surplus heat is expected to further increase our deliveries to the district heating system.

## The way forward

At the biorefinery in Norway, several projects that will reduce direct GHG emissions from the use of energy have been completed according to our transition plan, and others are in the implementation phase or under development. Going forward, we will continue to pursue our efforts in emission reductions according to our climate and energy strategy and our science-based targets.

In 2024, we will concentrate on finalising the electrification of the spray dryers and further optimisation of the use of biogas in our bio-boiler, allowing for considerable emission reductions. Further development of projects that enhance energy flexibility, increase energy efficiency and reduce emissions will be prioritised throughout 2024.

Increased electrification at the biorefinery in Norway, directly or indirectly, will be necessary to meet our climate targets. Sourcing of renewable electricity power purchase agreements is also a key mitigant towards high power prices in a market with inherent uncertainty given by the geopolitical situation moving into 2024. We

expect a continuous market uncertainty, changing market conditions and the development and implementation of frameworks and policies for energy and climate matters, both on a national and a European level. Borregaard actively monitors and engages in the development of the European Green Deal, in cooperation with European and national industry associations. On a national and regional level in Norway, Borregaard engages in dialogue with key stakeholders on grid capacity constraints, power projects and means regarding the electrification of energy consumption.

## Indirect GHG emissions in supply chain (Scope 3)

Indirect GHG emissions are a consequence of our activities which occur at sources

owned or controlled by another entity. Scope 3 accounts for 68% of our fossil GHG emissions which makes it important to survey and reduce. We have reported our indirect scope 3 GHG emissions since 2017, which has provided us with more knowledge about how indirect emissions

occur and can be reduced. The quality of the data is continuously improved, and we report on all relevant categories in the value chain in accordance with the [GHG Protocol](#).

Borregaard's major sources of scope 3 emissions that can we influence are purchased goods and services (42%), and upstream and downstream transportation and distribution services (22%). We publish a separate [Scope 3 Emission Report](#) which shows the emissions in each stage and how they have been calculated.

The products from our biorefinery are made from a renewable raw material, wood, and generate only biogenic GHG emissions in the usage phase or in the end-of-life treatment phase. As a result, our scope 3 emissions are low in these two stages. Our products' beneficial climate footprint contributes positively to our customers' scope 3 emissions compared to fossil-based products

### How we work

Our efforts to reduce our scope 3 emissions are organised in the Scope 3 Programme, which reports to Borregaard's Sustainability Board. The activities of the Scope 3 Programme cover initiatives aimed at our own employees, sourcing and suppliers. We prioritise the categories and suppliers accountable for the largest emissions with a potential of making actual reductions.

We engage with suppliers, both by sharing information and knowledge, setting firm requirements as well as learning from our best-in class suppliers. We collect and seek to improve data about our scope 3 emissions, such as details of actual emissions (primary data) and the suppliers' maturity when it comes to climate change mitigation.

In addition to engaging with existing suppliers, we search for alternative suppliers and solutions for goods and services which can lead to reduced emissions, while at the same time taking cost and security of supply into account. We provide information and training to Borregaard employees on scope 3 and how to contribute to reducing GHG emissions.

Borregaard prioritises employee involvement in achieving our GHG emissions target. We have expanded our electric vehicle fleet, added EV charging stations, and participate in the 'Home-Work-Home' programme at our operations in Norway. Over 100 employees use e-bikes, and/or subsidised public transport tickets. We are committed to promoting sustainable commuting, with new initiatives planned for 2024.



## KEY METRICS, TARGETS AND RESULTS

### KEY METRICS

- Scope 3 total: GHG emissions, 410,791 tCO<sub>2</sub>e (base year 2020: 399,998 tCO<sub>2</sub>e)
- Scope 3 from transportation: 89,386 tCO<sub>2</sub>e
- Scope 3 from purchasing of goods and services: 173,712 tCO<sub>2</sub>e
- Scope 3 upstream: 65%
- Scope 3 downstream: 35%

### 2023

- **Target:** 2023: Targeted supplier engagement to reduce GHG emissions in our supply chain
- **Result:** Achieved

### TARGETS 2024

- Reduce GHG emissions from Category 4 and 9 (upstream transportation and distribution, downstream transportation and distribution) with a total of 4,000 tonnes CO<sub>2</sub> (base year 2023).
- Science-based target, scope 3 (base year 2020):
  - 2030: 25% absolute reduction
  - 2050: 90% absolute reduction net zero

For a complete list of GRI (ESRS) scope 3 metrics, [see page 57](#)

## Developments in 2023

As purchased goods and services, chemicals in particular, and upstream and downstream transportation, were the major sources of our scope 3 emissions, we targeted these suppliers in line with our supplier engagement strategy in 2023.

We have customers in more than a hundred countries and our products are distributed worldwide. Being a buyer of global transport services, we can contribute to climate friendly transport as transportation is an area where low emissions, carbon neutrality and emission free solutions are gaining traction. In 2023, all our transport services have been tendered with requirements to respond to whether science-based targets are in place, as well as their 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. Furthermore, all respondents are urged to share their performance on the EcoVadis platform.

Throughout 2023, we have been running Scope 3 Logistics, a digitalisation project to improve data quality of our transportation emissions. The solution combines our data with acknowledged, external sources on distances, emission factors and modes of transport, giving more accurate, detailed, and

trustworthy information for each shipment, as well as on an overall level. Due to this initiative, the scope 3 emissions from transportation were reduced by 12% in 2023.

In 2023, we validated products for alternative fuels and decided implementation for a selection of our overseas container shipments, allowing us to replace fossil fuels with renewable fuels with a potential of 80-90% emission reductions on the applied shipments. We decided to participate in the FME ZENITH (Zero-emission energy for use in transport technologies) programme with the aim to develop zero logistics emissions solutions. Our contribution will be monetary funding and manhours. Other participants are the Research Council of Norway, universities, and research institutes, as well as technology suppliers, infrastructure providers, transport companies and users, energy companies and public bodies.

We continued our process for targeting our major suppliers of chemicals and received information about their sustainability activities in relation to climate and emissions. We established and applied criteria for supplier selections regarding climate and emissions in our sourcing processes and the suppliers' responses to these requirements have been a determining factor for contract award, together with security of supply and price. More specifically, we asked our suppliers for verified documentation regarding

emissions i.e. Environmental Product Declarations (EPDs) and Product Carbon Footprint (PCF), and we have requested information about our suppliers' targets and if these are science-based, particularly according to SBTi. The scope 3 emissions from purchased goods and services increased by 12% in 2023 due to extension of the data included. The availability of actual supplier emissions data led to a reduction in the emissions linked to some chemicals.

Although our impact on the downstream scope 3 emissions from our customer's processing of products (Cat 10) is limited, we strive to receive details of actual emissions (primary data) to increase transparency and improve the quality of our scope 3 reporting. In 2023, the improved data quality resulted in a major increase by 93% in this category. The change in method can give reason for a recalculation of the emissions from base year for this category.

We assessed our contract portfolio, with emphasis on suppliers with significant impact on GHG emissions and included clauses regarding environment and emissions where applicable.

Scope 3 training has been provided to personnel within R&D, sales and procurement through Borregaard's Sustainability Academy and the Borregaard Global 2023 initiative "Bringing procurement closer together".

Furthermore, we developed a preliminary version of a marginal abatement cost curve (MACC) for Borregaard's Scope 3 emissions. The MACC is a graphical presentation illustrating the cost-effectiveness of different actions or strategies for reducing our emissions. It shows the relationship between the quantity of emissions abated and the associated costs for each mitigation option. The curve should help us identify the most cost-efficient measures to achieve emission reduction targets, allowing us to prioritise actions that provide the greatest environmental benefit per unit cost. We have identified various opportunities and estimated the expected financial cost and the potential reduction in emissions if implemented, using the metric NOK per tonne of CO<sub>2</sub>e.

## The way forward

Our most effective way to improve sustainable sourcing and reduce emissions will be to continue to engage with suppliers, request documentation of actual progress and include GHG emissions as a criterion in the supplier selection process.

The MACC will be finalised in 2024, enabling us to prioritise between the various identified opportunities. The digitalisation project Scope 3 Logistics will be completed. In addition to providing improved data quality about our own scope 3 emissions, this solution will enable us to highlight and discuss our customer's Scope 3 emissions

linked to their inbound transports from Borregaard. We will implement a concept for renewable alternatives to fossil fuel for container transport which is expected to reduce our transport emissions by 4,000 tonnes in 2024. Furthermore, we will gain experience from using such renewable fuel products and strengthen our positions by contributing to the establishment of a market for alternative fuel solutions.

We will continue to improve the data quality of our scope 3 emissions to increase the share of primary data. This can result in both reduced and increased emissions in the various categories.



## Our products' contribution to climate change

Today, most customers purchase products primarily for their performance. However, customers and end-users are becoming increasingly concerned about sustainability aspects, favouring natural starting materials, health benefits and lower GHG footprints. We firmly believe that this strong trend represents a great opportunity for our company that will have a positive impact on our profitability. The positive effect from sustainable products will increase as new products and solutions are developed.

Maintaining strong innovation efforts is one of Borregaard's strategic priorities and sustainability has become a key driver in our innovation processes. Long-standing research and development have resulted in sustainable solutions that respond to important long-term global challenges. Innovation also plays a key role in developing the sustainability aspect of our business model through solutions that reduce our process emissions and environmental impacts as we improve the environmental footprint of our products. Our efforts to achieve our targets are guided in both [The Borregaard Way](#) and our [Policy for Environment, Climate, Health and Safety Engagement](#).



## KEY METRICS, TARGETS AND RESULTS

### KEY METRICS

- Annual revenue growth 8.9% over the last five years
- 52% (NOK 3.7 billion) of sales revenues from bio-based products with low environmental footprint compared with fossil-based products
- Borregaard's R&D and innovation efforts amounted to NOK 211 million (3% of company revenues)
- Innovation team of 97 employees, including 28 PhDs
- R&D grant of NOK 23 million in 2023

### 2023

- **Target:** Innovation rate<sup>6</sup> of 15%  
**Result:** 15.7%
- Increased/maintained specialisation level  
**Result:** 55% (57% in 2022) of revenues in BioSolutions came from "Specialities", 81% (85% in 2022) of Speciality cellulose sales volume was "Highly specialised"
- Improved environmental footprint through reduced emissions and effluents, process optimisation, energy conservation and higher raw material utilisation.  
**Result:** 15% reduction in COD emissions, 8% reduction in GHG emissions (scope 1 and 2)
- Improve competitive edge and transparency in sustainability documented through 5 new EPDs and benchmark our bio-based products versus synthetics  
**Result:** 7 new EPDs for Borregaard US completed and benchmarked against synthetics

### FUTURE TARGETS

- Increased/maintained specialisation level
- Innovation rate of 15%
- Improved environmental footprint through reduced emissions and effluents, process optimisation, energy conservation and higher raw material utilisation
- Improve competitive edge and transparency in sustainability documented through EPD for manufacturing site in Germany. Benchmark our bio-based products versus synthetics

For a complete list of GRI (ESRS) metrics related to energy and climate, [see page 57](#)

/ <sup>6</sup> Innovation rate = Share of sales revenues from new products and applications introduced during the previous five years.

## How we work

### Sustainability dimensions in customer solutions

Borregaard's products solve different challenges for different customers and industries. Some of our customers buy our products for their low GHG footprint as the beneficial climate footprint contributes positively to the customers' scope 3 emissions compared to using a fossil-based product. Our wood-based bioethanol is a good example of this. Compared with petrol, this advanced alternative has at least 85% lower greenhouse gas emissions.

Another good example is dispersants. A comparison of the life cycle of a lignin-based dispersant from wood versus a synthetic dispersant based on a fossil raw material is shown in the figure. During forest growth, trees capture CO<sub>2</sub>. The captured CO<sub>2</sub> in the bio-based lignin raw material will account as negative CO<sub>2</sub>. The raw material for fossil-based synthetic dispersant will start at zero.

During production, the process of extracting and refining the final product contributes to a certain environmental load for both lignin-based and fossil dispersants. In our example the CO<sub>2</sub> emissions connected to producing 1 kg of lignin-based biopolymers is more

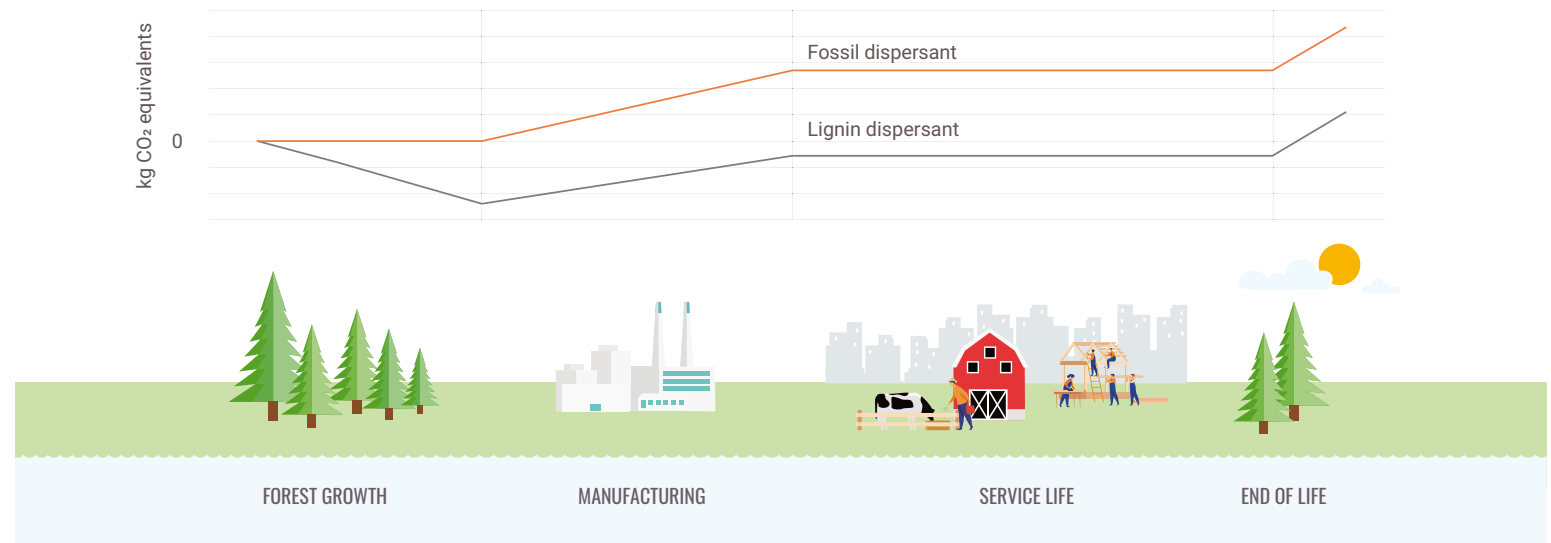
than 30% lower than producing 1 kg of fossil dispersants. During the service life, no emissions are associated with the use of either product, which means that the CO<sub>2</sub> footprint is negative during the lignin-based dispersant's service life.

In the last phase, end-of-life, a theoretical calculated CO<sub>2</sub> emission is included based on 100% degradation of both products to CO<sub>2</sub>. All in all, replacing a fossil dispersant with a lignin-based dispersant results in a 70% lower CO<sub>2</sub> footprint

from cradle to grave.

Other customers, especially those who operate in consumer markets, prefer using natural ingredients or ingredients made from natural raw

### COMPARING CO<sub>2</sub> LIFECYCLE OF FOSSIL AND BIO-BASED PRODUCTS



Comparison is carried out by the Norwegian Institute for Sustainability Research using life cycle analysis methodology according to the ISO-standards 14040/44. The model substance used as fossil dispersant is polycarboxylate.



materials in their products. The long-term market for biovanillin is growing. 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 plant nutrition. For instance, when used in the production of corn, vegetables and fruits, our lignin-based 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 water treatment. We are 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 fossil-based alternatives as the alternative is bio-based or non-use. However, our products could have other important sustainability dimensions such as higher performance per kilo product, increased land use efficiency and reduced energy or 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.



## PLANT NUTRITION



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

- 90% CO<sub>2</sub> emission reduction<sup>7</sup>
- Improved nutrient efficiency

## 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 fossil-based vanillin in a wide variety of products such as food, drinks, perfume, pharmaceuticals, agri and technical uses in bio-based plastic, our products contribute to:

- 90% CO<sub>2</sub> emission reduction<sup>8</sup>
- Natural raw materials

## CROP PROTECTION DISPERSANT



In agriculture, synthetic ingredients such as polycarboxylate are used as a dispersing agent in formulation of fertilisers. Borregaard offers bio-based ingredients and co-formulants that help formulators and growers produce more sustainable crop protection products. By replacing synthetic dispersants with a lignin dispersant, our products contribute to:

- 70% CO<sub>2</sub> emission reduction<sup>9</sup>
- Longer shelf-life
- High active ingredients loading
- Suspensibility
- Better efficacy in the final formulation
- Microplastic-free solutions

## SPECIALITY CELLULOSE FOR BIOPLASTIC APPLICATIONS



High purity speciality cellulose serves as a crucial resource in the manufacturing of cellulose acetate-based plastics, offering a sustainable alternative to fossil-based solutions. Fossil-based solutions are used as so called single-use plastics in consumer goods contributing to microplastic pollution. Speciality cellulose acts as an enabler in the production of bio-based cellulose acetate plastics, designed to be biodegradable across various benchmark environments.

- 100% bio-degradable products
- Bio-based raw materials
- Better efficacy in the final formulation
- Microplastic free solutions

<sup>7</sup> Soldal and Modahl (2019): Environmental analysis of competing products for lignin from Borregaard OR 39.19, Fredrikstad: Ostfold research

<sup>8</sup> Baxter and Brekke (2016): Competitor product environmental analysis for Borregaard's products, AR.06.16, Fredrikstad: Ostfold Research

<sup>9</sup> Modahl (2022): XyloBond project: Environmental analysis of competing products for lignin from Borregaard, OR.03.22, Norsus

## Sustainability documentation of products

Borregaard has taken a fact-based approach, documenting the sustainability of our products in LCAs versus alternative technologies. Documentation of sustainability impact is important both to increase market awareness of our sustainable products, and when comparing environmental performance with competing products.

Borregaard has engaged an independent third-party, Norsus, to conduct a life cycle assessment (LCA) based on the ISO 14040/44 standard. The LCA analyses the environmental impacts of our production, from raw materials to finished products. The assessment 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 2022, when it was improved and updated to the latest LCA standard. The LCAs are also used internally as a basis for making improvements in the environmental performance of our products and processes.

Further assessments in which Borregaard's products are compared with competing fossil-based alternatives confirm 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](#). Borregaard's advanced bioethanol holds an ISCC EU sustainability certification, while our speciality cellulose, lignin from Borregaard's biorefinery in Norway and biovanillin products are ISCC Plus certified. Our products within speciality cellulose, cellulose fibrils, biovanillin and lignin from Borregaard Sarpsborg are certified according to PEFC CoC, while our cellulose fibrils and lignin-based biopolymers are also certified through the US Department of Agriculture (USDA) BioPreferred program®.

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. [Policy on animal testing and welfare](#) is available on our homepage, and 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 (animal testing programme).

### Strong innovation effort

Borregaard's innovation success is a result of world class in-house R&D, sales force and

manufacturing capabilities and close cooperation with customers, research 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 within the whole portfolio, from idea to implementation. This cross-functional work is crucial in our efforts to achieve the positive impacts from innovation.

We have introduced a set of assessment criteria to ensure that our entire project portfolio is evaluated in terms of sustainability. Each project proposal concerning new products and processes as well as new product applications is subject to Borregaard's sustainability criteria throughout the projects' lifetime. This ensures that the most sustainable products are developed and that we avoid potential negative impact from non-sustainable innovations.

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 health and safety aspects in the working environment at Borregaard are assessed, including our products' capabilities to save energy, reduce GHG 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.

We have an innovation team of 97 employees, including 28 PhDs. Central R&D is located in Sarpsborg, Norway, which at year-end 2023 employed 73 people from 9 different countries. R&D activities also take place at 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 around the world.

In 2023, Borregaard received NOK 23 million (NOK 24.5 million) in grants for ongoing R&D projects, mainly from the [Research Council of Norway](#), [Innovation Norway](#) and [Skattefunn](#).

## Developments in 2023

We extended the sustainability documentation and finalised an LCA for our lignin-based biopolymer plant in Rothschild (WI), US and published seven EPDs for products produced at this specific plant.

Borregaard's innovation efforts during 2023 concentrated on supporting the overall specialisation strategy and resulted in an innovation rate of 15.7%.

Within lignin-based biopolymers, our target was specialisation and value growth in high-value and advanced applications such as agriculture, energy storage systems, homecare, textile printing and industrial binders. In these markets, Borregaard's favourable climate footprint enabled high-value business. A NOK 100 million expansion investment was approved for a 1,000 tonnes/year demonstration plant at the biorefinery in Norway. The plant will produce next-generation lignin-based products targeting high-end applications such as homecare including detergents and laundry, industrial cleaners, water treatment and agriculture.

Our cellulose fibrils business had promising development within applications such as corrugated board, coatings and agrochemicals. During the year, a significant number of potential customers was in the

plant trial phase, and we experienced a stable growth in active prospects.

The development efforts within speciality cellulose, biovanillin and bioethanol mainly concentrated on increased productivity, further improvement of the sustainability profile and reduced energy consumption. Product development, which allowed for introduction into new markets, was also an important part of the speciality cellulose innovation portfolio.

Our innovation portfolio also contains explorative projects where the goal is to increase the product portfolio by utilising sidestreams to produce new bio-based products long term. During 2023, we have taken important steps forward within these projects.

In 2023, Borregaard invested NOK 34 million for a 12% ownership share in the Danish bioscience company Kaffe Bueno ApS after participating in a direct offering of new shares. From coffee byproducts, Kaffe Bueno derives active and functional ingredients which can be applied in a wide range of consumer and industrial products.

Borregaard has also made smaller investments in Lignovations GmbH, an Austrian start-up company creating sustainable materials from lignin, and the Scottish company Oceanium Ltd that develops functional ingredients to food and personal care products from farmed seaweed.



## The way forward

The standards for sustainability documentation are moving towards strict use of third-party verified data, standardised methods for calculation of biogenic CO<sub>2</sub> and more comprehensive product category rules to define environmental impact in LCAs. Updating LCA assessments and EPD declarations of our products will continue in the years to come to ensure that they reflect the changes in regulations and standards. We are well prepared for the new EU green claims directive that will set strict requirements for documentation of sustainability statements in the markets. In 2024, we will update our environmental documentation by completion of an LCA for Borregaard's production facility in Germany and publish four new EPDs.

Taxonomy assessment of our products will continue. We are continuously developing our market diversity through innovation. Successful product-launches into new markets will increase Borregaard's market share in low carbon technologies. We continue to see business opportunities in several markets where our bio-based products can contribute to improved sustainability. Regulatory changes in the EU's strategy for sustainable chemicals can also represent new opportunities and markets for our products.

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 Norway as well as our production units in Europe and the US. We will continue the development of our radical innovations, such as our cellulose fibrils business, through continued market development across multiple applications and geographies.

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 a good environmental profile.

Borregaard's strategic priorities include increased specialisation and value growth. We have a strong innovation portfolio which is key to supporting the specialisation strategy and includes a wide range of new products, processes and advanced applications.

Within lignin-based biopolymers, we will continue specialisation and value growth in high-value and advanced applications. We will complete the investment of a 1,000 tonnes/year demonstration plant at the biorefinery in Norway for volume expansion of highly specialised lignin-based

biopolymers and launch novel, high-performance products for targeted applications with improved performance characteristics. We will also continue the work to document the favourable climate footprint our products bring to our customers.

Within cellulose fibrils, business development of applications like corrugated board, coatings and agrochemicals will be targeted. Focused attention will also be given to plant trials as well as growing the number of active prospects.

The development efforts within speciality cellulose, biovanillin and bioethanol will continue to concentrate on increased productivity, further improvement of our sustainability profile and reduced energy consumption. Product development which enables introduction into new markets is also an important part of the speciality cellulose innovation portfolio. We will continue our explorative projects to increase the product portfolio by utilising side streams.

We are also positioning Borregaard for inorganic growth through investments in companies or technologies which convert bio-based raw materials to chemicals and materials. Among the selection criteria for potential acquisition candidates are a strong sustainability profile, synergies with Borregaard's existing business and competence, as well as a significant revenue

potential. Our investment in Alginor in 2021 (current ownership 35%) is an example of such an investment. Alginor is a Norway-based marine biotech company which core technology lies within sustainable harvesting and biorefining of kelp into high-value ingredients to global markets for pharmaceutical and nutraceutical applications.

## Pollution

With reference to our [Policy for Environment, Climate, Health and Safety Engagement](#), we make environmental efforts in short and long-term perspectives to reduce our impact from emissions to air, water and soil. This applies to both our own operations and operations in our value chain.

Our [Process Safety Policy](#) guides our efforts in avoiding incidents and emergency situations, as well as controlling and limiting the impact on people and the environment if and when adverse incidents occur.

### Local air quality

Borregaard's emissions of SO<sub>2</sub>, NOx and dust particles to air can impact local air quality and are included in our non-GHG air emissions programme. These emissions mainly derive from the production of energy. Spray drying of lignin-based biopolymers to powder results in some emissions of NOx (from fuel) and dust particles (lignin).

### How we work

As shown in the illustration on the next page, the Borregaard Group has reduced its emissions to air over several years, the major

emission to air is from the biorefinery in Norway, where reduction of pollutants to air has high priority.

Emissions of NOx stem from the use of fuel for energy. A reduction in use of fossil fuel and investments in NOx reducing technology have reduced our NOx emissions over time. These emissions will be further reduced along with the implementation of our GHG transition plan which includes switching from fossil fuel to renewable electricity for heat energy, which generates no local emissions of NOx.

SO<sub>2</sub> is an important input in our production processes at the biorefinery in Norway and cannot be replaced by other chemicals. SO<sub>2</sub> emissions from production stem from separation of lignin from cellulose in the digesting stage. These emissions are generally removed by scrubbers, but there are still some diffuse emissions linked to SO<sub>2</sub>. The municipality of Sarpsborg monitors that the air quality of SO<sub>2</sub> complies with limits of the EU Ambient air quality directive. Measurements show a general reduction in concentrations of SO<sub>2</sub> around the plant, and the local air quality remains within current limits 99% of the time. Risk analyses show that a large discharge, especially from the storage of liquid SO<sub>2</sub>, may have severe consequences for third-parties. To reduce these risks, Borregaard has invested in a new SO<sub>2</sub> plant and a high-tech SO<sub>2</sub> purification facility which has

eliminated both purchase, transport, storage and use of liquid SO<sub>2</sub>. These investments, as well as improved process safety over time, have made our target for 2024 of zero hourly exceedances of local air quality related to SO<sub>2</sub> achievable.

The process safety management system is important in avoiding unexpected releases to the atmosphere. We have a systematic approach for hazard analyses, proactive implementation of mitigating measures and identification of root



## KEY METRICS, TARGETS AND RESULTS

### KEY METRICS

- 80% reduction in SO<sub>2</sub> emissions last 10 years (base year 2013)
- 57% reduction in NOx emissions last 10 years (base year 2013)
- 23% reduction in dust particles last 10 years (base year 2013)
- 55 tonnes SO<sub>2</sub> emissions in 2023
- 98 tonnes NOx emissions in 2023

### 2023

- Target: Zero exceedances of local air quality due to SO<sub>2</sub>

**Result:** 4 exceedances

### TARGETS 2024

- Zero exceedances of local air quality
- Develop and start reporting on additional process safety indicators

For a complete list of GRI (ESRS) metrics related to pollution to air, [see page 57](#)

causes for process safety incidents. Safety is also continuously improved through the implementation of new technology, as well as through research and development of new processes.

### Developments in 2023

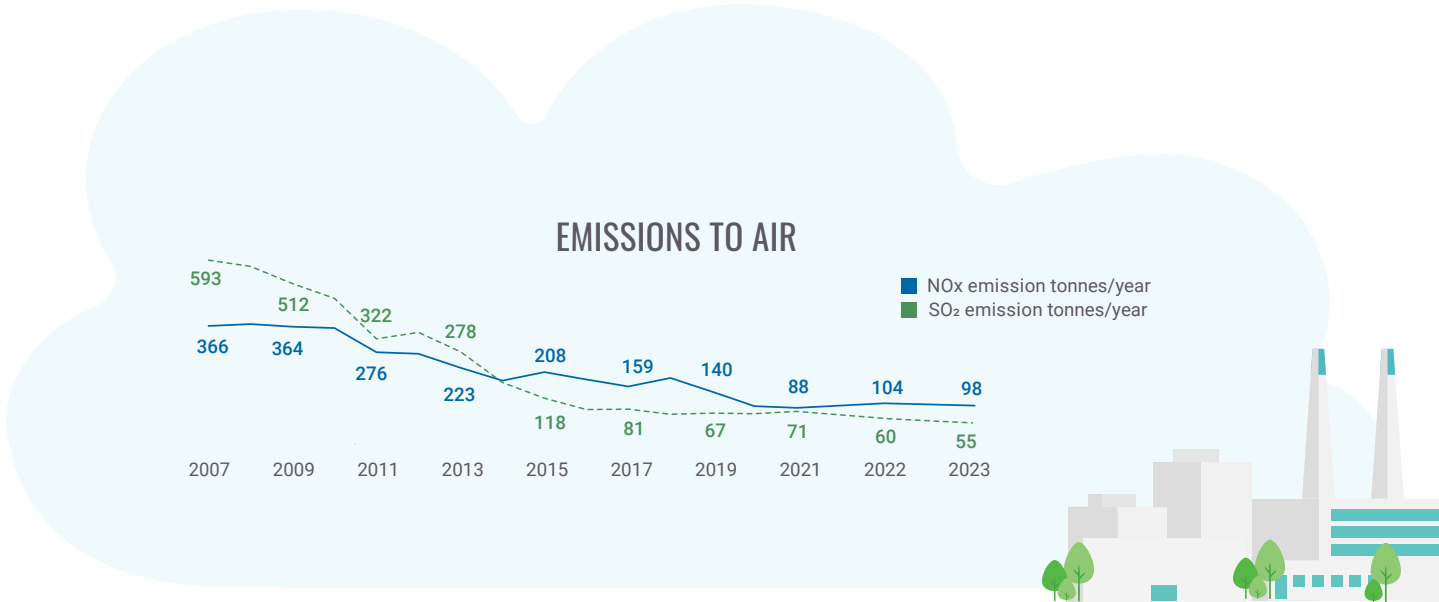
In 2023, there were 4 hourly exceedances of local air quality at Borregaard's biorefinery in Norway, which is the same result as in 2022. The exceedances were caused by incidents in the

scrubber absorption and the recovery system for SO<sub>2</sub>. The investment in a new SO<sub>2</sub> plant in 2022 as well as upgrades in the absorption and recovery system for SO<sub>2</sub> made during 2023 is expected to deliver an improvement in local air quality. In 2024, we have a target of 0 hourly exceedances.

### The way forward

We will continue improving process safety by systematic identification of risk and implementation of measures aimed at mitigating risk. As an output from process hazard analyses conducted in 2022 and 2023, we will implement process safety measures in the digester and in the hydrochloric acid production plant in 2024 to reduce risk of unexpected releases and strengthen the process safety in these areas. We will continue our process safety training programme to increase awareness of important safety barriers and their operational control among our operators, as well as a training programme to increase competence in process safety among our process engineers and other specialists.

The implementation of our climate transition plan with increased use of renewable electricity, reduced use of energy from natural gas and incineration of municipal waste will have a positive effect on our general impact level on local air quality. In addition to our climate transition plan, we have investment plans for reducing SO<sub>2</sub> emissions from the biorefinery process. The air quality directive is under revision, and we expect stricter limits in the future. Necessary investments are covered by the transition plan.



The illustration above shows the reduced emissions from NOx and SO<sub>2</sub>, which has a positive impact on SDG 12 (12.4)

## Reduction of effluents and improved water quality

Borregaard's highest water-related impact in reference to pollution prevention and control

is linked to our 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. The emissions to water from the operations outside Norway are low.

We engage with suppliers of major raw materials, such as wood and energy, to disclose information about their water usage and water-related risks. The aim is to trigger improvements in the value chain and to better understand water-related risks in our supply chain. Our TNFD risk assessment showed that salt extraction in the Wadden Sea could disrupt sediment processes, threaten ecosystems, marine life and fishing culture. We are assessing this risk and risk reducing measures further. See our [Climate and Nature Risk Report](#) for more background information on nature-related water risk.

### How we work

Borregaard has submitted a long-term plan to the Norwegian Environment Agency to reduce COD to water. The plan includes several measures including recipe and process optimisation and technical installations such as spill collection and evaporation. The goal is to reduce COD emissions to a level below 47 tonnes per day in 2026. The measures have so far delivered higher reductions than expected.

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

Water is one of our main nature-related dependencies as it is vital for cooling, steam and hot water production, as well as washing and transportation of biomass in the production processes. Borregaard has a sustainable water management system. At the biorefinery in Norway, the water withdrawal is high, but the site is self-sufficient and has access to water from the River Glomma via its own water treatment facility. Most of the water used is returned to the river. The water volumes used at Borregaard's facilities for production of lignin-based biopolymers 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. [The Water Risk Filter](#) has been used to identify any physical, transitional, and reputational risks related to water. 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. Water withdrawal represents a low risk both in the medium and long-term perspective, thus Borregaard has a sustainable water management system.



## KEY METRICS, TARGETS AND RESULTS

### KEY METRICS

Effluent reductions (SDG 12.4):

- 46 tonnes/day of COD, 53% reduction from 2010
- 19 kg/day of Phosphor, 75% reduction from 2010
- 6.3 kg/day of Copper, 35% reduction from 2020
- 267 kg/day of Nitrogen, 32% reduction from 2019
- CDP water security A score

The water consumption was 308 megalitres in 2023, thus only a small portion of the water withdrawn (53,755 megalitres) was consumed

### 2023

- Target: COD 52 tonnes/day (base year 2018: 61 tonnes/day)
- **Result:** 46 tonnes/day, 15% reduction from 2022, 24% reduction from base year

We have established specific targets for water reduction in areas with the most potential

### TARGETS

Reduction in COD emission (base year 2018, 61 tonnes/day):

- 2024: COD below 49 tonnes/day
- 2026: COD below 47 tonnes/day
- 2030: COD below 40 tonnes/day

For a complete list of GRI (ESRS) metrics related to reduction of emissions and water quality, [see page 58](#)



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'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 from NIVA show that the conditions in the river downstream Borregaard have improved, and the reduction in emissions of several substances has had a positive effect. The emission reduction plan to achieve good ecological status has been made in consultation with authorities and are presented to other relevant stakeholders such as local authorities and NGOs.

Due to the 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 survival. Continued financing of salmon cultivation is an important contribution to maintaining the Atlantic salmon stock and has a positive impact on SDG 14.

Possibilities of reducing water withdrawal or consumption are assessed in connection with investment projects. This is also motivated by the potential gains from energy savings and more efficient water treatment. A large proportion of the process water is treated to keep levels of substances such as halogenated organic compounds (AOX) and COD in the effluent below the discharge permits. The volume of process water discharged and its effluent components are measured and reported as required in the permit from the authorities.

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. 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

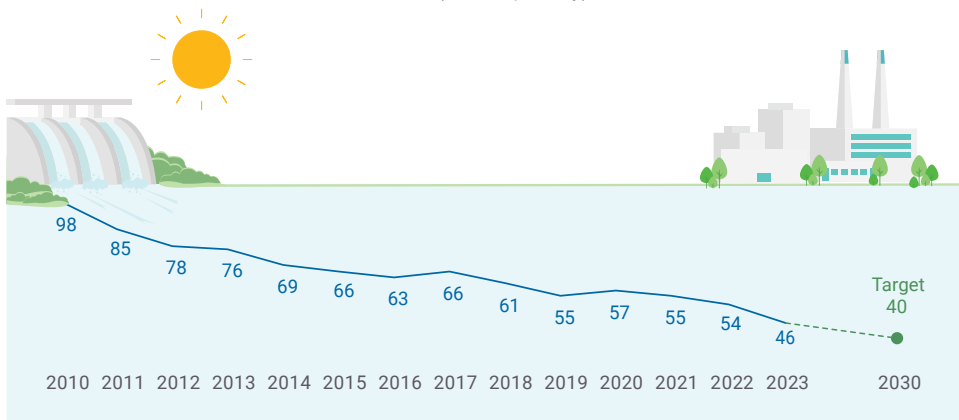
plant. A six-year programme for improving barriers, cleaning and depositing of the polluted areas was finalised in 2021. The concentration of mercury in ground water wells and in the sewage systems has decreased significantly due to these actions. Going forward, the area will continuously be monitored in close cooperation with the authorities to secure stable and acceptable mercury levels. The mercury levels are well below the permitted amount.

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 for people and the environment. Our process safety management system includes measures to reduce risk from spill of chemicals to water, including on-line equipment for detection.

### Downstream use of products

The EU's new Chemicals Strategy for Sustainability (CSS) recognises the important role of chemicals in addressing the world's climate and environmental challenges. This strategy also involves a revision of both the REACH and Classification, Labelling and Packaging (CLP) Regulations. Borregaard's main products are lignin-based biopolymers and speciality cellulose, representing about 80% of our

### EFFLUENTS OF ORGANIC MATERIAL COD (tonnes per day)



The illustration shows the reduced effluents of COD (tonnes per day) from the biorefinery in Norway which has a positive impact on SDG 12 (12.4)

revenues. Both are exempted from registration under the REACH regulation, which means their use is associated with low risk. Changes in CSS is likely to represent opportunities for Borregaard's biochemicals compared to conventional chemicals.

Borregaard has a hazardous substances management programme where 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 for the product. The product safety programme regularly revises and updates Safety Data Sheets. The risks of hazardous conditions and unexpected exposure due to use of chemicals from Borregaard are low.

## Developments in 2023

Our efforts to reduce emissions to water have produced significant results in 2023.

The emissions of COD to the River Glomma were reduced from 54 to 46 tonnes/day, which represents a 15% reduction. The emissions of nitrogen have been reduced by 8%, while emissions of phosphor were reduced by 17% and emissions of adsorbable halogen (AOX) were reduced by 16% compared to 2022. Improved washing and evaporation as a result of investments and improvements in production recipes contributed the most. Borregaard's biorefinery in Norway uses copper as a catalyst in a production process step. Copper emissions have been reduced by 34% during the last three years as a result of investments in sustainable process measures.

We expect that the reductions in effluents in 2023 will give a significant improvement to the ecological status in the river. However, other external factors such as effluents from farming or the community sewage system also impact the water quality in the river.

During the year, we continued to develop the plan for reaching our long-term target for 2030: Effluents below 40 tonnes of COD/day. The planned investments represent a 30-50% reduction in effluents to water (COD) compared with 2020. The plan consists of process improvements and installation of novel wastewater incineration technology and includes measures for significant water reduction. The wastewater incineration technology will generate hot water which will

be utilised for energy as reflected in our climate transition plan. Thus, this project will result in reductions in emissions of both COD and GHG. We believe that these environmental investments will further improve our competitive position.

The emission permit's 24-hour period limit for sub-streams was exceeded for some substances in 2023, all of which have been reported to the Norwegian Environment Agency and measures have been taken to reduce these emissions. The number of incidents of non-compliance with long-term discharge limits was 0.

The concentration of mercury in ground water wells and in the sewage system is continuously monitored in close cooperation with the authorities to secure stable and acceptable mercury levels. Although the levels increased in 2023, our mercury levels are well below the permitted level. We have initiated a study to investigate how to increase emission barriers further.

Sustainable water management has gained increased priority over the last few years. Our targeted efforts have led to a significant reduction in water use at several of our plants. In 2023, Borregaard has further improved the process for collecting water data and identified potential projects to reduce our water withdrawal.

## The way forward

Activities to reduce effluents to water are part of our long-term plan to be in line with the European Water Frame Directive and the European Green Deal Initiative, and will help us prepare for new requirements and achieve good ecological status in the River Glomma. As reflected in our transition plan, we will implement measures to receive a gradual reduction of COD towards our target in 2026 and 2030. Our long-term goal is a good ecological status of the river within 2033. We will identify improvement projects within water efficiency and establish a long-term target for reduction in water withdrawal.

The revision of the EU's Industrial Emissions Directive (IED) which is relevant for our operations in Europe, will be finalised in 2024. The revised directive will combine regulatory requirements for emissions with regards to climate, resource optimisation and circularity. With our circular focus and comprehensive transition plan we are well prepared for the implementation of the revised IED.

We aim to understand more of the positive effect our products can have on water consumption and emissions in our customers' applications. Our sustainable biochemicals can replace chemicals that might contain substances of concern or microplastics. In addition, changes in EU chemical regulations might favour our products.

## Biodiversity and ecosystems

Wood is the essential raw material for Borregaard as our business model provides sustainable solutions based on renewable raw materials and full utilisation of all components of the tree. We are a substantial buyer of forest

raw materials, and we source wood directly from sound forestry operations in Norway. As stated in our [Policy for Environment, Climate, Health and Safety Engagement](#), we strive for high raw material utilisation through our biorefinery concept.

There is an increasing engagement among stakeholders related to the use of nature. Some groups are concerned about forest use for environmental, wildlife, climate change, or community reasons. Nature-related risks and availability of forest raw material are closely related and there is an inherent risk of a decrease in harvested volumes following the introduction of new and stricter regulations. Transparency in the whole value chain, all the way from harvesting the tree to finished products, is important to document sustainable forest management and use.

In addition, the biodiversity of forests provides habitat for a variety of important species as well as recreational areas for humans. Consequently, there are ongoing discussions among various stakeholders to find the right balance between sourcing sustainable and renewable raw materials and at the same time safeguarding the forest's role for biodiversity and outdoor life.

It is crucial that forest resources are used in an optimal way and that forest management is carried out in a responsible and sustainable manner. We impact this positively through our high raw material utilisation as well as strict requirements for how the raw material is grown, harvested, and transported to our site.

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, and includes 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.

The EU has several initiatives that deal with forest resources in a climate and nature conservation perspective. [Land Use, Land Use Change and Forestry \(LULUCF\)](#) and [the EU's new regulation on deforestation-free products \(EUDR\)](#) are among these initiatives. We follow the development of these policy areas closely and will evaluate possible consequences.

### How we work

Wood is one of the few renewable raw materials that can be produced in large quantities. However, it is not an unlimited resource. Borregaard is impacted by supply, demand, and price of wood. Forestry and harvesting impact nature and people and is vital from a climate perspective.



## KEY METRICS, TARGETS AND RESULTS

### KEY METRICS

- Borregaard's biorefinery in Sarpsborg: Annual purchase 1 mill solid cbm wood. Origin: 81% Norway, 19% Sweden. Chain of Custody certified. 100% of wood suppliers PEFC or FSC® certified
- Borregaard's production units outside Norway: purchase of lignin raw material from adjacent pulp mills, which source PEFC and/or FSC® certified or controlled wood in the range of 93-100% in 2023
- CDP Forest A- score

### 2023

- 100% of the purchased wood to Borregaard in Norway certified (FSC or PEFC)  
**Result:** 99%
- Target: Establish KPI for sourcing of lignin raw material  
**Result:** Data collected and KPI in process

### TARGETS 2024

- 100% of the purchased wood to Borregaard in Norway certified (FSC or PEFC)
- Establish KPI for sourcing of lignin raw material
- The long-term target is securing availability of 100% certified raw material

For a complete list of GRI (ESRS) metrics related to biodiversity and ecosystems, [see page 57](#)

Borregaard's production units outside Norway receive lignin raw material from adjacent pulp mills which source [PEFC](#) and/or [FSC®](#) certified or controlled wood in the range 93-100% according to the suppliers' CDP Forest 2022 disclosures.

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
- Wood from forests in which genetically modified trees are planted

In order to expand our sourcing area, we participate in the development of wood supply logistics in the Nordic market and the Baltic Sea region. There are few transportation restrictions to the biorefinery in Norway, and wood can be transported by road, rail, or sea. When available, we prioritise rail or sea before road.

## Developments in 2023

Our efforts towards achieving our goal to source 100% certified wood for the biorefinery

in Norway resulted in 99% certified wood where the remaining 1% was controlled in accordance with PEFC and/or FSC standards. The last percent could have been achieved by alternative sourcing. However, Borregaard decided to use our buyer influence and continue impacting and improving the original sources rather than excluding them. We have set 2025 as a time limit for the suppliers to implement necessary measures to ensure the provision of 100% certified wood. We are still in the process of establishing a KPI 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 supported and contributed to the revision of the Norwegian PEFC Standard (effective from 1 March 2023) and the establishment of the [FSC Forest Stewardship Standard for Norway](#) through the Norwegian Pulp and Paper Association (TFB). These standards include national and regional characteristics such as natural conditions, forest ownership structure and legislation in Norwegian Forests.

Nature dependencies are gaining increased attention, and in 2023 we conducted a nature risk assessment according to the final version of the TNFD standard with emphasis on forest and water resources. Our use of certified wood contributes to fulfil our ambitions to reduce our

impact on these resources. Borregaard has engaged with external stakeholders with the purpose of establishing facts and a framework for businesses assessing nature-risks and their consequences. The first step was finalised in 2023 and demonstrated the complexity of this ambition.

## The way forward

We aim to maintain our A rating in the CDP Forest reporting category, and we keep our target of sourcing 100% certified wood even though regulations and stricter requirements may make it more challenging.

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 continue to communicate our expectations and requirements regarding sustainability and continue engaging with external stakeholders to assess nature-related risks and their impact on business. Particularly we will follow up on the Regulation on deforestation-free products (EUDR) which entered into force in June 2023. The purpose of the EUDR is to guarantee that the products EU citizens consume do not contribute to deforestation or forest degradation worldwide. Under the Regulation, any operator or trader who places wood-based products on the EU market must be able to prove that the products

do not originate from recently deforested land or have contributed to forest degradation. The EUDR repeals the EU Timber Regulation. The operators and traders have 18 months, from 29 June 2023, to implement the new rules.

## Resource use and circular economy

With reference to Borregaard's [Policy for Environment, Climate, Health and Safety Engagement](#), we enhance circular economy by high raw material utilisation and reduction of waste. This applies to both our own operations and operations in our value chain.

In Norwegian forest-based industries, all parts of the tree are utilised for products. Wooden construction material is the main driver for harvesting trees in [Norway](#). The most valuable part of the tree is used for this purpose. 25% of the wood entering the sawmills becomes residuals in the form of wood 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.

The biorefinery concept has the potential to provide maximum economic and environmental returns by efficiently utilising all components of the wood. Our biorefinery is an extraordinary cascading operation where wood, which consists of fibres, lignins and sugars, 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 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 cannot 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. Both energy and material streams are optimised in a symbiotic industrial ecosystem. The illustration shows cascading use of biomass in the circular economy. 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.

78% of Borregaard's waste is generated at the biorefinery in Norway. Reducing the amount of both non-hazardous and hazardous waste produced, and controlling the risk of emissions from waste are important aspects of our waste management system. If not managed properly, waste can represent a negative environmental impact, and cost of waste management is increasing, mostly



due to stricter regulations and increased taxes. Converting waste fractions into new materials or energy, and routing waste into a circular economy value chain, could represent a potential positive impact on both the economy and the environment.

### How we work

The concept of utilising all parts of the harvested tree for valuable products such as building materials from sawmills and our bio-based chemicals contributes to a high raw material utilisation. Borregaard's biorefinery concept

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. Our high innovation rate results in new or improved commercial products and our effective resource usage and circularity results in high value creation per solid cubic meter of wood.

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.

Borregaard contributes to strengthening circular value chains and promoting circularity by offering sustainable solutions. Some of our products are used in sectors with high resource use and where the potential for circularity is high, such as within electronics, batteries, vehicles, packaging, plastics, textiles, construction, food,

We are actively seeking possibilities within the circular economy to find solutions for material recovery of process waste streams, and we are part of several recovery initiatives. Gypsum, sludge with some organic content and ash are waste fractions where we will seek circular solutions. Borregaard's biorefinery in Norway is member of a circular economy initiative called

## KEY METRICS, TARGETS AND RESULTS

### KEY METRICS

- Utilisation of wood raw materials at the biorefinery in Norway: 94%
- Total amount of waste: 34,883 tonnes
- Waste source separated: 99%
- 50% of waste to recovery of materials or energy
- Waste incineration recovered energy from 67,226 tonnes of municipal waste
- 92% of hazardous waste generated was fly ash from incineration of municipal waste

### 2023

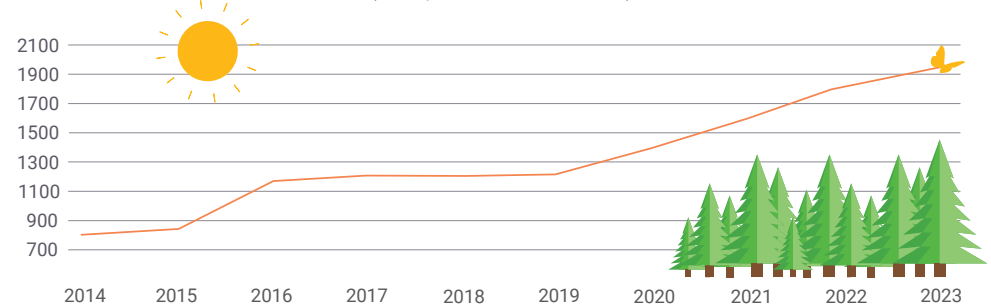
- **Target:** Design long-term target and investment plan (2030) for reduction of landfilling
- **Result:** Reduced landfilling and increased energy recovery

### FUTURE TARGETS

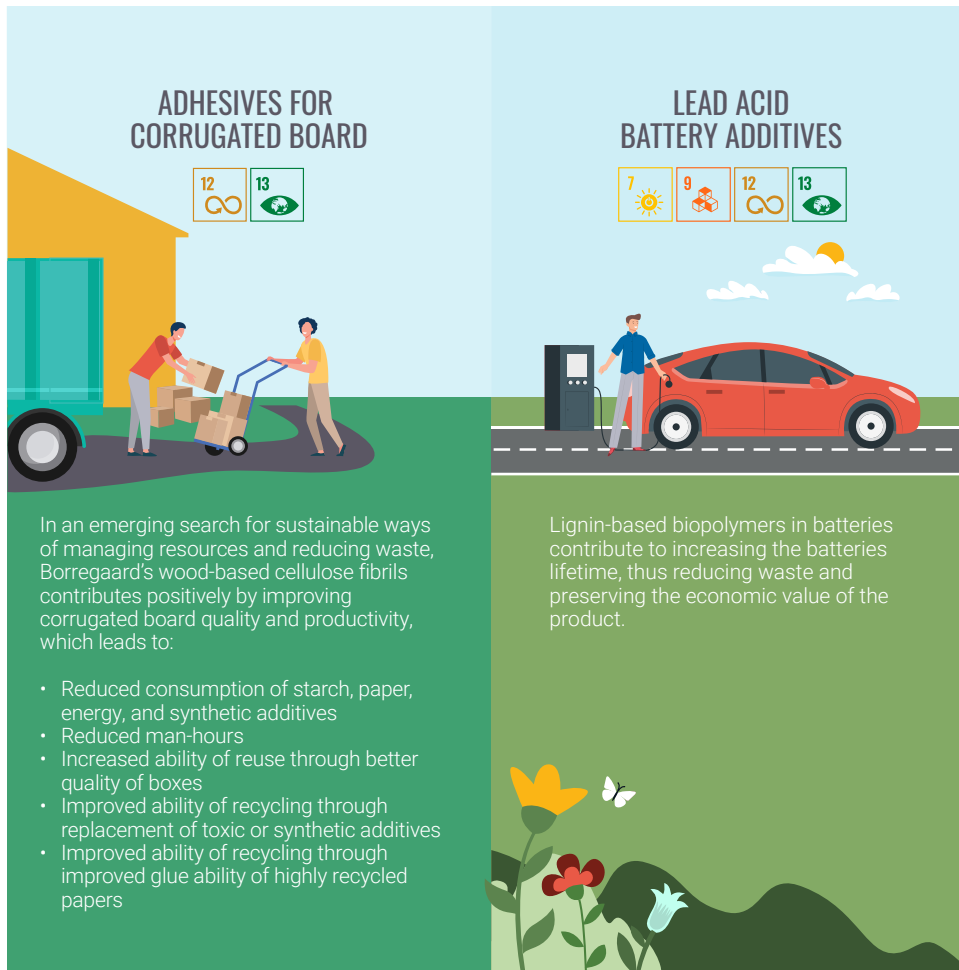
- 2024: Establish target for reduction of plastic packaging
- 2025: 100% material recovery of gypsum (Norway)
- 2030: 100% material or energy recovery of all types of waste

For a complete list of GRI (ESRS) metrics related to resource use and circular economy, [see page 58](#)

### VALUE CREATION FROM BORREGAARD'S BIOREFINERY (NOK per solid cubic meter)



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



## ADHESIVES FOR CORRUGATED BOARD



In an emerging search for sustainable ways of managing resources and reducing waste, Borregaard's wood-based cellulose fibrils contributes positively by improving corrugated board quality and productivity, which leads to:

- Reduced consumption of starch, paper, energy, and synthetic additives
- Reduced man-hours
- Increased ability of reuse through better quality of boxes
- Improved ability of recycling through replacement of toxic or synthetic additives
- Improved ability of recycling through improved glue ability of highly recycled papers

## LEAD ACID BATTERY ADDITIVES



Lignin-based biopolymers in batteries contribute to increasing the batteries lifetime, thus reducing waste and preserving the economic value of the product.

[EarthresQue](#), of which the purpose is to improve and develop new methods for recycling and reuse as well as treatment processes for contaminated soil, residues and waste.

Our long-term goal is to achieve 100% material or energy recovery from all waste fractions in our operations by 2030, thereby reducing negative impact from waste and turning it into a positive impact in value creation.

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, USA (Wisconsin) and Germany and represent 40% of the non-hazardous waste.

The majority of waste stems from use of recovered energy from waste incineration for production of energy to the biorefinery in Norway. This is part of the base load needed for energy supply, and all the energy is utilised in our continuous production. The biorefinery receives heat energy from two waste incineration plants, one of which is operated by Borregaard. 91% of the hazardous waste and 32% of the non-hazardous waste generated from the Group 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 remaining waste is recovered as filler material.

Waste from our operations is source separated and processed by certified waste treatment providers. The hazardous waste is managed by certified waste operators.

## Developments in 2023

The total amount of waste generated in 2023 was reduced by 10% compared to 2022. In cooperation with both internal and external waste incineration companies, Borregaard's biorefinery in Norway successfully tested solutions to reduce landfilling and increase energy recovery for some of our waste fractions. Even though the material and energy recovery rate of waste decreased slightly to 50% (54%) in 2023, we have made progress in the identified activities in our long-term plan to achieve 100% material and energy recovery of waste. Our priorities have been on solutions for gypsum fractions, and we are testing different material recovery options, such as solutions for soil improvement.

An example of new regulation aiming for waste reduction is the EU Packaging and Packaging Waste Directive (PPWD) which aims to reduce packaging waste in the EU by at least 15% by 2040 compared to 2018. The regulation applies

to all packaging placed on the EU market and focuses on improved recyclability of packaging material, mandatory quotas for reusable packaging, and minimum recycled material content in packaging. Borregaard has established a programme to evaluate the consequences of the new regulations, how we can improve packaging of our products, and set targets for reduced use of plastics in our operations. About 50% of our products are wrapped in plastic before they are delivered to the customers. In 2023, the plastic from our operations in Norway amounted to 1,300 tonnes, which represented less than 1% of the total volume of products.

### The way forward

Biorefineries are seen as a very promising route to meeting sustainability and environmental preservation targets but are still not defined as an economic activity within the EU Taxonomy, contributing to the environmental objective of transitioning towards a circular economy. Together with the European pulp and paper industry association, CEPI, we have made a submission through the Taxonomy “stakeholder request mechanism” to include biorefineries in the next work items for circular economy contribution. As stated above, we anticipate that products such as

speciality cellulose and cellulose fibrils will be covered by the EU Taxonomy when the circular economy criteria are finally determined. However, if biorefineries as such are regarded as a circular economy activity, Borregaard’s eligible economic activities within the EU taxonomy might increase even more.

We will continue with our plan to reach 100% material or energy recovery of all waste fractions in 2030.





## Note GRI numbers – Chapter E

GHG emissions are reported in accordance with the [Greenhouse Gas Protocol](#) and calculated according to international standards. Based on Borregaard's input data, a third-party calculates our emissions and the results are published in a separate [Scope 3 Emission Report](#). The direct GHG emissions and the GHG emissions from sourced steam linked to Borregaard's biorefinery in Norway, emission factors and calculation method are according to the EU-ETS permit given by the Norwegian Environment Agency. The GHG emissions from electricity are calculated as consumption times emission factor, using physical mix for electricity.

Sources for emission factors are the International Energy Agency (IEA), Emissions & Generation Resource Integrated Database (eGRID) and the Norwegian Water Resources and Energy Directorate (NVE). Borregaard's full year GHG emissions data are approved by a third-party. Emission components are measured in line with Norwegian or international standards and are regulated by the permits given by local or national authorities. All climate gasses are included in the calculations of GHG emissions, the consolidation approach used for the calculation is "operational control"

The rationale for choosing base year 2020 for GHG emissions, is according to the rules for approval of the science-based target.

GRI ref		Unit	2023	2022	2021	2020
<b>302</b>	<b>Energy</b>					
302-1	Total Energy consumption	GWh	1,722	1,781	1,762	1,731
302-1	Renewable part of total energy consumption	GWh	1,050	1,051	1,040	1,108
302-1	Amount of Heat energy consumption of total energy consumption	GWh	1,188	1,235	1,234	1,193
302-1	Amount of Electricity consumption of total energy consumption	GWh	534	546	529	537
302-3	Heat energy consumption at Borregaard Norway (total) pr air dried tonnes (TAD) of cellulose	GJ/TAD cellulose	21.5	21.4	21.9	20.9
<b>305</b>	<b>Emissions</b>					
305-1	Scope 1: Direct GHG emissions (Base year 2020)	t CO <sub>2</sub> e	132,772	157,768	153,285	130,945
305-2	Scope 2: Energy indirect GHG emissions, location based (Base year 2020)	t CO <sub>2</sub> e	64,093	56,511	64,818	65,414
C.S.	Scope 1 and 2 GHG emissions (Base year 2020)	t CO <sub>2</sub> e	196,865	214,279	218,103	196,359
305-3	Scope 3: Other Indirect GHG emissions (Base year 2020)	t CO <sub>2</sub> e	410,791	354,303	364,245	399,998
C.S.	Scope 3: Upstream GHG emissions (percent of total Scope 3 emissions)	%	65	-	-	-
C.S.	Scope3: Downstream GHG emissions (percent of total Scope 3 emissions)	%	35	-	-	-
305-4	Direct and indirect GHG emission (scope 1 og scope 2) pr revenue	t CO <sub>2</sub> e/mNOK	28	31	38	37
305-4	Direct and indirect GHG emission (scope 1 og scope 2) pr total energi consumption	t CO <sub>2</sub> e/GWh	114	120	124	113
305-5	Reduction of GHG emissions (total scope 1 og scope2) from base year (2020)	t CO <sub>2</sub> e	-506	-17,920	-21,745	-
305-5	Reduction of GHG emissions (total scope 1 og scope2) from base year (2020)	%	0	-9	-11	-
C.S	The amount of direct GHG emissions within EU-ETS system	t CO <sub>2</sub> e	120,107	143,042	137,579	118,200
305-1	Scope 1: Direct biogenic CO <sub>2</sub> emissions	t CO <sub>2</sub> e	145,729	148,565	150,748	139,657
305-2	Scope 2: Energy indirect biogenic CO <sub>2</sub> emissions	t CO <sub>2</sub> e	69,926	74,861	70,214	72,159
305-3	Scope 3: Other indirect biogenic CO <sub>2</sub> emissions	t CO <sub>2</sub> e	983,272	1,032,703	1,026,394	993,514
305-7	Emissions of SO <sub>2</sub>	t	55	60	71	65
305-7	Emission of NOx	t	98	104	93	94
305-7	Emissions of dust particles	t	63	56	62	50

GRI ref		Unit	2023	2022	2021	2020
<b>303</b>	<b>Water and effluents</b>					
303-3	Total water withdrawal	megaliters	53,755	54,468	57,610	55,482
303-3	Water withdrawal river Glomma, Borregaard Norway	megaliters	49,904	51,133	54,196	52,239
303-3	Water withdrawal ground water, Borregaard Norway	megaliters	0	0	0	0
303-3	Water withdrawal surface water other countries	megaliters	2,859	2,754	2,560	2,164
303-3	Water withdrawal ground water Florida	megaliters	168	141	149	168
303-4	Total water discharge	megaliters	53,448	54,143	57,299	55,200
303-4	Water discharge of cooling water river Glomma, Borregaard Norway	megaliters	33,059	33,852	36,158	34,917
303-4	Water discharge of process water river Glomma, Borregaard Norway	megaliters	16,958	17,139	18,106	17,629
C.S.	COD (organic material) in process water discharged, Borregaard Norway	t/day	46	54	55	57
C.S.	AOX ( halogenic organic material) in process water discharged, Borregaard Norway	t/day	0.20	0.22	0.25	0.27
C.S.	Suspended solids (fibers) in process water discharged, Borregaard Norway	t/day	4.5	5.0	4.7	4.4
C.S.	Phosphor in process water discharged, Borregaard Norway	kg/day	19	23	21	20
C.S.	Nitrogen in process water discharged, Borregaard Norway	kg/day	267	294	286	321
C.S.	Copper in process water discharged, Borregaard Norway	kg/day	6.3	6.5	7.2	9.7
303-4	Number of incidents of non-compliance with discharge limits, short-term	Number	133	122	99	59
303-4	Number of incidents of non-compliance with discharge limits, long-term	Number	0	0	0	0
303-5	Total water consumption	megaliters	308	325	311	281
<b>306</b>	<b>Waste</b>					
306-3	Total amount of waste generated	t	34,883	36,512	34,133	40,811
306-3	Non-hazardous waste generated	t	30,811	32,800	30,419	36,207
C.S	Non-hazardous waste, to recovery of materials or energy, Borregaard Norway	t	17,182	19,454	14,413	14,439
C.S	Non-hazardous waste, to landfill	t	13,333	12,897	15,329	21,249
306-3	Hazardous waste generated	t	4,072	3,712	3,714	4,605
C.S	Hazardous waste, to recovery of materials or energy, Borregaard Norway	t	88	136	134	135
C.S	Hazardous waste, to landfill, Borregaard Norway	t	3,984	3,509	3,552	4,186
<b>2</b>	<b>Environmental compliance</b>					
2-27	Non-compliance with environmental laws and regulations	Number	0	0	0	0

C.S = company specific



## S | Social information

### Own workforce

As stated in our [Policy for Environment, Climate, Health and Safety Engagement](#), we aim to provide a working environment with a generally positive impact on our employees' health.

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 as one of our main competitive advantages. We are dependent on attracting, retaining and developing unique competence to support our specialisation strategy. 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. Our materiality assessments reflect that our focus on these topics has a positive impact on our

workforce and serves as a material contribution to our value creation.

Welfare, social security and decent working conditions are important aspects in reaching stable, profitable and sustainable jobs. 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 communities in which they operate. Communities around Borregaard's production units see significant ripple effects from our operations.

Our [policies for Environment, Climate, Health and Safety, Human Rights](#), and the [Borregaard Way](#), apply to the entire Borregaard Group. In companies where Borregaard has a minority ownership, the policy expresses Borregaard's ambitions in these areas. The SVP Organisation and Public Affairs is Chair of the company's Sustainability Board and has the overall responsibility for the policies.



## Health and safety

Borregaard encourages an open feedback culture. We strive 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. We believe that this will make us a more attractive employer.

A safe and healthy working environment is a prerequisite for attracting and retaining motivated and highly skilled people. Borregaard's ambition is to promote a safety culture that results in no injuries to employees, contractors or third-parties, as well as no unexpected emissions to the environment. This is achieved through risk management, systematic efforts to prevent injuries and physical or mental occupational diseases, as well as 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, emergency preparedness, contingency plans, training, and the overall principle of "safety first".

Public and process safety management are important topics to control and mitigate the risks involved in Borregaard's operations. The site in Norway is subject to the "[Seveso III directive](#)", intended to prevent accidents that could potentially cause large-scale harm and impact economy, environment and people.

## How we work

All employees are encouraged to report safety incidents and unsafe conditions in a dedicated and open reporting system. Borregaard 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.

### KEY METRICS, TARGETS AND RESULTS

#### KEY METRICS

- Lost time injury frequency (LTIF): 0.5
- Number of fatal and high consequence work-related injuries: 0
- Total recordable injury frequency (TRIF): 5.3

#### 2023

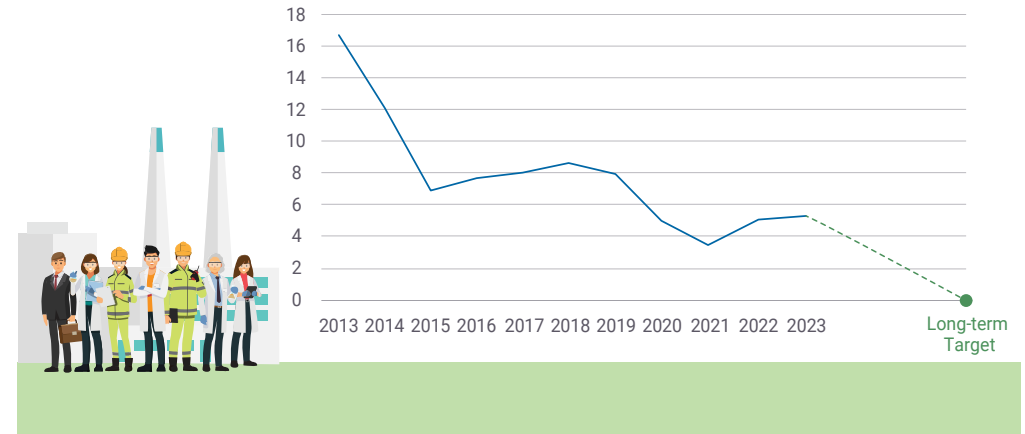
- **Target:** TRIF below 3.5/long term: 0  
**Result:** 5.3
- **Target:** Sick leave rate < 3.5%  
**Result:** 3.9%
- **Target:** Number of fires =0  
**Result:** 5

#### FUTURE TARGETS

- TRIF: below 3.5/long term: 0
- Sick leave rate: below 4.0%/long term: 3.0%
- Target: Zero fires

For a complete list of GRI (ESRS) metrics, [see page 68](#)

### IMPROVED SAFETY OVER TIME (TRIF)



Reduction of TRIF (total recordable injury frequency per million hours worked) from 2013 to 2023 (16.7 to 4.9) at Borregaard.

Exposure to chemicals is the main category of incidents. Systematic efforts through training and safety management have reduced the number of incidents related to chemical exposure during the last few years. The second major category of incidents are slips and trips. Raising awareness of risks from inattention and stress is an important measure to prevent injuries caused by conditions such as slippery, wet or greasy floors, uneven walking surfaces and poor housekeeping.

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

With the aim of providing information, training and follow-up of external workers' and visitors' fulfilment of safety instructions, contractors and visitors need to go through training before entering our production sites. In Norway, they are also obligated to complete an e-learning programme regarding all relevant safety risks before obtaining permission to enter the production site.

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. 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 we emphasise the use of ergonomic measures to prevent this.

The precautionary principle is fundamental and personal protective equipment is compulsory when a risk of exposure exists. Hence, we implement measures to reduce or eliminate substances that may have negative impacts. We have programmes for monitoring that concentration in the working atmosphere complies with regulatory limits as well as an action plan for reducing the concentration of SO<sub>2</sub> in the working environment.

We strive to have open communication regarding risk potential and ongoing improvement projects with people who live and work near our production facilities. Borregaard's current quantitative risk

analysis for the biorefinery in Norway 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. Hence, we expect long-term development of the area surrounding the plant to be harmonised in line with the principles of Seveso III.

Fire prevention is an important area within process and public safety, and emissions from fires can impact both people and the environment. We report all near fires and fires in our non-conformity report system, and the root cause of all fires are 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.

## Developments in 2023

There were no fatal or high consequence injuries during 2023. The total number of

recordable injuries (TRIF) increased from ten to eleven. Borregaard had one lost time injury, compared to two in 2022. The incident occurred at our plant in Florida when an operator was exposed to hot liquor causing a burn injury, resulting in 46 days of absence.

There were no lost time injuries among our contractors in 2023 compared to four in 2022. This positive development reflects the increased focus on safety among our contractors. In general, we see the same types of work-related injuries for both employees and contractors.

In 2023, we had five small fires at Borregaard's biorefinery in Norway (zero in 2022).

The plant in Germany implemented a new software tool for safety management and safety training which also includes training of external personnel before entering the plant. This work will continue throughout 2024.

In 2023, employee representatives in Norway have been trained in ergonomics to prevent unfavourable working positions. The plant in Wisconsin, USA, has implemented the use of an "Industrial Sports Medicine Professional" to help employees with musculoskeletal discomfort and focus on preventative measures including ergonomics evaluations, job specific stretching and strengthening, and new hire training. The

plant in Germany has started implementation of preventive medical checks-up and greater involvement of the company doctor. The total sick leave in 2023 was 3.9%, which is an improvement compared to 2022. The result is still higher than previous years, which is believed to be a post-pandemic effect.

## The way forward

In order to achieve the target of zero injury (TRIF), we will maintain a motivated and proactive organisation with measures 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 2024. The strengthened focus on digitalisation will also be important for new improvement initiatives within EHS. Borregaard will launch an e-learning programme in 2024 for employees visiting non-Borregaard facilities with the aim of increasing the safety of our employees.

In 2023, the Federation of Norwegian Industries focused on how the industry can improve safety by changing the way we think, act and respond to mistakes by using the principles for Human and Organisational Performance. Together with their members,

they have developed guidance and training material. In 2024, we will introduce these principles to our safety work at Borregaard.

We focus on reducing sick leave and have an ambitious long-term goal of reducing sick leave to 3%. We will continue to concentrate on appropriate measures within health promotion and sick leave prevention programmes in close cooperation with employee representatives.



## Competence development

High competence is one of the key elements of Borregaard's specialisation strategy. The combination of a unique expertise in sales and marketing, R&D and production drives the specialisation strategy and sets Borregaard apart from our competitors. Our corporate

culture and values support our strategy and contribute to moving the company in the right direction.

We conduct an annual risk assessment which includes diversity and recruitment, as well as development of unique competence. We continuously follow-up on measures to ensure

that we have the required expertise to support our culture and specialisation strategy.

Over many years, Borregaard has developed a strong corporate culture, which contributes to common core values and an understanding of the business across functions, business areas and geographical boundaries. Therefore, competence development is regarded as material in Borregaard's stakeholder and materiality analysis. Our culture and values document, [The Borregaard Way](#), reviews our core values: sustainability, long-term perspective and integrity, and plays an important role in the various introduction and development programmes. We want our corporate culture to be influenced by market orientation, innovation and our ability to change. Our leadership principles are an integral part of The Borregaard Way, where expectations and guidelines for executing leadership at Borregaard are outlined.

significant importance is attached to knowledge and competence in the areas of production and biorefining. Borregaard's production academy involves topics such as leadership, culture, and lean manufacturing to enhance a joint approach and understanding of how to drive continuous improvement. We arrange internal training programmes for our operators and apprentices in all areas of core competence. Borregaard also conducts competence development programmes for sales personnel such as 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 and goals, 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 organisational review as a basis for internal mobility, development measures and competence development programmes.

For Borregaard, it is important to create an internal job market that favours job rotation and internal recruitment to fill vacancies. This model also creates career opportunities for our employees. This is a crucial element in strengthening the



## KEY METRICS, TARGETS AND RESULTS

### KEY METRICS

- 52 apprentices of which 26 were onboarded in 2023 (Norway)
- 14 apprentices hired permanently after training period
- 112 new employees onboarded in 2023
- 7.2% total employee turnover, 3.8% was voluntary

### 2023

- **Target:** Run 6 competence academies  
**Result:** completed 8 academies
- **Target:** Voluntary turnover: Less than 3.5%  
**Result:** 3.8%

### FUTURE TARGETS

- Run 5 competence academies.
- Voluntary turnover: Less than 3.5%

For a complete list of GRI (ESRS) metrics, [see page 68](#)

competence and understanding of the totality of the company, in addition to enhancing innovation and continuous improvement. In 2023, 876 (839) employees had an appraisal dialogue with their manager. This represents 90% (89%) of those who were included in the annual appraisal process (a minor share of employees are not part of the appraisal process due to labour union agreements).

### 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 have to attract several qualified employees in years to come. Borregaard has therefore recruitment activities and school programmes to encourage interest in an industrial career with 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.

Borregaard works closely with schools and educational institutions. Our Knowledge Plant functions as an inhouse training centre and as a showroom and venue for school visits. We offer educational programmes that tie in with schools' curricula, using examples taken from the company. Every year, we receive visits from students taking part in educational programmes combining technical training, career advice and a company presentation.

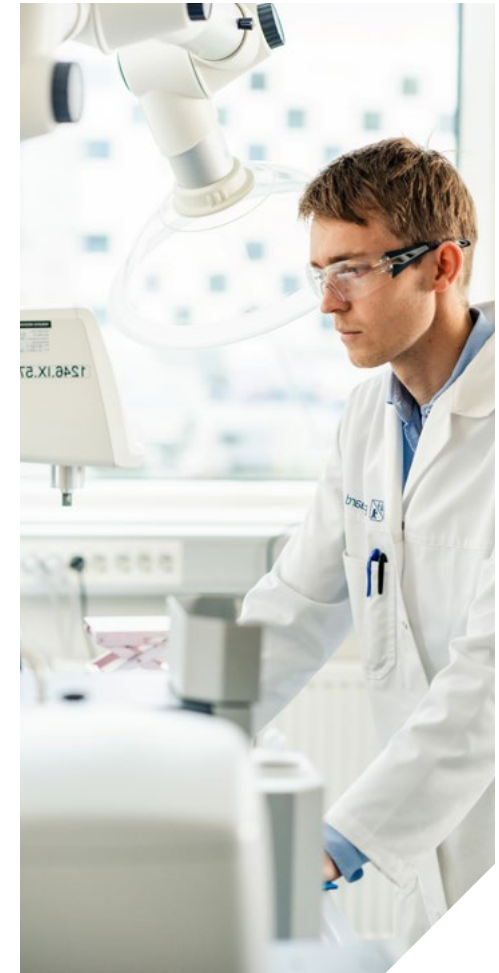
Our apprentice programme is a cooperation between the county and Borregaard and is an important recruitment arena for new operators. The apprentices need to complete a practical two-year period of training together with a dedicated instructor from Borregaard. Every year we welcome students to our summer internship programme which represents a recruitment arena by providing students insight into our operations and giving us the opportunity to get to know the students better. In 2023, we had 10 (11) interns participating.

In 2023, Borregaard contributed around NOK 6 million 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 second pillar supports measures intended to stimulate young people to understand and become interested in disciplines important to Borregaard and society, such as natural sciences and entrepreneurship. This is illustrated by our support to and cooperation with different educational institutions such as Inspiria Science Centre, the Young Entrepreneurship scheme and the company's own Knowledge Plant.

### Employee engagement

Our strong corporate culture with common values and focus on competence development contributed to satisfied employees and a generally low turnover at most Borregaard units. We measure engagement and well-being through our annual employee engagement survey. In 2023, 91% of the employees responded to the survey which included questions about learning and development, strategy, vision and goal achievement, feedback and communication, relationships with colleagues and managers, recommendation of Borregaard as an employer as well as diversity and harassment. In general, these factors were evaluated positively by our employees and perceived as a contribution to well-being, motivation, engagement and generally low turnover.





## Developments in 2023

Borregaard has increased attraction, recruitment, and retention activities in 2023. During the year, we hired 112 new employees and directed special efforts into efficient onboarding. We conducted three introduction programmes at our headquarters in Sarpsborg for 48 new employees from our units worldwide. We also engaged 12 substitutes from an external agency to cover amongst other things long-term sick leave and parental leave.

The turnover was generally low in the Group in 2023. However, there was a higher voluntary turnover amongst operators at the plant in Florida, USA.

In 2023, 26 new apprentices started their practical training at Borregaard. In total, there were 52 apprentices in the programme. Of those who completed their apprenticeship in 2023, 14 apprentices were hired in permanent positions. Borregaard recruited 4 new trainees rotating between different functions within sales and marketing, R&D and production.

We hosted management programmes with 57 participants from various countries and locations. In addition, we launched the Sustainability Academy consisting of 14 online sessions about different topics within

sustainability. In total, more than 100 employees participated in the sessions.

## The way forward

The labour market in most of the countries we operate has been challenging when it comes to recruiting operators, engineers and certain specialist functions within innovation and digitalisation. Therefore, Borregaard will continue to increase employer branding activities during 2024.

Borregaard's e-learning platform is an important tool for competence building. We will continue to expand our use of e-learning to support our competence strategy. We will also continue to practice and communicate our leadership principles for managers, arranging webinars on several leadership topics and running several management development programmes.



## Diversity and equal opportunities

Our diversity programme aims to enhance diversity among our employees in line with our integrity and sustainability values. This is further described in [The Borregaard Way](#), our [Human Rights Policy](#) and [Code of Conduct](#).

Diversity gives us a variety of inputs and views in 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. We also believe that this will make us more competitive both as an employer and as a supplier of products. The materiality impact assessment shows that our focus on diversity has a positive impact on our workforce and thus a material contribution to our value creation. In large, this also impacts society as Borregaard provides job opportunities for a diversified target group.

### 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 initiatives aimed at promoting the recruitment of female managers and employees, where the 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. In 2023, 35% of the participants at the group management programmes were female and twelve different nationalities were represented.

The lowest proportion of women is in production, while the proportion of women in R&D, customer service, HR and finance and accounting is above 50%. We have the same working hours for men and women and the degree of part-time employment is low. Borregaard has gender-neutral guidelines and a gender pay equality programme that provides equal pay for equal work. The ratio of base salary and payment of women to men at Borregaard in Norway is 104% (women: NOK 772 000 /men: NOK 742 000). The base salary is fixed salary plus 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 on our website. The pay ratio (base salary) between the President and CEO and the median Borregaard employee in Norway was approximately 6.4 to 1 in 2023 (6.5 to 1 in 2022).

We have guidelines for adapting working hours and conditions for employees in different phases of their career. In Norway, we have joined networks for enabling job training for people who, for various reasons, have difficulties entering the job market.

Borregaard is a global organisation with 35 different nationalities. We have experienced that employing people with diverse ethnic and cultural backgrounds is a strength within the organisation. The diversity of nationalities also affects how our training programmes are put together and staffed.

We conduct an annual organisational review, a process for systematic leadership and competence evaluation and succession planning where managers are challenged to assess diversity in their own leadership teams and conduct succession planning with emphasis on gender balance, age distribution and diversity in general. A summary of findings and actions are presented to the Group Executive Management and the Board of Directors.



## KEY METRICS, TARGETS AND RESULTS

### KEY METRICS

- 35 different nationalities
- 25% of employees were female
- 29% of managers were female

### 2023

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

**Result:** 27%

### FUTURE TARGETS

- 2024: Minimum 35% of new hires to be female employees
- Long term: Minimum 35% proportion of female employees and managers

For a complete list of GRI (ESRS) metrics, [see page 68](#)

## Developments in 2023

Pursuant to our annual [Diversity and Equality Report](#), we increased our emphasis on measures to avoid any form of discrimination or other obstacles to equality and diversity in 2023. We held a workshop about diversity and inclusion, focusing on unconscious bias where 64 managers from different parts of our organisation participated. Furthermore, 15 managers attended a leadership seminar about unbiased recruitment.

The annual global employee engagement survey included questions regarding diversity and inclusion. In general, the vast majority confirms that they are not exposed to discrimination and that people of all backgrounds are accepted at Borregaard. Any non-conformities or areas of concern were followed up within relevant departments, a separate health and work environment survey and in the annual appraisal dialogues. We have also established KPIs concerning diversity and inclusion, and results and progress will be measured in 2024.

## The way forward

We will continue to work systematically to recruit and develop people of different ethnicity, genders and age groups. Our focus on diversity will continue to be reflected in recruitment, employer branding and leadership development, and measured and monitored through our organisational review and annual engagement survey.



## Note GRI numbers – Chapter S

GRI ref		Unit	2023	2022	2021	2020
<b>2-7</b>	<b>Employees</b>					
2-7 a.	Total number of employees	Number	1,166	1,133	1,099	1,103
2-7 a.	FTE Group	Number	1,127	1,107	1,072	1,091
2-7 a.	FTE Sarpsborg, Norway	Number	816	798	768	779
2-7 a.	FTE Rothschild, USA	Number	102	98	98	98
2-7 a.	FTE Fernandina Beach, USA	Number	55	61	55	60
2-7 a.	FTE Maxau, Germany	Number	39	38	40	41
<b>401</b>	<b>Employment</b>					
401-1	Total turnover Group	Rate	7.2 %	8.0 %	8.3 %	6.7 %
401-1	Total turnover Sarpsborg, Norway	Rate	5.0 %	4.7 %	6.1 %	4.6 %
<b>405</b>	<b>Diversity and gender equality</b>					
405-2	Ratio of basic salary women to men	%	104 %	103 %	102 %	110 %

## Note GRI numbers – Chapter S

GRI ref		Unit	2023	2022	2021	2020
<b>403</b>	<b>Occupational health and safety</b>					
403-9	Number of fatalities as a result of work-related injury	Number	0	0	0	0
403-9	Rate of fatalities as a result of work-related injury per million hours worked	Rate	0.0	0.0	0.0	0.0
403-9	Number of high-consequence work-related injuries	Number	0	0	0	1
403-9	Rate of high-consequence work-related injuries per million hours worked	Rate	0.0	0.0	0.0	0.5
403-9	Number of recordable work-related injuries	Number	11	10	7	10
403-9	Rate of recordable work-related injuries per million hours worked	Rate	5.3	4.9	3.5	5.0
C.S	Number of lost time work-related injuries	Number	1	2	1	4
C.S	Rate of lost time work-related injuries per million hours worked (LTI-rate)	Rate	0.5	1.0	0.5	2.0
403-9	The numbers of hours worked	Number	2,091,399	2,025,186	1,987,809	2,000,682
403-9	Number of fatalities as a result of work-related injury - contractors	Number	0	0	0	0
403-9	Rate of fatalities as a result of work-related injury per million hours worked - contractors	Rate	0.0	0.0	0.0	0.0
403-9	Number of high-consequence work-related injuries - contractors	Number	0	0	0	0
403-9	Rate of high-consequence work-related injuries per million hours worked - contractors	Rate	0.0	0.0	0.0	0.0
403-9	Number of recordable work-related injuries - contractors	Number	4	6	4	2
403-9	Rate of recordable work-related injuries per million hours worked - contractors	Rate	11.8	23.2	13.9	7.0
403-9	The numbers of hours worked - contractors	Hours	339,561	258,769	287,247	286,940
C.S	Sick leave	%	3.9	4.3	3.7	3.7
C.S	Number of fires	Number	5	0	3	5
C.S	Number of near-fires	Number	17	9	8	11
C.S	Lost time injury (LTI) severity rate for direct workforce (number of days lost due to injuries) x 1,000 / total hours worked)	Rate	0.02	0.02		



## G | Governance information

### Business conduct

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 purchase, who we purchase from and the requirements and standards we set for our suppliers impact the environment, society and governance.

Our stakeholders expect that our sourcing of goods and services as well as supplier interactions are conducted in a proper manner. These expectations are considered when we address all three pillars of sustainability; social (people), environment (planet) and economy (profit) in all procurement activities. Environmental, social and governance factors are integrated into the sourcing decisions and the assessment of suppliers. Our commitment to sustainable sourcing is embedded in the following top governing documents: the Procurement Policy and the [Responsible Sourcing Policy](#). The Senior Vice President Procurement and Strategic Sourcing is responsible for implementation of the policies.

Guidelines and instructions are made available both to employees and external stakeholders to regulate activity and help cultivate good relationships and sound business practices.

### How we work

Our key action is supplier engagement, which includes communication with suppliers, setting expectations and requirements, as well as assessing the suppliers and supply chains, risks, and opportunities. Supplier engagement is a continuous activity, with unlimited time horizon and annual, interim targets.

When purchasing goods and services, we aim to make our 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 businesses as part of our decision-making process. An example of such information is physical climate and nature-related risks that can cause disturbance in the supply chain. We assess the suppliers on efficiency, price, quality, and the 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 and given considerable weight in the procurement

process. We have a risk-based approach directing our efforts towards product categories and suppliers which represent the most significant risk potential.



## KEY METRICS, TARGETS AND RESULTS

### KEY METRICS

- 2,900 suppliers, 4% account for 57% of total spend, 96% European, Canadian and US-based
- 85% \* has signed our [Supplier Code of Conduct](#)
- 100% of new suppliers\*\* were screened using environmental criteria
- 100% of new suppliers\*\* were screened using social criteria
- No outstanding legal proceedings for late payments

### 2023

- **Target:** All new suppliers\*\* sign Supplier Code of Conduct and are assessed w.r.t. responsible sourcing  
**Result:** 100%
- **Target:** 60% of strategic suppliers disclose information on the EcoVadis platform  
**Result:** 50%
- 14 supplier audits  
**Result:** 7 supplier audits

### FUTURE TARGETS

- All new suppliers sign Supplier Code of Conduct and are assessed w.r.t. responsible sourcing
- 70% of key suppliers disclose information on the EcoVadis Ratings
- 8 supplier audits

\*Targeted suppliers: All suppliers except those classified non-critical  
\*\* Targeted suppliers: All new suppliers except those classified non-critical

Electronic invoicing is part of our initiative to ensure correct payment, strengthen our supplier relationships and reduce our environmental footprint. To ensure that an invoice is paid at the right time, we instruct our suppliers to mark all necessary sales documentation according to The Accounting Act and with references to purchase orders or name of recipient. An automated and digitalised invoice approval and payment workflow contributes to achieving transparency, maintaining timely payments, and avoiding discrepancies that may arise due to manual invoicing processes.

Risk is mitigated and harm is avoided by meeting established principles and specific compliance criteria, which are published and transparent. We comply with, and we expect our suppliers to comply with, accepted levels of ethical and responsible practices in the areas of Human rights, Labour and decent working conditions, Environment, Ethics and Anti-corruption in line with the Ten Principles of the [UN Global Compact](#) and the standards given by the [International Labour Organisation \(ILO\), Declaration on Fundamental Principles and Rights at Work](#). Our suppliers commit to such standards by signing our [Suppliers Code of Conduct \(SCoC\)](#). All our suppliers that signed the SCoC have contractually committed to the acknowledged standards. In addition,

our contracts have, where appropriate based on risk assessments, specific clauses included regarding environment, labour and human rights.

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

We have necessary measures in place to comply with the [Norwegian Transparency Act](#), promoting decent working conditions and human rights throughout the whole value chain.

We use the EcoVadis modules, IQ and Ratings, when assessing our suppliers. Through EcoVadis IQ, a risk assessment across our supplier base is conducted, identifying company risk distribution per themes: Environment, Labour & Human Rights, Ethics and Sustainable Procurement. An overall risk distribution is defined, based on the supplier's inherent sustainability risk intelligence from EcoVadis and our own procurement data. As changes in procurement data can lead to changes in the risk profile, updating supplier data in EcoVadis IQ is crucial. We have implemented a process where our supplier data, spend and

criticality are updated every 12 months followed by an updated IQ assessment.

The second module, EcoVadis Ratings, is a comprehensive assessment of individual companies and their sustainability performance in the areas; Environment, Labour and Human Rights, Ethics and Sustainable Procurement. The ratings are based on a thorough analysis of each company's policies, practices, and documented evidence. The company is rated on the material issues as it pertains to its size, location, and industry. We have developed a decision tree to guide the implementation of actions based on the results of the assessments.

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.

## Developments in 2023

In 2023, the estimated monetary value of payments made to suppliers (spend) was approximately NOK 5.2 billion. We sourced from 2,900 suppliers from 39 different countries. 77% of the sourcing was from Europe, 20% from the US and Canada and the remaining 3% distributed throughout Asia, Americas, Australia, and Africa. Out of the 2,900 suppliers, 275 had a spend exceeding NOK 1 million in 2023 and 107 suppliers were defined as

bottleneck or strategic suppliers.

73% of spend was related to the biorefinery in Norway, out of which 44% was direct spend (energy and raw materials) and logistics. Out of the 1,600 suppliers to the biorefinery in Norway, 86% of spend originated from Norway, Sweden, and Germany.

During the year, we continued improving our supplier data collection process and engagement with suppliers to enable good data-driven decisions and priorities for our sustainability approach. We collected detailed information from suppliers regarding their sustainability activities in relation to nature, climate, and emissions as well as water usage and approach to water security.

We assessed the contract portfolio to make sure clauses regarding environment, labour and human rights were included as appropriate, and we updated our "General purchase terms and conditions for Borregaard AS for minor purchases".

We conducted our annual update of EcoVadis IQ where 1,626 suppliers were assessed for environmental and social impacts. Five suppliers were identified as having social impacts, however none being strategic and thus no suppliers are identified as having significant actual and potential negative social impacts. Seven suppliers

were identified as having environmental impacts by EcoVadis IQ, one strategic supplier and two bottleneck suppliers.

In addition, we regard the 594 suppliers in the categories: logistics, chemicals and wood as having potential negative environmental impacts. 31 of these are classified strategic and thus identified as having significant actual and potential negative environmental impacts. Improvements have been agreed with 55% of them. No significant actual or potential negative social impacts have been identified in the supply chain for either social or environmental. In 2023, it has not been deemed necessary to terminate relationships with any of the identified suppliers.

Our long-term target is that 100% of our key suppliers shall disclose in-depth sustainability performance through EcoVadis Ratings. We are continuously engaging with our suppliers to encourage them to act on this. In 2023, 50% of our key suppliers reported according to EcoVadis Ratings.

Training in sustainable procurement has been provided to all buyers, either by participation in the Borregaard Global 2023 initiative "Bringing procurement closer together" or semi-monthly meetings where sustainable procurement is on the agenda.

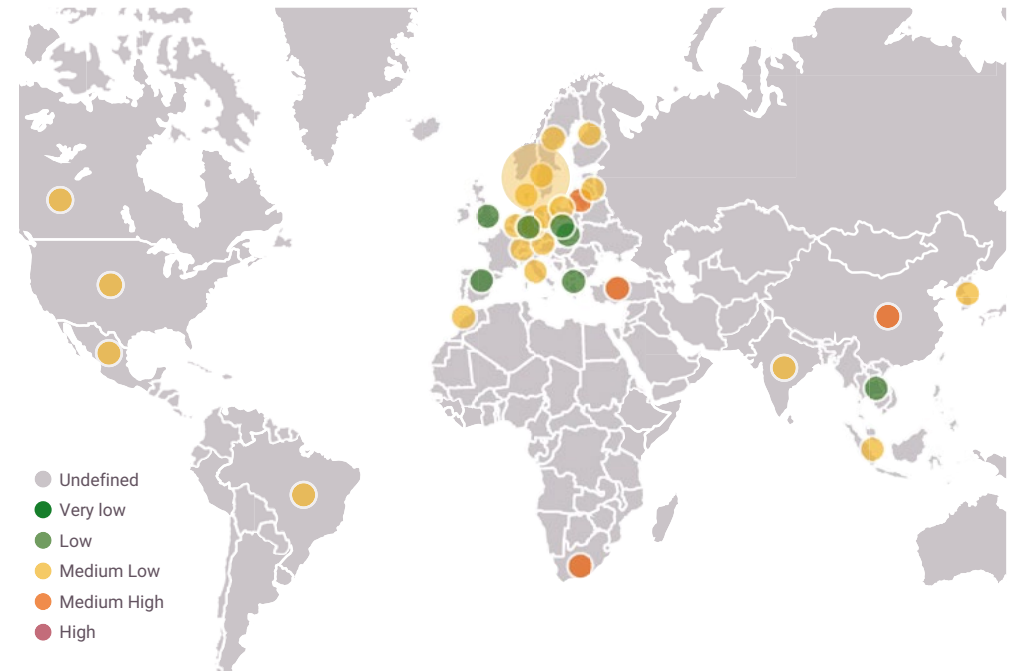
A pre-project for the acquisition of a digital sourcing solution with an associated supplier module was run during 2023. Such a tool will improve data quality, supplier insight and increase efficiency in sourcing activities and supplier engagement.

### The way forward

We will continue improving our supplier data collection process and engage with suppliers to enable good data-driven decisions and priorities for our sustainability approach. We will perform the annual EcoVadis IQ update and engage with suppliers to disclose on EcoVadis Ratings to increase the quality of our sustainability data.

As sustainability is integrated in our strategic sourcing, all procurement resources are allocated to our sustainability actions. Consequently, all buyers need continuous training and development in the various aspects of responsible sourcing. This will continue in 2024.

The digital sourcing solution is subject to funding approval, and if approved the implementation of the tool will start in 2024.



The results of the EcoVadis IQ assessment of Borregaard's supplier base. The figure shows the overall risk and the geographical distribution of our suppliers. .



## Note GRI numbers – Chapter G

GRI ref		Unit	2023	2022
<b>308</b>	<b>Supplier Environmental Assessment</b>			
308-1	New suppliers that were screened using environmental criteria	number	86	41
308-2 a.	Number of suppliers assessed for environmental impacts	number	1,626	1,356
308-2 b.	Number of suppliers identified as having significant actual and potential negative environmental impacts	number	31	289
308-2 c.	Significant actual and potential negative environmental impacts identified in the supply chain	number	0	0
308-2 d.	Percentage of suppliers identified as having significant actual and potential environmental impacts with which improvements were agreed upon as a result of assessment	%	55	0
308-2 e.	Percentage of suppliers identified as having significant actual and potential environmental impacts with which relationship were terminated as a result of assessment, and why	%	0	1
<b>414</b>	<b>Supplier Social Assessment</b>			
414-1	New suppliers that were screened using social criteria	number	86	41
414-1 a.	Number of suppliers assessed for social impacts.	number	1,626	1,356
414-1 b.	Number of suppliers identified as having significant actual and potential negative social impacts	number	4	0
414-1 c.	Significant actual and potential negative social impact identified in the supply chain	number	0	0
414-1 d.	Percentage of suppliers identified as having significant actual and potential social impacts with which improvements were agreed upon as a result of assessment	%	0	0
414-1 e.	Percentage of suppliers identified as having significant actual and potential environmental impacts with which relationship were terminated as a result of assessment, and why	%	0	0

# OTHER MATTERS AND SUBSEQUENT EVENTS

## Remuneration of Group Executive Management

The Board of Directors has 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 approved the guidelines for remuneration of executive personnel in 2023. The Guidelines and actual remuneration are included in the report "Remuneration report 2023" available in the report "Remuneration report 2023" available at the company's website. The report is subject to approval by the Annual General Meeting in 2024.

## 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 436,860 treasury shares as of 31 December 2023 and 260,888 as of 15 March 2024. See Note 9 regarding share options.

Total number of shares outstanding as of 31 December 2023 was 100 million, including 436,860 treasury shares. Total number of shareholders was 8,744. Borregaard ASA's share price was NOK 171.40 at the end of 2023, compared with NOK 152.00 at the end of 2022.

## Shares to employees

As part of the employee share programme, Borregaard sold a total of 165,248 shares to employees in February 2024. The share price was NOK 129.18 per share after deduction of a 25% discount. See notifications to the Oslo Stock Exchange on 5, 12 and 29 February 2024.

## Share options issued

In February 2024, 371,000 share options at a strike price of NOK 199.10 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 27 February 2024.

## Other matters

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 2023 of NOK 3.75 (NOK 3.25) per share for the 2023 financial year, corresponding to 43% of net earnings per share for the Group. Total dividend payment is estimated at NOK 373 million. The exact amount will depend on the number of treasury shares held at the date of the General Meeting.

In 2023, Borregaard ASA had a profit of NOK 387 million (NOK 487 million). Borregaard ASA is well capitalised with an equity ratio<sup>1</sup> of 70% after payout of the proposed dividend. The Board proposes the following allocation (NOK million):

Dividend	373
Retained earnings	14
<b>Total</b>	<b>387</b>



# OUTLOOK

In BioSolutions, the diversified market strategy for lignin-based biopolymers is expected to continue to mitigate effects of a slowdown in certain end-markets. In 2024, the total sales volume for BioSolutions is forecast to be approximately 330,000 tonnes, depending on the global economic development. Demand for biovanillin is expected to be lower due to the increased global supply of synthetic vanillin and ethyl vanillin.

For BioMaterials, the total sales volume is forecast to be higher than the production output. Sales volume of highly specialised grades is expected to be higher than in 2023. Development in the construction market for cellulose ethers is the main uncertainty for 2024. However, other applications are expected to largely compensate for a potential continued slowdown in the construction market.

Sales volume for fine chemical intermediates is expected to increase compared with 2023. In bioethanol, sales prices are expected to be

largely in line with 2023. The market conditions for advanced biofuels continue to be favourable in several European countries. Bioethanol sales are expected to be mainly into these markets also in 2024.

Wood costs will increase approximately 10% in the 1<sup>st</sup> half of 2024 compared with the 2<sup>nd</sup> half of 2023. Energy and other raw material costs are expected to be largely in line with the 2<sup>nd</sup> half of 2023. Energy spot prices continue to represent the largest uncertainty. In the 1<sup>st</sup> half of 2024, Borregaard will gradually benefit from the investment to reduce CO<sub>2</sub> emissions, improve energy efficiency and increase flexibility to switch between alternative energy sources.

War and conflicts in Ukraine and the Middle East as well as uncertainty in the global economy may impact Borregaard's markets and costs. Borregaard will continue to closely monitor markets and costs development and implement relevant measures if required.

Sarpsborg, 15 March 2024

## THE BOARD OF DIRECTORS OF BORREGAARD ASA

*Signed*

**HELGE AASEN**

*Chair*

*Signed*

**JOHN ARNE ULVAN**

*Signed*

**TERJE ANDERSEN**

*Signed*

**ARUNDEL KRISTIANSEN**

*Signed*

**TOVE ANDERSEN**

*Signed*

**RAGNHILD ANKER EIDE**

*Signed*

**MARGRETHE HAUGE**

*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.*

/ <sup>1</sup> Alternative performance measures, see page 142 for definition.

## 1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

Borregaard is subject to the requirements of Section 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 [www.lovdato.no](http://www.lovdato.no), [www.nues.no](http://www.nues.no) and [www.oslobors.no](http://www.oslobors.no), respectively.

This report follows the system used in the Code of Practice from 14 October 2021. 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 15 March 2024, [see page 76](#). There is also a separate statement from the Board of Directors on [page 137](#). The General Meeting will consider the statement 11 April 2024.

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.

## 2. BUSINESS

According to the Articles of Association,

Borregaard's business operations involve: "... 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 integrating financial, social, and environmental considerations.

Borregaard's activities focus on BioSolutions with biopolymers and biovanillin from lignin, BioMaterials, which includes speciality cellulose and cellulose fibrils, and Fine Chemicals consisting of fine chemical intermediates and advanced bioethanol. Borregaard's financial objective is to deliver good profitability with a return on capital employed<sup>1</sup> (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 3](#).

The Borregaard Group will contribute to the sustainable development of society through responsible commercial operations and continuous improvement. The Group has ethical guidelines (Code of Conduct) available at [Borregaard's business policies - Borregaard](#).

Report of the Board of Directors which includes the sustainability statements can be found from [page 7](#) in this Annual Report. The Annual Report

gives an account of Borregaard's systematic work in areas important for stakeholders such as employees, business partners and the community ([from page 22](#)).

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

### 3. EQUITY AND DIVIDENDS

The Group's equity as of 31 December 2023 was NOK 4,894 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 2023, the Board proposes a dividend of NOK 3.75 per share, up from NOK 3.25 per share for 2022. Dividend will be paid on 22 April 2024 to shareholders registered in the company's shareholders' register as evidenced in a transcript as of 15 April 2024.

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 11 April 2024.

The Board has no authority to issue new shares. At the General Meeting in 2023, 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 2024, but no longer than 30 June 2024. It is a requirement that the authorisation is used in connection with share-based incentive programmes, shares for employees or for repurchase of shares for cancellation.

### 4. EQUALITY OF TREATMENT OF SHAREHOLDERS

Borregaard has one class of shares, and each share entitles the holder to one vote. The nominal value is NOK 1.00. As of 31 December 2023, Borregaard held 436,860 treasury shares.

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.

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.

### 5. 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.

### 6. GENERAL MEETINGS

The General Meeting of the shareholders is the highest authority in the company and elects the Board of Directors as the highest governing body. The Board encourages the shareholders to exercise their rights by participating in the General Meeting.

Borregaard holds its Annual General Meeting every year before 30 June. The notice of the General Meeting and administrative documents must be available on Borregaard's website no later than 21 days prior to the date of the meeting.

According to the Articles of Association, Clause 7, the documents relating to matters to be dealt

with at the General Meeting, including documents which by law must be included in, or attached to, the notice of the General Meeting do not need to be sent to shareholders, if such documents instead are made available on Borregaard's website. A shareholder may at any time demand to have such documents mailed. The provision in the Articles of Association is consistent with Section 5-11a of the Norwegian Public Limited Liability Companies Act.

The final date for registration for the Annual General Meeting is two business days prior to the meeting. The right to attend and vote at the General Meeting may only be exercised by those who are shareholders five business days before the date of 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.

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.

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.

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.

## 7. NOMINATION COMMITTEE

The Articles of Association stipulates that Borregaard shall have a Nomination Committee. The Nomination Committee shall consist of three

or four members, who are independent of the Board and the Executive Management. The General Meeting elects the Chair of the Committee and its members and determines its remuneration. There is an option to vote for each individual candidate.

Instructions for the Nomination Committee have been adopted by the General Meeting and are available on Borregaard's website. 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.

The Nomination Committee makes recommendations to the General Meeting regarding the election of shareholder-elected board members and the Chair, remuneration of the Board including relevant subcommittees in addition to the election and remuneration of the members and the Chair of the Nomination Committee. Each proposal is justified on an individual basis with the notice documents to the General Meeting.

Shareholders are encouraged to give input to the nomination process and more 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.



Furthermore, the Nomination Committee engage in specific dialogue with the President and CEO and the company's administration, and the largest shareholders are being approached specifically to gain their input. 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.

The Nomination Committee consists of the following four members (one female and three males) elected on the Annual General Meeting in 2023 until the Annual General Meeting in 2024:

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

The Nomination Committee has been composed in accordance with the Code of Practice to safeguard the interests of the shareholder community and meets the Code's requirements for independence. All members of the Nomination Committee are independent of the Board, nor does the Nomination Committee include the company's President and CEO or any other executive personnel.

## 8. THE BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

Pursuant to the Articles of Association, the Board shall be composed of between three and ten

members. The current Board consists of the Chair, six members and two observers of whom four are women. 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. 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 2024 Annual General Meeting.

According to the Instruction for the Nomination Committee, the Board's composition shall secure the necessary competence and diversity to safeguard the common interest of the shareholders. Furthermore, the composition of the Board shall allow it to function effectively as a collegiate body and to act independently of special interest. For further details about each Board member's background, qualifications and competencies, term of office and independences, see [Board of Directors - Borregaard](#).

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. For an overview of each Board member's shareholding, see [Management Shareholding - Borregaard](#).

## 9. 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 2023, the Board held eight meetings and dealt with 76 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 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 four meetings and dealt with 12 agenda items in 2023. 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 27 agenda items in 2023. One member was absent in two meetings, all other 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 Board arranges an anonymous survey among the board members with a number of questions in addition to discussions as a separate agenda topic in a board meeting. The result is made available to the Nomination Committee.

### 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. The Board's consideration of material matters in which the Chair of the Board is, or has been, personally involved will be handled by the other board members.

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.

#### **Related party transactions**

The Instructions for the Board have regulations about related party transactions. The Group will immediately make public any material transaction between the Group and shareholders, board members, Group Executive Management or any of their close relations. In the event of such transactions, the Board will determine how the matter will be dealt with. All such agreements shall be entered into on arms-length basis, and it shall be assessed whether it is necessary to seek a third-party valuation. There were no material transactions with related parties or any of their close relations in 2023.

The company has no controlling shareholders and there has been no conflict of interest identified related to suppliers and other stakeholders.

### **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 in 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 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) and Task Force on Nature-related Financial Disclosures (TNFD). Risks (physical, regulatory, market, cost, and legal) associated with climate change are featured on [pages 30-38](#) and [Climate and Nature Risk Report](#).

#### **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.

### 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 including control of accounting and purchasing procedures in the Group's legal entities. These reviews form part of Borregaard's continuous work to prevent corruption and bribery. Furthermore, the company's policy is to channel excess liquidity in wholly owned subsidiaries to Borregaard's cash pools or to place deposits with Borregaard AS.

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).

### Business 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
- Code of Conduct
- Responsible Sourcing Policy
- Competition Law Compliance Manual

The Group 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. Training measures and material for employees within relevant topics and guidelines are also developed and implemented (see from [page 63](#)).

### 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 Senior Vice President of Organisation and Public Affairs. In order to meet both the current and the new sustainability requirements, the members of the sustainability board hold various positions within Borregaard, i.e. commercial, R&D, procurement, EHS, legal, communication, finance etc.

The status of the work by the business areas involving corporate responsibility is included in the Report of the Board of Directors.

### 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. 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 whistle-blowing system operated by a third-party, including a separate channel accessible for employees and external parties. Any unethical behaviour can be reported through the channel, in accordance with Borregaard's Code of Conduct, Section 7.2, or according to applicable law. Whistleblowers may request anonymity, which will be respected to the extent legally possible. Borregaard's written procedures satisfy governmental requirements. Guidelines are translated into relevant languages and implemented in the company's subsidiaries worldwide.

### 11. REMUNERATION OF THE BOARD OF DIRECTORS

All remunerations of the Board have been disclosed in Note 4 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 remunerations to acquire shares in the company.

The General Meeting decides the remuneration of the Board. In its recommendation for 2023, the Nomination Committee proposed the compensation to the Board for the period up to the Annual General Meeting in 2024 reflecting the responsibilities, expertise and time spent as well as the complexity of the business. Board members and/or companies with which they are associated should not take on specific assignments for the Group in addition to their Board appointment. If they do, however, this must be disclosed to and approved by the Board. The Board's remuneration is documented in the "Remuneration report 2023", see [Sustainability documentation - Borregaard](#).

### 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 report 2023" at Borregaard's website) contains an account of the remunerations given to executive personnel and the Group's Remuneration Guidelines for 2023 including criteria related to share option schemes. Both the Guidelines and the Remuneration report are subject to approval (advisory vote) 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 and the latest version of Borregaard's general presentation are published at Borregaard's website, see [Reports & Presentations - Borregaard](#).

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 2024 is published at Borregaard's website and at Oslo Stock Exchange.

### 14. TAKEOVERS

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 4 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 confirms its independence.

# THE GROUP EXECUTIVE MANAGEMENT



**PER A. SØRLIE**  
President and CEO.  
[Read more](#)



**TOM ERIK FOSS-JACOBSEN**  
EVP, BioSolutions.  
[Read more](#)



**GISLE LØHRE JOHANSEN**  
EVP, Speciality Cellulose and Fine  
Chemicals. [Read more](#)



**OLE GUNNAR JAKOBSEN**  
Plant Director of Borregaard's  
Sarpsborg Site (Norway). [Read more](#)



**PER BJARNE LYNGSTAD**  
Chief Financial Officer.  
[Read more](#)



**KRISTIN MISUND**  
SVP, R&D and Business development.  
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**LIV LONGVA**  
SVP, Procurement and Strategic  
Sourcing. [Read more](#)



**DAG ARTHUR AASBØ**  
SVP, Organisation and Public Affairs.  
[Read more](#)



**SVEINUNG HEGGEN**  
General Counsel.  
[Read more](#)



# CONSOLIDATED FINANCIAL STATEMENTS

## CONTENTS

Income statement .....	88
Earnings per share .....	88
Statement of comprehensive income .....	88
Statement of financial position .....	89
Statement of cash flow .....	90
Statement of changes in equity .....	91
Notes .....	92
Auditor's report .....	138

# CONSOLIDATED FINANCIAL STATEMENTS 2023

## INCOME STATEMENT

Amounts in NOK million	Note	2023	2022
Sales revenues	2, 8	7,024	6,776
Other operating revenues		108	105
<b>Operating revenues</b>	<b>2, 7</b>	<b>7,132</b>	<b>6,881</b>
Cost of materials	21	-2,545	-2,628
Payroll expenses	9, 10	-1,304	-1,170
Other operating expenses	9, 11	-1,502	-1,440
Depreciation and impairment property, plant and equipment	12, 17, 18	-485	-444
Amortisation intangible assets	17	-5	-5
Other income and expenses <sup>1</sup>	13	-	-8
<b>Operating profit</b>		<b>1,291</b>	<b>1,186</b>
Finance income	14	409	345
Finance costs	14	-567	-410
Profit/loss from associate companies	6, 14	-9	-3
Financial items, net	14	-167	-68
<b>Profit before taxes</b>		<b>1,124</b>	<b>1,118</b>
Taxes	15	-268	-267
<b>Profit for the year</b>		<b>856</b>	<b>851</b>
Profit/loss attributable to non-controlling interests	31	-14	-41
Profit/loss attributable to owners of the parent		870	892
EBITDA <sup>1</sup>		1,781	1,643

## EARNINGS PER SHARE

Amounts in NOK	Note	2023	2022
Earnings per share	16	8.73	8.95
Diluted earnings per share	16	8.71	8.92

## STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK	Note	2023	2022
<b>Profit for the year</b>		<b>856</b>	<b>851</b>
<b>ITEMS NOT TO BE RECLASSIFIED TO PROFIT &amp; LOSS</b>			
Actuarial gains and losses (after tax)	10, 15	46	1
Total		46	1
<b>ITEMS TO BE RECLASSIFIED TO PROFIT &amp; LOSS</b>			
Change in hedging reserve after tax (cash flow)	15, 29	-129	-253
Change in hedging reserve after tax (net investment in subsidiaries)	15	-25	-70
Translation effects		45	114
Translation effects joint venture	6	-	4
Total		-109	-205
<b>Total items not to be and to be reclassified to profit &amp; loss</b>		<b>-63</b>	<b>-204</b>
<b>The Group's comprehensive income</b>		<b>793</b>	<b>647</b>
Profit/loss attributable to non-controlling interests	31	-12	-33
Profit attributable to owners of the parent		805	680

/ <sup>1</sup> Alternative performance measures, see page 142 for definition.



## STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	Note	31.12.2023	31.12.2022
<b>Assets</b>			
Intangible assets	17	84	82
Property, plant and equipment	18	4,661	4,371
Right-of-use assets	12	527	345
Deferred tax assets	15	1	4
Investments in joint venture and associate companies	6	289	142
Other assets	20	436	250
<b>Non-current assets</b>		<b>5,998</b>	<b>5,194</b>
Inventories	21	1,447	1,299
Receivables	22	1,201	1,387
Cash and cash equivalents	23	469	234
<b>Current assets</b>		<b>3,117</b>	<b>2,920</b>
<b>Total assets</b>		<b>9,115</b>	<b>8,114</b>
<b>Equity and liabilities</b>			
Group equity	30	4,855	4,394
Non-controlling interests	31	39	51
<b>Total equity</b>		<b>4,894</b>	<b>4,445</b>
Deferred tax	15	130	136
Provisions and other liabilities	24	271	159
Interest-bearing liabilities	27	2,016	1,370
<b>Non-current liabilities</b>		<b>2,417</b>	<b>1,665</b>
Interest-bearing liabilities	27	246	702
Income tax payable	15	198	217
Other liabilities	25	1,360	1,085
<b>Current liabilities</b>		<b>1,804</b>	<b>2,004</b>
<b>Equity and liabilities</b>		<b>9,115</b>	<b>8,114</b>

Sarpsborg, 15 March 2024

## 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*

## STATEMENT OF CASH FLOW

Amounts in NOK million	Note	2023	2022
Profit/loss before taxes		1,124	1,118
Amortisation, depreciation and impairment charges		490	449
Changes in net working capital, etc.		205	-658
Dividend/share of profit from JV & associate company	6, 14	9	34
Taxes paid		-265	-208
<b>Cash flow from operating activities</b>		<b>1,563</b>	<b>735</b>
Investments property, plant and equipment and intangible assets*	17, 18	-667	-464
Other capital transactions		9	9
Investments in associate companies and bio-based start-ups	6	-171	-
<b>Cash flow from investing activities</b>		<b>-829</b>	<b>-455</b>
Dividends		-324	-499
Proceeds from exercise of share options/shares to employees		49	41
Buy-back of treasury shares		-92	-68
Gain/loss on hedges for net investments in subsidiaries		-38	-79
<b>Net paid to shareholders</b>		<b>-405</b>	<b>-605</b>
Repayment of interest-bearing debt		-843	-512
Proceeds from interest-bearing liabilities		800	837
Change in interest-bearing liabilities/other instruments		33	78
<b>Change in net interest-bearing liabilities</b>	<b>27</b>	<b>-10</b>	<b>403</b>
<b>Cash flow from financing activities</b>		<b>-415</b>	<b>-202</b>
<b>Change in cash and cash equivalents</b>	<b>23</b>	<b>319</b>	<b>78</b>
Net cash and cash equivalents as of 1 January		111	5
Change in cash and cash equivalents		319	78
Currency effect of cash and cash equivalents		-1	28
<b>Net cash and cash equivalents as of 31 December</b>	<b>23</b>	<b>429</b>	<b>111</b>

## \* INVESTMENTS BY CATEGORY

Amounts in NOK million	Note	2023	2022
Replacement investments	17, 18	550	359
Expansion investments <sup>1</sup> including investments in associate companies and bio-based start-ups	6, 17, 18	288	105
<b>Total</b>		<b>838</b>	<b>464</b>

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.

/ <sup>1</sup> Alternative performance measures, see page 142 for definition.

## 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
<b>Equity 31 December 2021</b>	<b>100</b>	<b>1,346</b>	<b>822</b>	<b>1,804</b>	<b>11</b>	<b>98</b>	<b>41</b>	<b>4,222</b>	<b>84</b>	<b>4,306</b>
Profit/loss for the year	-	-	-	892	-	-	-	892	-41	851
Items in other comprehensive income	-	-	-	-	-323	110	1	-212	8	-204
The Group's comprehensive income	-	-	-	892	-323	110	1	680	-33	647
Paid dividend	-	-	-	-499	-	-	-	-499	-	-499
Buy-back of treasury shares (Note 30)	-	-	-	-68	-	-	-	-68	-	-68
Exercise of share options (Note 9, 30)	-	-	16	-	-	-	-	16	-	16
Shares to employees (Note 9, 30)	-	-	33	-	-	-	-	33	-	33
Option costs (share-based payment)	-	-	10	-	-	-	-	10	-	10
<b>Equity 31 December 2022</b>	<b>100</b>	<b>1,346</b>	<b>881</b>	<b>2,129</b>	<b>-312</b>	<b>208</b>	<b>42</b>	<b>4,394</b>	<b>51</b>	<b>4,445</b>
Profit/loss for the year	-	-	-	870	-	-	-	870	-14	856
Items in other comprehensive income	-	-	-	-	-154	43	46	-65	2	-63
The Group's comprehensive income	-	-	-	870	-154	43	46	805	-12	793
Paid dividend	-	-	-	-324	-	-	-	-324	-	-324
Buy-back of treasury shares (Note 30)	-	-	-	-92	-	-	-	-92	-	-92
Exercise of share options (Note 9, 30)	-	-	32	-	-	-	-	32	-	32
Shares to employees (Note 9, 30)	-	-	30	-	-	-	-	30	-	30
Option costs (share-based payment)	-	-	10	-	-	-	-	10	-	10
<b>Equity 31 December 2023</b>	<b>100</b>	<b>1,346</b>	<b>953</b>	<b>2,583</b>	<b>-466</b>	<b>251</b>	<b>88</b>	<b>4,855</b>	<b>39</b>	<b>4,894</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## CONTENTS

Note 01: General information .....	93	Note 20: Other assets (non-current) .....	113
Note 02: Basis for preparation .....	93	Note 21: Inventories and cost of materials .....	113
Note 03: New accounting standards .....	94	Note 22: Receivables (current) .....	114
Note 04: Use of estimates .....	95	Note 23: Cash and cash equivalents .....	114
Note 05: Impairment assessments .....	95	Note 24: Provisions and other non-current liabilities .....	115
Note 06: Joint venture and associate companies ....	96	Note 25: Other liabilities (current) .....	115
Note 07: Segments .....	97	Note 26: Capital management .....	115
Note 08: Revenues and geographical breakdown ....	99	Note 27: Funding and interest-bearing liabilities .....	116
Note 09: Payroll expenses and remuneration .....	100	Note 28: Financial risk .....	118
Note 10: Pensions .....	102	Note 29: Derivatives and hedging .....	124
Note 11: Other operating expenses .....	104	Note 30: Equity and share capital .....	125
Note 12: Leases .....	104	Note 31: Non-controlling interests .....	127
Note 13: Other income and expenses <sup>1</sup> .....	106	Note 32: Pledges and guarantees .....	127
Note 14: Net financial items .....	107	Note 33: Related parties .....	127
Note 15: Taxes .....	107	Note 34: Government grants .....	127
Note 16: Earnings per share (EPS) and dividend .....	109	Note 35: Environment, health and safety matters ..	128
Note 17: Intangible assets .....	110	Note 36: Uncertainty in global economy .....	129
Note 18: Property, plant and equipment .....	111	Note 37: Other matters and subsequent events .....	129
Note 19: Overview of financial instruments .....	112		

## NOTE 01 GENERAL INFORMATION

The consolidated financial statements for Borregaard ASA (Borregaard/Group), including notes, for the year 2023, were endorsed by the Board of Directors (the Board) of Borregaard ASA on 15 March 2024. 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 biochemicals and biomaterials 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 2023 have been prepared and presented in full compliance with IFRS® Accounting Standards (IFRS Accounting Standards) 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 2023. 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 expenses<sup>1</sup> (OIE) are presented as part of operating profit in the Income Statement but are presented after EBITDA<sup>1</sup> 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.

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.

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 twelve 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

/ <sup>1</sup> Alternative performance measures, see page 142 for definition.

income and expenses<sup>1</sup> 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 noncontrolling 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 associate companies 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

*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 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.

#### NOTE 03 NEW ACCOUNTING STANDARDS

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement

for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had a minor impact on Borregaard's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

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 2023, do not have an impact on the consolidated financial statements of the Group.

/ <sup>1</sup> Alternative performance measures, see page 142 for definition.

## 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 2023	Carrying value 31 December 2022
Property, plant and equipment	18	Recoverable amount and estimation of correct remaining useful life	4,661	4,371
Right-of-use assets	12	Leases and discount rates used	527	345
Pension liabilities (net)	10	Economic and demographic assumptions	38	-14
Environmental provisions	13, 35	Accrual related to ground conditions at the site in Norway	-22	-20

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.

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 and subsequent events".

## 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 3<sup>rd</sup>

quarter. If there are indications of impairments, the assets are tested immediately. A new impairment test is carried out in the 4<sup>th</sup> 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	
	2023	2022
Borregaard Czech S. R. O	37	34
<b>Total goodwill</b>	<b>37</b>	<b>34</b>

### 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 2023 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 10% 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.

## NOTE 06 JOINT VENTURE AND ASSOCIATE COMPANIES

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.

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 co-operation agreement. The closure was a consequence of Sappi's decision to convert their calcium sulphite pulp line, which is the source of

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.

lignin raw material, to magnesium technology. After the conversion, the spent liquor from the pulping process is burnt, and the energy and chemicals are recovered.

Final settlements and liquidation will be set in 2024 with limited profit and loss effects. See Note 13 "Other income and expenses" for further details.

As of 31 December 2023, total assets were NOK 1 million (NOK 6 million) in LignoTech South

Africa and total liabilities were NOK 0 million (NOK 0 million). Borregaard's carrying amount of the investment is 50%.

	2023	2022
Share in joint venture 1 January	3	30
Share of profit after tax	4	13
Dividend/repayment of capital	-7	-44
Currency translation effect	-	4
Share in joint venture 31 December	-	3

### Associate companies

Alginor ASA 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.

In 2021, Borregaard invested NOK 145 million in Alginor ASA and held 25% of the shares as of 31 December 2022.

Borregaard's share of Alginor's result after tax is recognised as part of "Financial items". In April 2023 Alginor executed an additional direct equity issue exclusively to Borregaard. This equity issue brought Borregaard's ownership in Alginor up to

35% on a fully diluted basis and another NOK 124 million in equity to Alginor.

### Purchase price allocation Alginor

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 35% of the shares on a fully diluted basis is NOK 269 million of which NOK 87 million is allocated as intangible assets.

### BORREGAARD'S SHARE OF ALGINOR ASA

Amounts in NOK million	2023	2022
Operating revenues	-	-
Profit before taxes	-26	-12
Profit/loss for the year before dividend	-26	-12
Borregaard's share of profit	-9	-3
Non-current assets	362	301
Current assets	181	97
Non-current liabilities	-52	-5
Current liabilities	-10	-8
Equity	481	385
Borregaard's share of equity	168	96
Goodwill	-	-
Other intangible assets	87	44
Borregaard's carrying amount of the investment	255	140



At the end of 2023, Borregaard invested NOK 34 million for a 12% ownership share in Kaffe Bueno ApS. Kaffe Bueno produces ingredients for a wide range of products in everything from agriculture to cosmetics and foodstuffs based on biorefining of by-products from coffee production. Used coffee grounds, timber and algae do not only have cellulose in common. As sustainable raw materials for valuable products, they all represent excellent resource utilisation in a circular economy perspective. Borregaard has been granted warrants to subscribe for additional shares in Kaffe Bueno by 31 January 2026. If exercised in full, these warrants will bring Borregaard's ownership share up to 34%. Borregaard has a representative in Kaffe Bueno's board of directors.

## 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 (chief operating decision maker).

*BioSolutions* develops, produces and sells biopolymers and biovanillin from lignin. All lignin-based products, including biovanillin, are organised under one management in BioSolutions.

The investments are accounted for using the equity method.

### Purchase price allocation Kaffe Bueno

The difference between the purchase price of the shares in Kaffe Bueno ApS and Borregaard's share of the booked equity at the time of the acquisition will be allocated to intangible assets as it relates to development of the technology to be used in Kaffe Bueno's business. The purchase price, including acquisition costs, of 12% of the shares is NOK 34 million. The purchase price allocation is not yet finalised.

*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. BioMaterials consist of products utilising wood fibres as the main raw material.

*Fine Chemicals* include fine chemical intermediates mainly used for contrast agents and advanced bioethanol mainly for biofuel.

Corporate overhead and certain other costs are allocated to the three business segments. Segment performance is primarily measured based on EBITDA<sup>1</sup>.

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, EBITDA<sup>1</sup>, depreciation, amortisation and impairment of intangible assets, other income and expenses<sup>1</sup> and operating profit for each business area. It does not disclose internal sales between the various segments as it is considered immaterial.

The following table 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 investments<sup>1</sup> and working capital for each area.

/ <sup>1</sup> Alternative performance measures, see page 142 for definition.

## SEGMENTS 2023

Amounts in NOK million	Bio-Solutions	Bio-Materials	Fine Chemicals	Eliminations	Borregaard Group
<b>Income statement</b>					
Total operating revenues	3,944	2,439	786	-37	7,132
Operating expenses	-3,029	-1,905	-454	37	-5,351
EBITDA <sup>1</sup>	915	534	332	-	1,781
Depreciation	-243	-200	-42	-	-485
Amortisation and impairment intangible assets	-5	-	-	-	-5
Other income and expenses <sup>1</sup>	-	-	-	-	-
Operating profit	667	334	290	-	1,291
Net financial items	-	-	-	-	-167
Profit before tax	-	-	-	-	1,124
<b>Cash flow</b>					
Cash flow from operating activities	770	427	366	-	1,563
Replacement investments	-261	-234	-55	-	-550
Expansion investments <sup>1</sup>	-198	-81	-9	-	-288
<b>Capital structure</b>					
Working capital at year-end	961	374	176	-	1,511
Capital employed <sup>1</sup> at year-end	-	-	-	-	7,142
Return on capital employed <sup>1</sup>	-	-	-	-	18.3 %

## SEGMENTS 2022

Amounts in NOK million	Bio-Solutions	Bio-Materials	Fine Chemicals	Eliminations	Borregaard Group
<b>Income statement</b>					
Total operating revenues	4,050	2,250	632	-51	6,881
Operating expenses	-3,064	-1,823	-402	51	-5,238
EBITDA <sup>1</sup>	986	427	230	-	1,643
Depreciation	-212	-195	-37	-	-444
Amortisation and impairment intangible assets	-5	-	-	-	-5
Other income and expenses <sup>1</sup>	6	-12	-2	-	-8
Operating profit	775	220	191	-	1,186
Net financial items	-	-	-	-	-68
Profit before tax	-	-	-	-	1,118
<b>Cash flow</b>					
Cash flow from operating activities	639	6	90	-	735
Replacement investments	-123	-206	-30	-	-359
Expansion investments <sup>1</sup>	-92	-10	-3	-	-105
<b>Capital structure</b>					
Working capital at year-end	1,020	407	226	-	1,653
Capital employed <sup>1</sup> at year-end	-	-	-	-	6,802
Return on capital employed <sup>1</sup>	-	-	-	-	18.1 %

/ <sup>1</sup> Alternative performance measures, see page 142 for definition.

RECONCILIATION CAPITAL EMPLOYED<sup>1</sup>

Amounts in NOK million	2023	2022
<b>Capital employed<sup>1</sup> at year-end</b>	<b>7,142</b>	<b>6,802</b>
Other non-current assets	443	204
Cash and cash equivalents	469	234
Net deferred tax	-130	-132
Interest-bearing liabilities	-2,262	-2,072
Income tax payable	-198	-217
Accumulated write-down and amortisation of goodwill and intangible assets	-197	-187
Other (derivatives, accruals, etc.)	-373	-187
<b>Equity</b>	<b>4,894</b>	<b>4,445</b>

## RECONCILIATION WORKING CAPITAL

Amounts in NOK million	2023	2022
Receivables	1,201	1,387
Inventories	1,447	1,299
Other liabilities	-1,361	-1,085
Derivatives, etc. not included in above items	224	52
<b>Working capital</b>	<b>1,511</b>	<b>1,653</b>

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-years based on the geographical location of the operation. Sales revenues are based on the location of the customers. See Note 22 for customers' payment terms.

Amounts in NOK million	Non-current operating assets		Investments		Number of man-years <sup>2</sup>		Sales revenues	
	2023	2022	2023	2022	2023	2022	2023	2022
Norway	4,193	3,846	764	424	815	795	279	319
Rest of Europe	108	82	13	5	88	91	3,097	2,876
Asia	10	12	1	3	53	48	1,698	1,591
America	961	857	59	32	169	171	1,893	1,931
Rest of the world	-	-	-	-	2	2	57	59
<b>Total</b>	<b>5,272</b>	<b>4,798</b>	<b>838</b>	<b>464</b>	<b>1,127</b>	<b>1,107</b>	<b>7,024</b>	<b>6,776</b>

## SALES REVENUES PER PRODUCT GROUP

Amounts in NOK million	2023	2022
BioSolutions	3,849	3,946
BioMaterials	2,395	2,205
Fine Chemicals	780	625
Eliminations	-	-
<b>Total revenues</b>	<b>7,024</b>	<b>6,776</b>

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

/ <sup>1</sup> Alternative performance measures, see page 144 for definition.

/ <sup>2</sup> Excluding employees in joint venture in LignoTech South Africa.

## NOTE 09 PAYROLL EXPENSES AND REMUNERATION

Amounts in NOK million	2023	2022
Wages	-1,066	-957
Share-based payments (options and discounted shares)	-17	-17
Employer's national insurance contribution	-138	-115
Pension costs (Note 10)	-79	-78
Remuneration to Board Members	-4	-3
<b>Payroll expenses</b>	<b>-1,304</b>	<b>-1,170</b>
Average number of man-years	1,107	1,082

### REMUNERATION OF THE EXECUTIVE MANAGEMENT

Amounts in NOK thousand	CEO		Other members of the Group Executive Management		Total	
	2023	2022	2023	2022	2023	2022
Base salary	4,115	3,949	17,273	16,545	21,388	20,494
Bonus	1,820	1,955	7,039	7,400	8,859	9,355
Pension cost	1,357	832	2,474	2,411	3,831	3,243
Benefits in kind	271	266	1,740	1,702	2,011	1,968
<b>Total*</b>	<b>7,563</b>	<b>7,002</b>	<b>28,526</b>	<b>28,058</b>	<b>36,089</b>	<b>35,060</b>

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

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

### Remuneration guidelines and report – 2023

Borregaard's remuneration guidelines for employees in managerial positions cover base salary, pension, 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 "Remuneration report 2023" found at [Sustainability documentation - Borregaard](#).

### ISSUED AND OUTSTANDING SHARE OPTIONS AS OF 31 DECEMBER 2023:

Year issued	Number of share options issued	Exercised/ forfeited share options	Number of outstanding share options	Strike price*	Expire date	Number of employees**
2019	400,000	353,450	46,550	67.05	6 Feb 2024	27
2020	400,000	53,100	346,900	91.35	13 Feb 2025	28
2021	249,000	-	249,000	172.45	16 Feb 2026	31
2022	200,000	-	200,000	220.50	17 Feb 2027	31
2023	250,000	-	250,000	190.75	1 Mar 2028	35
	<b>1,499,000</b>	<b>406,550</b>	<b>1,092,450</b>			

\* 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.

The common practice is equity settlement for the share-based option programmes. Share-based related costs for 2023 for the Group Executive Management was NOK 6 million in total for all programs. 20,500 share options issued in 2018, 280,450 share options issued in 2019 and 53,100

share options issued in 2020 have been exercised in 2023.

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

Number of share options	2023		2022	
	No.	WAEP*	No.	WAEP*
Outstanding at the beginning of the year	1,196,500	125.93	1,236,274	103.66
Exercised during the year	-354,050	-	-239,774	-
Granted during the year	250,000	190.75	200,000	223.75
Forfeited during the year	-	-	-	-
Outstanding at year-end **	1,092,450	155.19	1,196,500	125.93
Exercisable options at year-end**	393,450	-	347,500	-

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

\*\* Expiry dates are 6 February 2024 for 46,550 options, 13 February 2025 for 346,900 options, 16 February 2026, for 249,000 options, 17 February 2027 for 200,000 options and 1 March 2028 for 250,000 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 2024.

Assumptions	2023	2022
Expected dividend-yield (%)	-	-
Expected volatility (%)	28.2	28.0
Historical volatility (%)	28.0	28.0
Risk-free return (%)	3.5	2.1
Expected life of option (years)	5.0	5.0
Weighted average share price (NOK)	177.04	202.00

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

	Issued 2019 Strike NOK 67.05*		Issued 2020 Strike NOK 91.35*		Issued 2021 Strike NOK 172.45*		Issued 2022 Strike NOK 220.50*		Issued 2023 Strike NOK 190.75*		Shares	
	No. of share options	No. of share options	No. of share options	No. of share options	No. of share options	No. of share options	No. of share options	No. of share options	No. of share options	No. of shares**	No. of shares**	
CEO	-	60,000	60,000	60,000	40,000	40,000	30,000	30,000	40,000	164,810	164,312	
Other members of the Group Executive Management	16,550	105,000	144,900	150,000	77,000	77,000	60,000	60,000	77,000	310,252	306,266	
<b>Total</b>	<b>16,550</b>	<b>165,000</b>	<b>204,900</b>	<b>210,000</b>	<b>117,000</b>	<b>117,000</b>	<b>90,000</b>	<b>90,000</b>	<b>117,000</b>	<b>475,062</b>	<b>470,578</b>	

\* 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 2023, Borregaard sold a total of 169,213 shares to employees. The share price was NOK 132.46 per share including a 25%

discount. Costs in 2023, including administration costs, related to the programme in 2023 amounted to approximately NOK 8 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 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 2023 it was determined that The Board of Directors is remunerated at annual rates for the period up to the next General Meeting in 2024:

Board of Directors			
Board chair	NOK	646,700	per year
Board member, shareholder-elected	NOK	365,100	per year
Board member, employee-elected	NOK	314,000	per year
Observer, employee-elected	NOK	105,000	per year
Deputy for observer	NOK	8,100	per meeting
Audit and Sustainability Committee			
Committee chair	NOK	104,300	per year
Member	NOK	68,900	per year
Compensation Committee			
Committee chair	NOK	61,600	per year
Member	NOK	48,000	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. For actual allowance to board members, see the "Remuneration report 2023" on Borregaard's website.

Remuneration of the Nomination Committee  
The chair of the Nomination Committee receives NOK 68,900 per year and an additional NOK 11,000 per meeting exceeding 4 meetings. Other members receive NOK 48,500 per year and an additional NOK 9,000 per meeting exceeding 4 meetings.

For shares held by the Board of Directors, see Note 4 in the Financial Statement of Borregaard ASA.

#### FEES TO GROUP EXTERNAL AUDITOR

Amounts in NOK million	2023	2022
Statutory audit	6	6
Other attestation services	1	1
Tax consultancy services	-	-
Other non-audit services	1	1
<b>Total fees to EY</b>	<b>8</b>	<b>8</b>

## 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, 2024, to the defined benefit plan obligation is NOK 3 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 and disability pension scheme 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 2023, the premium for the early retirement scheme is 2.6% 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, 884 employees in 2023, and the cost in 2023 was NOK 14 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	
	2023	2022	2023	2022
Discount rate	3.9 %	3.6 %	5.1 %	5.4 %
Rate of return on assets	NA	NA	5,1 %	5.4 %
Future salary adjustment	3.25 %	3.25 %	4,0 %	4.0 %
G-multiplier*/Future social security wage base	3.25 %	3.25 %	3.5 %	3.5 %
Turnover	1.5 %	2.0 %	2.5 %	2.5 %
Expected average remaining vesting period	10.7	10.5	-	-

\* 1G is NOK 118.620 as of 31 December 2023

#### BREAKDOWN OF NET PENSION COSTS

Amounts in NOK million	2023	2022
Contribution plans	-70	-66
Current service cost	-9	-12
<b>Net pension costs (incl. national insurance contributions)</b>	<b>-79</b>	<b>-78</b>

#### BREAKDOWN OF PENSION LIABILITIES AND PENSION PLAN ASSETS AS OF 31 DECEMBER, IN PAST FIVE YEARS

Amounts in NOK million	2023	2022	2021	2020	2019
Present value of funded pension obligations	-319	-333	-457	-487	-435
Pension plan assets (fair value)	450	409	523	478	435
Net funded pension assets/-liabilities	131	76	66	-9	-
Present value of unfunded pension liabilities	-92	-90	-95	-81	-79
<b>Capitalised net pension assets/-liabilities</b>	<b>39</b>	<b>-14</b>	<b>-29</b>	<b>-90</b>	<b>-79</b>

#### CHANGES IN THE PRESENT VALUE OF PENSION OBLIGATIONS DURING THE YEAR

Amounts in NOK million	2023	2022
Pension obligations 1 January	-423	-552
Current service cost (incl. national insurance contributions)	-9	-12
Interest on pension obligations	-28	-9
Actuarial gains and losses	29	96
Benefits paid during the year	31	111
Currency translations	-11	-57
<b>Pension obligations 31 December</b>	<b>-411</b>	<b>-423</b>

## CHANGES IN PENSION PLAN ASSETS DURING THE YEAR

Amounts in NOK million	2023	2022
Pension plan assets (fair value) 1 January	409	523
Expected return on pension plan assets	23	16
Contributions and benefits paid during the year	-28	-98
Actuarial gains and losses	34	-94
Currency translations	12	62
<b>Pension plan assets (fair value) 31 December</b>	<b>450</b>	<b>409</b>

## BREAKDOWN OF PENSION PLAN ASSETS (FAIR VALUE)

As of 31 December	2023	2022
Cash and cash equivalents and money market investments	1 %	2 %
Bonds	32 %	32 %
Shares	67 %	66 %
<b>Total pension plan assets</b>	<b>100 %</b>	<b>100 %</b>

## 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 0.3% increase in pension liability and a 4% increase in pension cost (defined

benefit schemes). A 1% increase in discount rate would imply an 11% decrease in pension liability and 1% decrease in pension cost while a 1% reduction in discount rate would imply a 13% increase in pension liability and a 1% increase in pension cost.

## 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	2023	2022
External distribution costs	-628	-651
Maintenance, repair and equipment costs	-356	-313
Consultants, legal advisors, temporary staff, etc.	-176	-150
Rental/leasing (Note 12)	-55	-34
Other	-287	-292
<b>Total other operating expenses</b>	<b>-1,502</b>	<b>-1,440</b>

## NOTE 12 LEASES

*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.*

*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 1 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 following table:

#### RIGHT-OF-USE ASSETS

Amounts in NOK million	Land, buildings and other property	Machinery and plants	Fixtures, fittings, vehicles etc.	Other assets	Total
<b>Balance at 1 January 2022</b>	<b>282</b>	-	<b>58</b>	<b>11</b>	<b>351</b>
Depreciations	-27	-	-32	-5	-64
Additions	14	-	29	2	45
Adjustments to existing contracts and terminations	10	-	-1	1	10
Effects of movements in exchange rates	2	-	1	0	3
<b>Balance at 31 December 2022</b>	<b>281</b>	-	<b>55</b>	<b>9</b>	<b>345</b>
Depreciations	-43	-	-26	-15	-84
Additions	147	-	26	77	250
Adjustments to existing contracts and terminations	18	1	-	2	21
Effects of movements in exchange rates	-2	-	1	-4	-5
<b>Balance at 31 December 2023</b>	<b>401</b>	<b>1</b>	<b>56</b>	<b>69</b>	<b>527</b>

#### LEASE LIABILITIES

Amounts in NOK million	2023	2022
<b>Balance at 01 January</b>	<b>371</b>	<b>371</b>
Additions	250	45
Adjustments to existing contracts and terminations	21	10
Accretion of interests	29	21
Payments	-102	-81
Currency translations	-6	5
<b>Balance at 31 December</b>	<b>563</b>	<b>371</b>

## LEASE LIABILITIES CONT.

Amounts in NOK million	2023	2022
<b>Maturity analysis - contractual undiscounted cash flows</b>		
Less than one year	127	64
One to two years	116	51
Two to three years	94	42
Three to four years	62	36
Four to five years	39	31
More than five years	319	324
<b>Total undiscounted lease liabilities at 31 December</b>	<b>757</b>	<b>548</b>
<b>Lease liabilities included in the statement of financial position at 31 December</b>	<b>563</b>	<b>371</b>
Current	95	44
Non-current	468	327

## AMOUNTS RECOGNISED IN PROFIT OR LOSS

Amounts in NOK million	2023	2022
Interest on lease liabilities	-29	-21
Depreciation of right-of-use assets	-84	-64
Gains (+) and losses (-) due to terminations, purchases, impairments, and other changes	-	-
Variable lease payments not included in the measurement of lease liabilities	-6	-1
Expenses relating to short-term leases	-48	-31
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-1	-2
<b>Total amount recognised in profit or loss</b>	<b>-168</b>	<b>-119</b>

## AMOUNTS RECOGNISED IN THE STATEMENT OF CASH FLOW

Figures in NOK	2023	2022
<b>Total cash outflow for leases</b>	<b>157</b>	<b>115</b>

The Group is committed to fulfil future cash outflows relating to leases amounting to NOK 39 million which is not recorded in the financial position as of 31 December 2023.

**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	2023
Options to extend not yet recognised, discounted liability effect	101
Recognised options to extend, discounted liability effect	48

**NOTE 13 OTHER INCOME AND EXPENSES<sup>1</sup>**

Other income and expenses<sup>1</sup> 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 EBITDA<sup>1</sup>, depreciation and amortisation are more relevant to the company.

Amounts in NOK million	2023	2022
Sale of assets in the closed lignin operation in South Africa. Realised value higher than provision made in 2020	-	12
Accrual related to ground conditions at the site in Norway	-	-20
<b>Total other income and expenses<sup>1</sup></b>	<b>-</b>	<b>-8</b>

/ <sup>1</sup> Alternative performance measures, see page 142 for definition.

## 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 assets 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.

## 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 based on taxable income

### FINANCE INCOME AND FINANCE COSTS

Amounts in NOK million	2023	2022
Interest income	30	12
Foreign exchange gain	374	326
Other finance income	5	7
<b>Total finance income</b>	<b>409</b>	<b>345</b>
Interest costs	-171	-88
Foreign exchange loss	-389	-320
Other finance costs	-7	-2
<b>Total finance costs</b>	<b>-567</b>	<b>-410</b>
<b>Share of profit/loss from associate</b>	<b>-9</b>	<b>-3</b>
<b>Net financial items</b>	<b>-167</b>	<b>-68</b>

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.

### TAX EXPENSE

Amounts in NOK million	2023	2022
Profit before tax	1,124	1,118
Current tax expense	-254	-260
Change in deferred tax	-14	-7
<b>Total tax expense</b>	<b>-268</b>	<b>-267</b>
Tax as % of Profit/loss before taxes	23.8 %	23.9 %

### 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%. The main tax components are specified.

Amounts in NOK million	2023	2022
22% of profit before taxes (tax rate in Norway)	-247	-246
Foreign operations with other tax rates than 22%	-7	-6
Joint venture	-1	2
Permanent differences	-12	-16
Other current taxes	-1	-1
Correction previous years	-	1
Other deferred taxes	-	-1
<b>The Group's total tax expense</b>	<b>-268</b>	<b>-267</b>

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 and associated companies is accounted for as part of profit before tax. The net loss from the joint venture and associated companies does not decrease the tax expense and thus increases the Group's tax rate.

There are carry forward tax 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	2023	2022
<b>Deferred tax on tax increasing/(reducing) differences</b>		
Hedging taken to comprehensive income	-68	-33
Intangible assets and Property, plant and equipment	226	215
Net pension liabilities	15	1
Gain and loss tax deferral	1	1
Other non-current items	-7	-5
<b>Total non-current items</b>	<b>167</b>	<b>179</b>
Current receivables	-3	-2
Inventories	75	55
Provisions	-8	-12
Other current items	-98	-75
<b>Total current items</b>	<b>-34</b>	<b>-34</b>
Losses/tax credits carried forward	-37	-44
Net deferred tax	96	101
Deferred tax assets, not recognised	33	31
<b>Net deferred tax, recognised</b>	<b>129</b>	<b>132</b>
Change in deferred tax	3	58
Change in deferred tax taken to comprehensive income	-19	-73
Acquisitions/sale of companies, translation effects, etc.	2	8
<b>Change in deferred tax income statement</b>	<b>-14</b>	<b>-7</b>

#### NET DEFERRED TAX PRESENTED IN STATEMENT OF FINANCIAL POSITION

Amounts in NOK million	2023	2022
Deferred tax	130	136
Deferred tax assets	1	4
<b>Net deferred tax</b>	<b>129</b>	<b>132</b>

#### LOSSES CARRIED FORWARD BY EXPIRY DATE

Amounts in NOK million	2023	2022
Without expiry date	139	171
<b>Total tax losses carried forward</b>	<b>139</b>	<b>171</b>

#### TAX REDUCING TIMING DIFFERENCES WITH CORRESPONDING DEFERRED TAX ASSETS 2023

Amounts in NOK million	Tax reducing timing differences	Recognised deferred tax assets	Unrecognised deferred tax assets	Total deferred tax assets
Losses/tax credits carried forward by country				
Spain	131	-	33	33
USA	8	4	-	4
<b>Total</b>	<b>139</b>	<b>4</b>	<b>33</b>	<b>37</b>
Other tax reducing timing differences	828	168	-	168
<b>Total tax reducing timing differences</b>	<b>967</b>	<b>172</b>	<b>33</b>	<b>205</b>
Netted deferred tax	-833	-171	-	-171
<b>Net tax reducing timing differences</b>	<b>134</b>	<b>1</b>	<b>33</b>	<b>34</b>

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.

## TAX PAYMENTS PER COUNTRY

Amounts in NOK million	Tax paid
Norway	-201
United Kingdom	-4
Germany	-6
Spain	-1
Austria	1
Czech Republic	-8
USA	-35
Brazil	-10
India	-1
South Africa	2
Other countries	-2
<b>Total tax paid</b>	<b>-265</b>

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.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates. However, this legislation does not apply to the Group as its consolidated revenue does not exceed EUR 750 million.

NOTE 16  
EARNINGS PER SHARE (EPS) AND DIVIDEND

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.

Amounts in NOK million	2023	2022
Profit/loss for the year after non-controlling interests for continuing operations	870	892
Profit/loss/gains discontinued operations	-	-
Profit/loss for the year after non-controlling interests	870	892
<b>Amounts in million shares</b>		
Weighted average number of shares outstanding	99.71	99.71
Estimated dilution effect option programme	0.21	0.24
Weighted average number of shares outstanding diluted	99.92	99.95

The share capital consists of 100 million shares including 436,860 treasury shares as of 31 December 2023. As of 31 December 2023, there are 99,753,495 diluted shares. There were 99,752,815 diluted shares as of 31 December 2022.

Amounts in NOK	2023	2022
Earnings per share	8.73	8.95
Earnings per diluted share	8.71	8.92
Ordinary dividend per share	3.75*	3.25
Extraordinary dividend per share	-	-

\* Proposal to the General Meeting

## 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.

### Emission rights

Government granted and purchased CO<sub>2</sub> 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 CO<sub>2</sub> emissions exceeding the level covered by emission rights, those are recognised as a liability. Sale of government granted CO<sub>2</sub> emission rights are recognised at the time of sale at the transaction price. As of 31 December 2023, Borregaard owns 664,700 CO<sub>2</sub> emission rights (690,066 as of 31

December 2022). However, Borregaard has an obligation to deliver 120,107 emission rights in

2024 for emissions in 2023. As of 31 December 2022 the obligation was 143,042 emission rights.

Amounts in NOK million	Development and other intangible assets	IT	Goodwill	Total
Book value 1 January 2023	22	26	34	82
Additions	2	14	-	16
Depreciation/Amortisation	-9	-8	-	-17
Impairment	-	-	-	-
Currency translations	-	-	3	3
Book value 31 December 2023	15	32	37	84
Initial cost 31 December 2023	174	189	55	418
Accumulated amortisation and impairment	-159	-157	-18	-334
Book value 31 December 2023	15	32	37	84
Book value 1 January 2022	26	31	32	89
Additions	2	2	-	4
Depreciation/Amortisation	-8	-7	-	-15
Impairment	-	-	-	-
Currency translations	2	-	2	4
Book value 31 December 2022	22	26	34	82
Initial cost 31 December 2022	172	175	55	402
Accumulated amortisation and impairment	-150	-149	-21	-320
Book value 31 December 2022	22	26	34	82

In addition, Borregaard expensed NOK 99 million in research costs in 2023 (NOK 97 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 2-5%, machinery, fixtures and fittings mainly 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 68 million which is not recorded in the statement of financial position as of 31 December 2023 (NOK 42 million as of 31 December 2022).

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 2023	1,567	2,448	322	34	4,371
Additions	81	182	385	3	651
Disposals	-	-	-	-	-
Transferred assets under construction	50	62	-112	-	-
Impairment	-	-	-	-	-
Depreciation	-99	-279	-	-11	-389
Currency translation	6	21	1		28
Book value 31 December 2023	1,605	2,434	596	26	4,661
Initial cost 31 December 2023	2,996	7,738	596	232	11,562
Accumulated depreciation and impairment	-1,391	-5,304	-	-206	-6,901
Book value 31 December 2023	1,605	2,434	596	26	4,661
Book value 1 January 2022	1,488	2,269	398	36	4,191
Additions	59	142	254	4	459
Disposals	-	-	-	-1	-1
Transferred assets under construction	92	233	-331	6	-
Impairment	-	-	-	-	-
Depreciation	-93	-262	-	-12	-367
Currency translation	21	66	1	1	89
Book value 31 December 2022	1,567	2,448	322	34	4,371
Initial cost 31 December 2022	2,846	7,440	322	232	10,840
Accumulated depreciation and impairment	-1,279	-4,992	-	-198	-6,469
Book value 31 December 2022	1,567	2,448	322	34	4,371

## 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 2022 and 2023. 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 2023

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
<b>Non-current assets</b>									
Non-current financial receivables	20	2	-	-	-	184	184	2	184
Share investments	20	1	-	-	-	28	28	-	28
Non-current derivatives	20, 29	2	-	93	-	-	93	-	93
<b>Total</b>			-	<b>93</b>	-	<b>212</b>	<b>305</b>	<b>2</b>	<b>305</b>
<b>Current assets</b>									
Accounts receivable	22		-	-	-	877	877	-	877
Other current receivables	22		-	-	-	33	33	-	33
Current derivatives	22, 29	2	4	27	-	-	31	-	31
Cash and cash equivalents	23		-	-	-	469	469	469	469
<b>Total</b>			<b>4</b>	<b>27</b>	-	<b>1,379</b>	<b>1,410</b>	<b>469</b>	<b>1,410</b>
<b>Non-current liabilities</b>									
Non-current financial liabilities	12, 27	2,3	-	-	2,018	-	2,018	2,016	2,018
Non-current derivatives	24, 29	2	-	176	-	-	176	-	176
<b>Total</b>			-	<b>176</b>	<b>2,018</b>	-	<b>2,194</b>	<b>2,016</b>	<b>2,194</b>
<b>Current liabilities</b>									
Current financial liabilities	12, 27	2	-	-	246	-	246	246	246
Accounts payable	25		-	-	560	-	560	-	560
Other current liabilities	25		-	-	9	-	9	-	9
Current derivatives	25, 29	2	3	252	-	-	255	-	255
<b>Total</b>			<b>3</b>	<b>252</b>	<b>815</b>	-	<b>1,070</b>	<b>246</b>	<b>1,070</b>
<b>Total financial instruments</b>			<b>1</b>	<b>-308</b>	<b>-2,833</b>	<b>1,591</b>	<b>-1,549</b>	<b>-1,791</b>	<b>-1,549</b>
Total measurement level 1			-	-	-	28	28	-	28
Total measurement level 2, assets			4	120	-	184	308	2	308
Total measurement level 2, liabilities			-3	-428	-1,764	-	-2,195	-1,762	-2,195
Total measurement level 3			-	-	-500	-	-500	-500	-500



## OVERVIEW OF FINANCIAL INSTRUMENTS 2022

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
<b>Non-current assets</b>									
Non-current financial receivables	20	2	-	-	-	193	193	2	193
Share investments	20	1	-	-	-	11	11	-	11
Non-current derivatives	20, 29	2	-	46	-	-	46	-	46
<b>Total</b>			-	<b>46</b>	-	<b>204</b>	<b>250</b>	<b>2</b>	<b>250</b>
<b>Current assets</b>									
Accounts receivable	22		-	-	-	988	988	-	988
Other current receivables	22		-	-	-	37	37	-	37
Current derivatives	22, 29	2	-	49	-	-	49	-	49
Cash and cash equivalents	23		-	-	-	234	234	234	234
<b>Total</b>			-	<b>49</b>	-	<b>1,259</b>	<b>1,308</b>	<b>234</b>	<b>1,308</b>
<b>Non-current liabilities</b>									
Non-current financial liabilities	12, 27	2	-	-	1,372	-	1,372	1,370	1,372
Non-current derivatives	24, 29	2	-	144	-	-	144	-	144
<b>Total</b>			-	<b>144</b>	<b>1,372</b>	-	<b>1,516</b>	<b>1,370</b>	<b>1,516</b>
<b>Current liabilities</b>									
Current financial liabilities	12, 27	2,3	-	-	702	-	702	702	702
Accounts payable	25		-	-	497	-	497	-	497
Other current liabilities	25		-	-	6	-	6	-	6
Current derivatives	25, 29	2	2	100	-	-	102	-	102
<b>Total</b>			<b>2</b>	<b>100</b>	<b>1,205</b>	-	<b>1,307</b>	<b>702</b>	<b>1,307</b>
<b>Total financial instruments</b>			<b>-2</b>	<b>-149</b>	<b>-2,577</b>	<b>1,452</b>	<b>-1,276</b>	<b>-1,836</b>	<b>-1,276</b>
Total measurement level 1			-	-	-	11	11	-	11
Total measurement level 2, assets			-	95	-	193	288	2	288
Total measurement level 2, liabilities			-2	-244	-1,674	-	-1,920	-1,672	-1,920
Total measurement level 3			-	-	-400	-	-400	-400	-400

For current assets and liabilities, fair value is estimated close or equal to book value. The bond is determined as measurement level 3. The fair value of the bond is deemed to equal book value.

The bond carries floating interest terms and the issuer's credit quality is not considered to have changed since the bond was issued in June 2023.

**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.

As of 31 December 2023, Borregaard has share investments of NOK 28 million in bio-based start-ups (Lignovations and Oceanium) and other companies. These investments are a result of Borregaard's business development strategy and complement the existing business portfolio.

Amounts in NOK million	2023	2022
Share investments	28	11
Non interest-bearing derivatives (Note 19)	93	46
Receivables interest-bearing (Note 19)	2	2
Receivables non interest-bearing (Note 19)	182	191
<b>Total financial assets</b>	<b>305</b>	<b>250</b>
Pension plan assets (Note 10)	131	-
<b>Total other assets</b>	<b>436</b>	<b>250</b>

**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.

Amounts in NOK million	2023	2022
Raw materials	184	186
Work in progress	98	63
Finished goods and merchandise	1,165	1,050
<b>Total inventories</b>	<b>1,447</b>	<b>1,299</b>

As of 31 December 2023, there is a total write-down of inventories of NOK 14 million (NOK 14 million) related to inventories measured at net realisable value total NOK 201 million (NOK 160 million). There are no reversed write-downs from earlier years.

Amounts in NOK million	2023	2022
Wood costs (Note 28)	-630	-482
Energy costs (Note 28)	-610	-855
Other materials	-1,455	-1,761
Change in work in progress and finished goods	150	470
<b>Cost of materials</b>	<b>-2,545</b>	<b>-2,628</b>

## 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.

Amounts in NOK million	2023	2022
Accounts receivable (Note 19)	877	988
Non interest-bearing derivatives (Note 19)	31	49
Other current receivables (Note 19)	33	37
Total financial receivables	941	1,074
Advance payment to suppliers/ earned income	227	287
Tax receivables	33	26
<b>Total current receivables</b>	<b>1,201</b>	<b>1,387</b>

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.

### CHANGE IN PROVISIONS FOR BAD DEBT:

Amounts in NOK million	2023	2022
Provisions for bad debts 1 January	9	8
Bad debts recognised as expense (- income)	2	3
Realised losses	-	-1
Translation effects	-	-1
<b>Provisions for bad debts 31 December</b>	<b>11</b>	<b>9</b>

### ACCOUNTS RECEIVABLE HAVE THE FOLLOWING DUE DATES:

Amounts in NOK million	2023	2022
Accounts receivable not due	752	886
Overdue receivables 1-30 days	105	97
Overdue receivables 31-60 days	15	10
Overdue receivables 61-90 days	4	3
Overdue receivables over 90 days	12	1
<b>Accounts receivable carrying amount 31 December</b>	<b>888</b>	<b>997</b>

## 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	2023	2022
Cash and cash equivalents	469	234
Bank overdraft	-40	-123
<b>Net cash and cash equivalents</b>	<b>429</b>	<b>111</b>

Bank deposits of NOK 5 million related to tax deductions from employees are restricted as of 31 December 2023. Borregaard has a bank guarantee for the majority of the tax deductions. As of 31 December 2023, the liability related to tax deductions was NOK 34 million (NOK 31 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 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	2023	2022
Pension liabilities (Note 10)	92	14
Derivatives (Note 19)	176	144
Other non-current liabilities	3	1
<b>Total provisions and other non-current liabilities</b>	<b>271</b>	<b>159</b>

## 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	2023	2022
Accounts payable (Note 19)	560	497
Derivatives (Note 19)	255	102
Other current liabilities (Note 19)	9	6
Total financial liabilities non interest-bearing	824	605
Value-added tax, employee taxes, etc.	78	75
Accruals	458	405
<b>Total other liabilities</b>	<b>1,360</b>	<b>1,085</b>

## 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.

In 2023, Borregaard ASA was assigned a first-time issuer rating of A-/Stable from Scope Ratings GmbH. The same rating was assigned to the company's senior unsecured debt.

### Long-term funding

In June 2023, Borregaard issued a five-year NOK 500 million green bond in the Norwegian bond market. A green financing framework, structured in accordance with the 2021 ICMA Green Bond Principles, as well as the 2023 LMA, APLMA and LSTA Green Loan Principles, was established in conjunction with the green bond issue. On 24 March 2022, Borregaard entered into a USD 50 million sustainability linked term loan with the Nordic Investment Bank (NIB). The loan has a

tenor of ten years with a grace period of four years. In July 2020, Borregaard replaced the existing 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 facilities mature in 2025 and 2027. The term loan and credit facilities are linked to Borregaard's sustainability targets and the margins can be adjusted based on the 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. Borregaard also has a term loan from the Nordic Investment Bank maturing in 2024. This term loan was originally EUR 40 million and the remaining balance was EUR 3 million on 31 December 2023.

The Bank Facilities Agreements and the term loan agreements with NIB, granted to Borregaard ASA and Borregaard AS on a joint and several basis, are unsecured (negative pledge), but

contain a financial covenant and some limitations on new indebtedness beside change of control and cross-default provisions. The financial covenant is as follows: Leverage ratio<sup>1</sup>: the ratio of Net Interest-Bearing Debt<sup>1</sup> to Consolidated EBITDA<sup>1</sup> including other income and expenses<sup>1</sup>, shall not exceed 3.50:1 during the life of the agreements.

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. As of 31 December 2023, the remaining balance of the loan was USD 56.8 million. 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 2023, Borregaard had a multi-currency overdraft facility of NOK 125 million linked to its international cash pool with DNB, a NOK 100 million 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 USD 50 million term loan and EUR 40 million term loan (remaining balance EUR 2.7 million on 31 December 2023) with the Nordic Investment Bank, its green bond issue of NOK 500 million, and its long-term revolving credit facilities totalling NOK 1,500 million from three Scandinavian banks. In June 2017, LignoTech Florida entered into a USD 60 million loan agreement. The loan has a remaining balance of

USD 56.8 million on 31 December 2023. To meet short term liquidity needs, an overdraft facility of USD 15 million was established.

For liquidity and cash management purposes two multicurrency overdraft facilities totalling NOK 225 million are in place.

/ <sup>1</sup> Alternative performance measures, see page 142 for definition.

Amounts in NOK million	Book value		Fair value	
	2023	2022	2023	2022
<b>Non-current interest-bearing liabilities</b>				
Bank loans/bond	1,548	1,043	1,548	1,043
Other interest-bearing liabilities	468	327	468	327
<b>Total non-current interest-bearing liabilities</b>	<b>2,016</b>	<b>1,370</b>	<b>2,016</b>	<b>1,370</b>
<b>Current interest-bearing liabilities</b>				
Bank loans/overdraft/commercial paper/bond	151	658	151	658
Other interest-bearing liabilities	95	44	95	44
<b>Total current interest-bearing liabilities</b>	<b>246</b>	<b>702</b>	<b>246</b>	<b>702</b>
<b>Total interest-bearing liabilities</b>	<b>2,262</b>	<b>2,072</b>	<b>2,262</b>	<b>2,072</b>
<b>Interest-bearing receivables</b>				
Non-current interest-bearing receivables	2	2	2	2
Cash and cash equivalents	469	234	469	234
<b>Total interest-bearing receivables</b>	<b>471</b>	<b>236</b>	<b>471</b>	<b>236</b>
<b>Net interest-bearing debt<sup>1</sup></b>	<b>1,791</b>	<b>1,836</b>	<b>1,791</b>	<b>1,836</b>

## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January	Cash flows	Additions/ transfer leases	Foreign exchange movement	Fair	31 December
	2023				value	
Long-term borrowings	1,370	463	170	13	-	2,016
Short-term borrowings excluding overdraft	579	-473	101	-1	-	206
Other instruments		-				
<b>Change in net interest-bearing liabilities</b>		<b>-10</b>				
Overdraft	123	-87	-	4	-	40
<b>Total liabilities from financing activities</b>	<b>2,072</b>	<b>-107</b>	<b>271</b>	<b>16</b>	<b>-</b>	<b>2,262</b>

## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January	Cash flows	Additions/ transfer leases	Foreign exchange movement	Fair	31 December
	2022				value	
Long-term borrowings	1,320	-21	3	68	-	1,370
Short-term borrowings excluding overdraft	105	424	52	-2	-	579
Other instruments		-				
<b>Change in net interest-bearing liabilities</b>		<b>403</b>				
Overdraft	119	-10	-	14	-	123
<b>Total liabilities from financing activities</b>	<b>1,544</b>	<b>796</b>	<b>55</b>	<b>80</b>	<b>-</b>	<b>2,072</b>

There were no drawings under the Bank Facilities Agreements as of 31 December 2023. Drawings originating from the bond issue, the term loans with Nordic Investment Bank, and the term loan

related to LignoTech Florida amounted to NOK 1,616 million as of 31 December 2023. 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	
	2023	2022	2023	2022
Maturity < 1 year	246	702	338	250
Maturity 1-3 years	404	245	500	500
Maturity 3-5 years	1,059	519	1,000	1,000
Maturity 5-7 years	193	181	-	-
Maturity > 7 years	360	425	-	-
<b>Total</b>	<b>2,262</b>	<b>2,072</b>	<b>1,838</b>	<b>1,750</b>

/ <sup>1</sup> Alternative performance measures, see page 142 for definition.

## 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 and nature risks, 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 10.00.-10.50 and gradually to three years for USD/NOK hedging rates in the 9.00-9.50 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. In 2023, Borregaard entered into a new long-term contract with Å Energi for annual delivery of 88 GWh in renewable electric power to the Sarpsborg site for the period 2024 to 2033. This is energy to be used by Borregaard solely for production purposes. It means that the energy supply from these contracts is part of the "own-use" exemption in IFRS 9 and not treated as a derivative. 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 and loans for USD and 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 following table.

## FOREIGN EXCHANGE CONTRACTS LINKED TO HEDGING OF FUTURE REVENUES AND COSTS

2023

Amounts in million

Purchase currency	Amount	Sale currency	Amount	Maturity
USD	2	NOK	19	2024
NOK	1,557	USD	168	2024
NOK	1,572	USD	158	2025
NOK	1,094	USD	106	2026
EUR	1	USD	1	2024
EUR	5	NOK	53	2024
EUR	2	NOK	18	2025
NOK	1,314	EUR	124	2024
NOK	1,365	EUR	125	2025
NOK	973	EUR	83	2026
SEK	48	NOK	48	2024

**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.

**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

2022

Amounts in million

Purchase currency	Amount	Sale currency	Amount	Maturity
USD	3	NOK	33	2023
NOK	1,331	USD	144	2023
NOK	1,275	USD	141	2024
NOK	893	USD	93	2025
EUR	2	USD	2	2023
EUR	2	NOK	18	2023
NOK	1,513	EUR	141	2023
NOK	1,287	EUR	122	2024
NOK	913	EUR	86	2025
SEK	48	NOK	46	2023

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 following table 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

2023

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	1,699	1,699	151	241	990	156	161
Lease liabilities	563	757	127	210	101	63	256
Interest payable bank loans & bonds	9	430	108	192	98	26	6
Accounts payable	560	560	560	-	-	-	-
Gross settled derivatives*	307	-	-	-	-	-	-
Inflow	-	-9,226	-4,194	-5,025	-2	-2	-3
Outflow	-	9,533	4,423	5,086	16	8	-
<b>Total</b>	<b>3,138</b>	<b>3,753</b>	<b>1,175</b>	<b>704</b>	<b>1,203</b>	<b>251</b>	<b>420</b>

## MATURITY PROFILE FINANCIAL LIABILITIES

2022

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	1,701	1,701	658	186	482	152	223
Lease liabilities	371	547	63	93	67	26	298
Interest payable bank loans & bonds	6	333	81	126	78	33	15
Accounts payable	497	497	497	-	-	-	-
Gross settled derivatives*	151	-	-	-	-	-	-
Inflow	-	-7,564	-3,609	-3,955	-	-	-
Outflow	-	7,715	3,664	4,038	7	6	-
<b>Total</b>	<b>2,726</b>	<b>3,229</b>	<b>1,354</b>	<b>488</b>	<b>634</b>	<b>217</b>	<b>536</b>

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 counterparties. 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 counterparties for financial hedge transactions. Secondly, bank accounts are mainly held with relationship banks. For deposits of liquidity with other counterparties

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	2023	2022
Cash and cash equivalents	469	234
Accounts receivable	877	988
Other current receivables	33	37
Non-current receivables	184	193
Derivatives	124	95
<b>Total</b>	<b>1,687</b>	<b>1,547</b>

### 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 and nature risks

Climate and nature risk assessments comply with [IFRS S2](#) and [TNFD standards](#). In the table

below, climate and nature risks and opportunities as described from [page 30](#) and in the [Climate and Nature Risk Report](#), are included with current exposure, current price level/cost and future expected exposure.



## CLIMATE AND NATURE RISKS

	CURRENT EXPOSURE	CURRENT PRICE LEVEL & COST	FUTURE (2030) EXPOSURE
Current and emerging carbon pricing mechanism	EU ETS: 120,107 t CO <sub>2</sub> in 2023 CO <sub>2</sub> tax for waste incineration: 37,970 t CO <sub>2</sub> emission rights owned 664,700. Scope 3 emissions 354,303 for 2023.	EU ETS 85 EUR/t CO <sub>2</sub> , free allowances covers the demand. CO <sub>2</sub> tax 238 NOK/t CO <sub>2</sub> .	EU ETS: Remaining exposure in 2030 20,000 t CO <sub>2</sub> /year, future EUA price and no free allowances (unlike today). Expect free allowances to cover CO <sub>2</sub> emissions to 2030. Plan to reduce CO <sub>2</sub> emissions will reduce future need for emission rights.  Emissions from transportation within EU-ETS.  CBAM*: Main raw materials locally sourced.
Increased energy prices	Total energy 1,781 GWh, heat energy is 1,235 GWh (from LNG, light oil, biofuel, biogas, waste and electricity), whereas 546 GWh is power supply. Long-term power supply contracts.	Energy is 12% of total cost in 2023, NOK 610 million.	Increased electric power supply from the grid (35 MW), but maintained flexibility for variable load in strained periods.  Reduced dependency for auxiliary fuel.  Total energy at the same level as today, energy efficiency is offset by volume increase. The share of electricity for power supply will increase and energy for heat will decrease. Long-term power supply contracts.
Availability of forest raw material	1 million fm <sup>3</sup> , 99% certified wood PEFC/FSC standard.	Wood 12% of total cost in 2023, NOK 630 million.	Sourced volume of wood will increase with 5-10% to 1.05 - 1.10 million m <sup>3</sup> due to debottlenecking.  Future price level will be based on availability.  Availability can be reduced due to stricter certification schemes for PEFC/FSC and changes in forest regulations.
Physical acute (change in weather conditions)	Supply chain/Operations - Challenging river conditions (Rhine and Glomma).  Operations: Hurricanes in Florida.  Operations: Investigation and measures to reduce risk related to ground conditions due to heavy precipitation, risk of landslide.	Supply chain alternatives - cost below NOK 10 million.  NAT/CAT Insurance in place.  Payout related to ground conditions was NOK 15 million in 2023.	More challenging river conditions (Glomma and Rhine) can increase supply chain cost. Increased risk of hurricanes and possible downtime cost for the operations.  Increased precipitation may impact ground conditions (may lead to higher expenditure related to buildings and infrastructure).  Changes in weather conditions may impact growth rate, forest health and harvesting conditions may increase the wood cost.  NAT/CAT cost is expected to increase.
Physical chronic (sea level rise)	Current exposure low, the risk is not likely to have consequence before 2030.	N/A	Sea level rise in Florida could have an effect after 2030, but relevant climate scenarios was considered when the plant was build.

## CLIMATE OPPORTUNITIES

	CURRENT EXPOSURE	CURRENT PRICE LEVEL & COST	FUTURE (2030) EXPOSURE
Resource efficiency (high utilisation of raw materials/energy)	94% utilisation of wood. Energy conservation program: 21.5 GJ/TAD cellulose in 2023.	Average electricity spot price (Oslo region) at 724 NOK/MWh in 2023.	Utilise bark from wood debarking at the wood yard for energy 75 GWh/year.  100% material or energy recovery of waste streams that was landfilled in 2023.  Increased energy efficiency allows for higher production without increasing energy consumption.  Heat recovery solutions reduces demand for new renewable energy capacity.
Renewable energy (reduced GHG exposure)	Total energy 1,722 GWh, 1,050 GWh from renewable sources. CO <sub>2</sub> emissions from energy is the major emissions source - technology are available to invest in more renewable energy solutions to achieve our science based emission targets.  Flexibility for variable load (LNG, electricity and light oil).	Energy is 12% of total cost in 2023, NOK 610 million.	Investments of NOK 650-850 million in 2023-2025 to reduce emissions by 83,000 t CO <sub>2</sub> (scope 1 and 2). The first investment (NOK 230 million) will be finalised in 2024. The investment will reduce CO <sub>2</sub> emissions and increase energy flexibility, enabling a potential cost reduction (see <a href="#">page 35</a> ).  Maintained flexibility for variable load in strained periods for renewable energy, results in reduced energy cost.  Spraydriers at the site in Norway independent of fossil energy.
Product and services (Products that replaces fossil based)	About 52% (NOK 3.7 million) of Borregaard's sales revenues in 2023 came from biobased products with lower climate/environmental footprint compared with fossil-based products.	Sales revenue for biobased products.	Increased value of biobased products. Changes in EU chemical and environmental regulations may favour our products.
Capital markets	81% of long-term financing (including Revolving Credit Facilities) at the end of 2023 had a sustainability linked margin or were issued in accordance with Borregaard's Green Financing Framework ("green financing").	There were indications that the margin on the green bond issued in 2023 got a slight discount compared to a traditional bond issue. However, it is difficult to quantify the exact effect.	100% "green financing" ambition in 2030. Expect the margin discount on "green financing" to increase towards 2030, which will mean lower interest expenses.
Resilience	800 different products in numerous applications, reduced exposure to cyclical markets. Markets that will grow or decline due to climate changes are identified.	Average price: BioSolution products NOK 11,753 per mtds.  BioMaterials products NOK 16,527 per mt.	Upgrading the product portfolios in both BioSolutions and Speciality Cellulose.  Innovation portfolio and sustainability offering new opportunities.  Maintained/increased flexibility in sourcing, especially within energy and basic chemicals.

### 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 2023

Amounts in NOK million	ACCOUNTING EFFECTS ON			
	Income statement of		Equity of	
	Increase	Decrease	Increase	Decrease
<b>Financial instruments in hedging relationships</b>				
Interest rate risk (excluding leasing): 100 bp parallel shift in interest curves all currencies	-16	16	-	-
Currency risk: 10% change in FX-rate USD/NOK	-	-	-339	339
Currency risk: 10% change in FX-rate EUR/NOK	-	-	-290	290
Currency risk: 10% change in FX-rate SEK/NOK	-	-	4	-4

### SENSITIVITY FINANCIAL INSTRUMENTS 2022

Amounts in NOK million	ACCOUNTING EFFECTS ON			
	Income statement of		Equity of	
	Increase	Decrease	Increase	Decrease
<b>Financial instruments in hedging relationships</b>				
Interest rate risk (excluding leasing): 100 bp parallel shift in interest curves all currencies	-12	12	-	-
Currency risk: 10% change in FX-rate USD/NOK	-	-	-286	286
Currency risk: 10% change in FX-rate EUR/NOK	-	-	-286	-286
Currency risk: 10% change in FX-rate SEK/NOK	-	-	4	-4

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 the hedging relationship is evaluated regularly and is considered to be effective.

The following table 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	2023		2022	
	Assets	Liabilities	Assets	Liabilities
<b>Cash flow hedges</b>				
Currency forwards, currency swaps	105	378	94	219
Interest swaps	-	-	1	-
Embedded derivative	9	50	-	25
<b>Hedges of net investments</b>				
Currency forwards, currency swaps	6	-	-	-
<b>Other derivatives - Fair value changes recognised in income statement</b>				
Currency forwards, currency swaps, options	4	3	-	2
<b>Total derivatives</b>	<b>124</b>	<b>431</b>	<b>95</b>	<b>246</b>

**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 2023, a loss of NOK 7.8 million (2022: loss of NOK 0.4 million) was recorded in the income statement as a result of hedging inefficiency. All expected cash flows which have been hedged

during 2023 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.

A negative hedging reserve means a negative recognition in the income statement in the future. In 2023, the impact of hedging activities on the operating profit was NOK -268 million (NOK -50 million). Hedging gains from cash flow hedges recognised in the equity hedging reserve as of 31 December 2023 are expected to be recycled to the income statement as follows (before tax):

2024: NOK -232 million  
After 2024: NOK -82 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 2023-2024.

#### DEVELOPMENT IN THE EQUITY HEDGING RESERVE

Amounts in NOK million	2023	2022
<b>Opening balance hedging reserve before tax</b>	<b>-410</b>	<b>5</b>
Reclassified to P/L - operating revenues (-gain/+loss)	50	-72
Reclassified to P/L - operating costs (-gain/+loss)	3	-3
Reclassified to P/L - net financial income (-gain/+loss)	-1	4
Reclassified to Balance sheet (-gain/+loss)	-	-
Fair value change cash flow hedges	-216	-254
Change in gain/(loss) on hedges of net investments in subsidiaries	-32	-90
<b>Closing balance hedging reserve before tax</b>	<b>-607</b>	<b>-410</b>
Deferred tax and tax payable hedging reserve	141	98
<b>Closing balance hedging reserve after tax</b>	<b>-466</b>	<b>-312</b>

#### 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 2023	100,000,000	1	100
31 December 2022	100,000,000	1	100

## THE 20 LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2023\* CONT.

Shareholder	Number of shares	% of capital
1 FOLKETRYGDFONDET	10,683,256	10.68 %
2 THE GOLDMAN SACHS GROUP, INC	7,334,513	7.33 %
3 ERIK MUST A/S	7,252,755	7.25 %
4 IMPAX ASSET MGT	5,897,287	5.90 %
5 NORDEA BANK ABP	4,884,038	4.88 %
6 ABERDEEN STANDARD INVESTMENTS (STANDARD LIFE)	3,908,340	3.91 %
7 THE VANGUARD GROUP, INC	3,711,336	3.71 %
8 PARETO ASSET MGT	3,556,456	3.56 %
9 ODIN FUND MGT	3,453,454	3.45 %
10 STOREBRAND INVESTMENTS	3,143,049	3.14 %
11 KLP KAPITALFORVALTNING	2,431,914	2.43 %
12 ARCTIC ASSET MGT	2,298,366	2.30 %
13 BLACKROCK INC	2,116,144	2.12 %
14 SCHRODER INVESTMENT MGT	1,998,564	2.00 %
15 ALFRED BERG	1,879,415	1.88 %
16 SVENSKA HANDELSBANKEN GROUP	1,749,615	1.75 %
17 DNB ASSET MGT	1,703,981	1.70 %
18 JUPITER ASSET MGT	1,482,219	1.48 %
19 BARINGS	1,244,225	1.24 %
20 DIMENSIONAL FUND ADVISORS	1,216,093	1.22 %
Total shares	71,945,020,	71.95 %

\* 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)
<b>1 January 2022</b>	<b>414 862</b>	<b>414 862</b>	<b>92</b>
Exercise of share options in 2022	-239,774	-239,774	
Shares to employees	-162,810	-162,810	
Purchase/Buy-back of treasury shares	422,275	422,275	
31 December 2022	434,553	434,553	66
Exercise of share options in 2023	-354,050	-354,050	
Shares to employees	-169,213	-169,213	
Purchase/Buy-back of treasury shares	525,570	525,570	
31 December 2023	436,860	436,860	75

### NOTE 31 NON-CONTROLLING INTERESTS

As of 31 December 2023, 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. In 2020, LignoTech Ibérica lost its local lignin source when Sniace's cellulose business went bankrupt and had to close. Production at the lignin plant was discontinued and liquidation is expected to be set in 2024. The entities are fully consolidated into the Borregaard Group's financial statements and minority interests are recognised.

As of 31 December 2023, current assets were NOK 149 million (NOK 144 million) in LignoTech Florida and non-current assets amounted to NOK 825 million (NOK 830 million). Current liabilities were NOK 230 million (NOK 274 million) and non-current liabilities amounted to NOK 694 million (NOK 613 million). LignoTech Florida had a loss for the year of NOK -42 million in 2023 (NOK -104 million).

Amounts in NOK million	2023	2022
<b>Changes in non-controlling interests:</b>		
Non-controlling interests 1 January	51	84
Non-controlling interests' share of profit/loss	-14	-41
Translation differences, etc.	2	8
<b>Non-controlling interests 31 December</b>	<b>39</b>	<b>51</b>

### 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 2023, USD 56.8 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 have been no internal transactions in 2023 and final liquidation will be set in 2024.

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 545,450 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.*

Of this amount, NOK 103 million was recognised as reduced expenses (NOK 91 million), while NOK 5 million was recognised as a reduction of the acquisition cost of the asset concerned (NOK 15 million). The grants are provided by the Norwegian government and the US government mainly for research and development projects, environmental investments and CO<sub>2</sub> compensation.

Borregaard recognised NOK 108 million in government grants in 2023 (NOK 106 million)<sup>3</sup>.

The current regulation on CO<sub>2</sub> compensation for industrial enterprises for the period 1 January 2021 to 31 December 2030 was approved during

/ <sup>1</sup> Alternative performance measures, see page 142 for definition.

the 4<sup>th</sup> quarter of 2022 and proposed changed as part of the Norwegian National Budget for 2024. Based on the approved and proposed changes in the regulation, Borregaard has recognised the CO<sub>2</sub> compensation for 2023 in the financial

statement. Of the recognised government grants of NOK 108 million (NOK 106 million), NOK 73 million was related to CO<sub>2</sub> compensation (NOK 62 million).

including recipe and process optimisation and technical installations such as spill collection and evaporation. The goal is to reduce COD emissions to below 47 tonnes per day in 2026. The plan has delivered higher reductions than expected, and the result for 2023 was 46 tonnes per day, representing a 15% reduction compared to 2022.

### 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 (SO<sub>2</sub>) is one of the most important chemicals used in the production processes at Borregaard. There are several EHS regulations to secure safe operations, a safe working environment and low emissions to the environment. The use of SO<sub>2</sub> 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 SO<sub>2</sub> stored at the plant in Sarpsborg in order to further improve safety. The majority of the installation was done in 2020 and finalised in 2022. 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 SO<sub>2</sub> in the working environment. In 2023, there were four hourly exceedances of local air quality, compared to six in 2022. The exceedances were mainly a result of the commissioning of a new plant for production of SO<sub>2</sub>. The new plant is expected to give an improvement in local air quality.

**Reductions in COD effluents:** Borregaard has submitted a long-term plan for reduction of COD to water to the Norwegian Environmental Authorities. The plan includes several measures

**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. The concentration of mercury in ground water wells and in the sewage system is continuously monitored in close co-operation with the authorities to secure stable and acceptable mercury levels. Although the levels increased in 2023, the mercury levels are well below the permitted level. Borregaard has initiated a study to investigate how to improve emission barriers further.

**Ground conditions:** In 2022, a provision of NOK 20 million was made related to ground conditions at the site in Norway. Implementation of the measures started in 2023 and will be fully implemented in 2024. An additional accrual of NOK 7 million was made in 2023 related to the work.



## ENVIRONMENTAL ACCRUALS

Amounts in NOK million	Chlor-alkali plant	Opsund landfill	Former waste disposal	Ground conditions	Total
Initial accrual	60	30	16	0	106
Additional accrual prior to 2022	0	0	3	0	3
Utilised prior to 2022	-60	-30	-19	0	-109
<b>Accrual 1 January 2022</b>	-	-	-	-	-
Accrual related to matters identified in 2022	-	-	-	20	20
Utilisation in 2022 of initial accrual	-	-	-	-	-
<b>Accrual 31 December 2022</b>	-	-	-	20	20
Accrual related to matters identified in 2023	-	-	-	7	7
Utilisation in 2023 of initial accrual	-	-	-	-5	-5
<b>Accrual 31 December 2023</b>	-	-	-	22	22

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.

Conditions which could require future expenditures may be determined to exist for various sites, including Borregaard's major production facilities and warehouses.

## NOTE 36 UNCERTAINTY IN GLOBAL ECONOMY

War and conflicts in Ukraine and the Middle East as well as uncertainty in the global economy may impact Borregaard's markets and costs. Borregaard will continue to closely monitor markets and costs development and implement relevant measures if required. See Note 28 for financial risks.

## NOTE 37 OTHER MATTERS AND SUBSEQUENT EVENTS

*Shares to employees:* As part of the employee share programme, Borregaard has sold a total of 165,248 shares to employees in February 2024. The share price was NOK 129.18 per share including a 25% discount. Costs in 2024, including administration costs, related to the employee share programme amount to approximately NOK 8 million. For more details, see notifications to the Oslo Stock Exchange on 5, 12 and 29 February 2024.

*Share options issued:* In February 2024, 371,000 share options at a strike price of NOK 199.10 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 27 February 2024.

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.



# BORREGAARD ASA FINANCIAL STATEMENTS

## CONTENTS

Income statement .....	131
Statement of financial position .....	131
Statement of cash flow .....	132
Statement of changes in equity .....	132
Notes .....	133
Statement from the Board of Directors .....	137
Auditor's report .....	138

## INCOME STATEMENT

Amounts in NOK thousand	Note	2023	2022
Other operating expenses	4, 8	-10,699	-10,054
<b>Operating profit</b>		<b>-10,699</b>	<b>-10,054</b>
Finance income	5, 8	537,086	644,390
Finance costs	5	-30,308	-10,205
Financial items, net	5, 8	506,778	634,185
<b>Profit/loss before taxes</b>		<b>496,079</b>	<b>624,131</b>
Taxes	6	-109,222	-137,315
<b>Profit/loss for the year</b>		<b>386,857</b>	<b>486,816</b>
Proposed dividend		-373,362	-323,588

Sarpsborg, 15 March 2024

## THE BOARD OF DIRECTORS OF BORREGAARD ASA

*Signed*

HELGE AASEN

*Chair**Signed*

MARGRETHE HAUGE

*Signed*

RAGNHILD ANKER EIDE

*Signed*

TERJE ANDERSEN

*Signed*

JOHN ARNE ULVAN

*Signed*

PER A. SØRLIE

*President and CEO**Signed*

TOVE ANDERSEN

*Signed*

ARUNDEL KRISTIANSEN

## STATEMENT OF FINANCIAL POSITION

Amounts in NOK thousand	Note	31.12.2023	31.12.2022
<b>Assets</b>			
Deferred tax assets	6	268	196
Shares in subsidiaries	7	1,158,347	1,158,347
Loans to Group companies	8	1,619,404	1,345,599
Non interest-bearing receivables		1,145	-
<b>Non-current assets</b>		<b>2,779,164</b>	<b>2,504,142</b>
Receivables	8	450,219	600,369
Cash, cash equivalents and deposits in Group cash pool	8	16,030	3,518
<b>Current assets</b>		<b>466,249</b>	<b>603,887</b>
<b>Total assets</b>		<b>3,245,413</b>	<b>3,108,029</b>
<b>Equity and liabilities</b>			
Share capital	9	100,000	100,000
Treasury shares	9	-437	-435
Share premium		1,758,347	1,758,347
Other paid in equity		77,457	67,594
Retained earnings		323,912	320,170
<b>Equity</b>		<b>2,259,279</b>	<b>2,245,676</b>
Interest-bearing liabilities	10	500,000	-
<b>Non-current liabilities</b>		<b>500,000</b>	<b>-</b>
Interest-bearing liabilities	10	-	400,000
Dividends		373,362	323,588
Income tax payable	6	109,262	137,384
Accounts payable	8	1,441	223
Other liabilities		2,069	1,158
<b>Current liabilities</b>		<b>486,134</b>	<b>862,353</b>
<b>Equity and liabilities</b>		<b>3,245,413</b>	<b>3,108,029</b>

## STATEMENT OF CASH FLOW

Amounts in NOK thousand	2023	2022
Profit/loss before taxes	496,079	624,131
Changes in net working capital, etc.	151,134	133
Taxes paid	-137,416	-134,068
<b>Cash flow from operating activities</b>	<b>509,797</b>	<b>490,196</b>
<b>Cash flow from investing activities</b>	<b>-</b>	<b>-</b>
Dividends	-324,203	-498,758
Proceeds from sales of treasury shares	92,451	74,190
Buy-back of treasury shares	-91,728	-67,774
<b>Net paid to shareholders</b>	<b>-323,480</b>	<b>-492,342</b>
Change in interest-bearing liabilities	100,000	0
Change in interest-bearing receivables	-273,805	3,429
<b>Change in net interest-bearing liabilities</b>	<b>-173,805</b>	<b>3,429</b>
<b>Cash flow from financing activities</b>	<b>-497,285</b>	<b>-488,913</b>
<b>Change in cash and cash equivalents</b>	<b>12,512</b>	<b>1,283</b>
Cash and cash equivalents as of 1 January	3,518	2,235
Change in cash and cash equivalents	12,512	1,283
<b>Cash and cash equivalents as of 31 December</b>	<b>16,030</b>	<b>3,518</b>

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
<b>Equity 31 December 2021</b>	<b>100,000</b>	<b>-415</b>	<b>1,758,347</b>	<b>62,881</b>	<b>156,051</b>	<b>2,076,864</b>
Profit/loss for the year	-	-	-	-	486,816	486,816
Proposed dividend for 2021	-	-	-	-	497,926	497,926
Actual paid-out dividend in 2022	-	-	-	-	-498,758	-498,758
Proposed dividend for 2022	-	-	-	-	-323,588	-323,588
Buy-back/sales of treasury shares	-	-20	-	4,713	1,723	6,416
<b>Equity 31 December 2022</b>	<b>100,000</b>	<b>-435</b>	<b>1,758,347</b>	<b>67,594</b>	<b>320,170</b>	<b>2,245,676</b>
Profit/loss for the year	-	-	-	-	386,857	386,857
Proposed dividend for 2022	-	-	-	-	323,588	323,588
Actual paid-out dividend in 2023	-	-	-	-	-324,203	-324,203
Proposed dividend for 2023	-	-	-	-	-373,362	-373,362
Buy-back/sales of treasury shares	-	-2	-	9,863	-9,138	723
<b>Equity 31 December 2023</b>	<b>100,000</b>	<b>-437</b>	<b>1,758,347</b>	<b>77,457</b>	<b>323,912</b>	<b>2,259,279</b>

# 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, 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.

All amounts are in NOK thousand unless otherwise stated. The functional currency of Borregaard ASA is NOK.

**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.

## 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 "Remuneration report 2023" at the company's website.

## NOTE 04 REMUNERATION AND CONTRACTUAL ARRANGEMENTS

Remuneration of the Board of Directors  
In the General Meeting of the Company's shareholders in April 2023 it was determined

that The Board of Directors is remunerated at annual rates for the period up to the next General Meeting in 2024:

Board of Directors			
Board chair	NOK	646,700	per year
Board member, shareholder-elected	NOK	365,100	per year
Board member, employee-elected	NOK	314,000	per year
Observer, employee-elected	NOK	105,000	per year
Deputy for observer	NOK	8,100	per meeting
Audit and Sustainability Committee			
Committee chair	NOK	104,300	per year
Member	NOK	68,900	per year
Compensation Committee			
Committee chair	NOK	61,600	per year
Member	NOK	48,000	per year

**Remuneration of the Nomination Committee**

The Chair of the Nomination Committee receives NOK 68,900 per year and an additional NOK 11,000 per meeting exceeding four meetings. Other members receive NOK 48,500 per year and an additional NOK 9,000 per meeting exceeding four meetings.

**SHAREHOLDINGS OF CEO AND MEMBERS OF THE BOARD OF DIRECTORS**

	Number of shares*
<b>President &amp; CEO</b>	
Per A. Sørli	164,810
<b>Shareholder-elected Board members</b>	
Helge Aasen	4,500
Terje Andersen	4,371
Tove Andersen	9,100
Margrethe Hauge	4,077
John Arne Ulvan	3,500
<b>Employee-elected Board members</b>	
Ragnhild Anker Eide	3,850
Arundel Kristiansen	906
<b>Employee-elected Board observers</b>	
Bente Seljebakken Klausen	1,735
Roy Kåre Appelgren	2,259
<b>Total</b>	<b>199,108</b>

**FEE TO EXTERNAL AUDITOR**

Amounts in NOK thousand	2023	2022
Statutory audit	838	662
Specific scope audit subsidiaries	540	500
Other attest services	695	604
Tax consultancy services	-	-
Other non-audit services	195	58
<b>Total</b>	<b>2,268</b>	<b>1,824</b>

**NOTE 05 FINANCE INCOME AND FINANCE COSTS**

Amounts in NOK thousand	2023	2022
Group contribution	450,000	600,000
Interest income from Borregaard AS	86,872	44,284
Interest income	214	106
<b>Total finance income</b>	<b>537,086</b>	<b>644,390</b>
Interest costs	-30,294	-10,194
Foreign exchange loss	-14	-11
<b>Total finance costs</b>	<b>-30,308</b>	<b>-10,205</b>
<b>Financial items, net</b>	<b>506,778</b>	<b>634,185</b>

**NOTE 06 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 Taxes 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	2023	2022
Profit before tax	496,079	624,131
Current tax expense	-109,294	-137,384
Change in deferred tax	72	69
<b>Total tax expense</b>	<b>-109,222</b>	<b>-137,315</b>
Tax as % of Profit 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	2023	2022
<b>Deferred tax on tax increasing/reducing differences</b>		
Provisions	-268	-196
<b>Deferred tax liabilities/assets</b>	<b>-268</b>	<b>-196</b>
This year's change in deferred tax	72	69
<b>Change in deferred tax income statement</b>	<b>72</b>	<b>69</b>

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	2023	2022
22 % of profit before taxes	-109,137	-137,309
Other non-deductible expenses	-53	-6
Correction previous years	-32	-
<b>Total tax expense</b>	<b>-109,222</b>	<b>-137,315</b>

The tax rate in Norway is 22%.

**NOTE 07 SHARES IN SUBSIDIARIES**

Long-term investments in subsidiaries, associate 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, Sarpsborg, Norway	1,158,347	100 %
<b>Total</b>	<b>1,158,347</b>	<b>-</b>

Borregaard ASA also has indirect ownership in the following subsidiaries, joint venture and associate companies, of which the profit/loss and equity are important in the valuation of the above company.

	Group's share of capital
<b>Indirectly owned subsidiaries</b>	
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 %
<b>Indirectly owned joint venture</b>	
Umkomaas Lignin (Pte) Ltd	50%
<b>Indirectly owned associate companies</b>	
Alginor ASA (fully diluted basis)	35%
Kaffe Bueno Aps	12%

## NOTE 08 RELATED PARTIES

### INTERCOMPANY RELATIONS WITH BORREGAARD AS

Amounts in NOK thousand	2023	2022
Other operating expenses (Note 4)	3 975	3 781
Group contribution	450 000	600 000
Interest income from Group companies (Note 5)	86 872	44 284
Loans to Group companies*	1,619,404	1,345,599
Current receivable Group contribution	450,000	600,000
Deposits in Group cash pool	16,030	3,518
Accounts payable	1,002	-

\* The loan is interest-bearing and the interest is calculated in accordance with market conditions.

## NOTE 09 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.

## NOTE 10 INTEREST-BEARING LIABILITIES

### Unsecured green bond 2023-2028

On 13 June 2023, Borregaard issued NOK 500 million in new senior unsecured green bond. The new green bond have a tenor of 5 years and

a coupon of 3 months NIBOR plus 1.25% p.a. Settlement of the transaction took place on 20 June 2023. Maturity is 20 June 2028.

### Unsecured bond 2018-2023

On 20 June 2023, the NOK 400 million bond issued in 2018 matured. Settlement of the transaction took place on 20 June 2023.

## NOTE 11 GUARANTEES

### MORTGAGES AND GUARANTEES

Amounts in NOK thousand	2023	2022
Guarantees to subsidiaries	1,500,000	1,500,000
<b>Total guarantee commitments</b>	<b>1,500,000</b>	<b>1,500,000</b>

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 addition, Borregaard ASA is jointly and severally liable borrower with Borregaard AS for the USD

50 million term loan and EUR 40 million term loan (remaining balance EUR 2.7 million at 31 December 2023) with Nordic Investment Bank.

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 loan has a remaining balance of USD 56.8 million at 31 December 2023. The owners will guarantee the loan and the overdraft facility on a pro rata basis until certain financial conditions being met.

## NOTE 12 OTHER MATTERS AND SUBSEQUENT EVENTS

There have been no events after the balance sheet date that would have had a material impact on the financial statements.



# STATEMENT FROM THE BOARD OF DIRECTORS

We confirm that the financial statements for the period.

1 January up to and including 31 December 2023, 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, 15 March 2024

## 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



Statautoriserede revisorer  
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

## 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 statement of financial position as at 31 December 2023 and 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 statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023 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 2023 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting 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 12 years from the election by the general meeting of the shareholders on 22 August 2012 for the accounting year 2012 (with a renewed election on the 7 April 2022).



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### 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 2023. 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. The Group 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 The Group 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 Accounting Standards 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 income statement, comprehensive income and the financial position. We refer to note 28 financial risk and note 29 derivatives and hedging



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### 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 and subject to estimation uncertainty, we consider recognition and measurement of environmental provisions to be a key audit matter.

#### 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 CEO) 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 the other information is materially inconsistent with the financial statements, there is a material misstatement in this other information or that the information required by applicable legal requirements is not included in the board of directors' report, the statement on corporate governance or the statement on corporate social responsibility, 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 of the financial statements of the Company that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU. Management is responsible 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 the audit of the financial statements of Borregaard ASA we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name borregaardasa-2023-12-31-en.zip, have 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 pursuant to 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 the annual report in compliance with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

###### Auditor's responsibilities

Our responsibility, based on audit evidence obtained, 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. We conduct our work 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 about whether the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we perform procedures to obtain an understanding of the company's processes for preparing the financial statements in accordance with the ESEF Regulation. We test whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include 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, 19 March 2024  
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Kjetil Rimstad  
State Authorised Public Accountant (Norway)

# HISTORICAL KEY FIGURES

	Definitions	2023	2022	2021	2020	2019
<b>Profit &amp; loss</b>						
Operating revenues	(mill.NOK)	7,132	6,881	5,805	5,328	5,063
EBITDA <sup>1</sup>	(mill.NOK)	1,781	1,643	1,372	1,132	1,007
Depreciation and write-down	(mill.NOK)	-485	-444	-416	-443	-418
Amortisation intangible assets	(mill.NOK)	-5	-5	-4	-5	-4
Other income and expences <sup>1</sup>	(mill.NOK)	-	-8	-	-116	-27
Operating profit	(mill.NOK)	1,291	1,186	952	568	558
EBITDA margin <sup>1</sup>	(%)	25.0	23.9	23.6	21.2	19.9
Ordinary profit before taxes	(mill.NOK)	1,124	1,118	873	496	467
Profit/loss for the year	(mill.NOK)	856	851	660	379	351

<b>Cash flow</b>						
Cash flow from operating activities	(mill.NOK)	1,563	735	1,431	886	697

<b>Return</b>						
Return on capital employed <sup>1</sup>	(%)	18.3 %	18.1 %	16.1 %	11.4 %	10.5 %

<b>Capital as of 31 december</b>						
Book value of total assets	(mill.NOK)	9,115	8,114	7,166	7,003	6,744
Market capitalisation	<sup>1</sup> (mill.NOK)	17,065	15,134	22,108	14,125	9,465
Equity ratio <sup>1</sup>	(%)	53.7	54.8	60.1	53.9	51.4
Net interest-bearing debt <sup>1</sup>	(mill.NOK)	1,791	1,836	1,417	1,794	1,876
Leverage ratio <sup>1</sup>		1.01	1.12	1.03	1.58	1.86
Share of floating interest-bearing liabilities	(%)	100.0	81.8	74.5	78.95	77.68

	Definitions	2023	2022	2021	2020	2019
<b>Shares</b>						
Number of shares outstanding diluted	(x 1,000)	99,753	99,753	99,743	99,712	99,807
Shares outstanding excluding treasury shares	(x 1,000)	99,563	99,565	99,585	99,615	99,633

<b>Share-related key figures</b>							
Share price at 31 December		(NOK)	171	152	222	142	95
Earnings per share diluted	2	(NOK)	8.71	8.92	6.94	4.37	4.18
Ordinary dividend per share (proposed for 2023)		(NOK)	3.75	3.25	2.75	2.50	2.30
Extraordinary dividend		(NOK)	-	-	2.25	-	-
Payout ratio	3	(%)	43.07	36.43	72.05	57.21	55.16
Price/earnings ratio	4		19.69	17.04	31.99	32.45	22.78

<b>Personell</b>							
Number of man-years at 31 December (excluding JV)			1,127	1,107	1,079	1,091	1,103

## DEFINITION:

1 Market capitalisation is calculated on the basis of number of shares outstanding multiplied by the share price at year end

2 Profit for the year after minority interests/Average number of shares outstanding diluted at year end

3 Total dividend per share/Earnings per share diluted

4 Share price/Earnings per share diluted

# INDEPENDENT ASSURANCE OF SUSTAINABILITY REPORTING



Statsautoriserte revisorer  
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## INDEPENDENT ACCOUNTANT'S ASSURANCE REPORT

To the board of directors in Borregaard ASA

### 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 defined and specified in the Borregaard ASA's GRI Index (see the document GRI content index 2023 on <https://www.borregaard.com/sustainability/sustainability-documentation/> (the "Subject Matter") as for the year then ended.

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 report, 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 as well as its own defined published criteria (the "Criteria"). The Criteria can be accessed at [globalreporting.org](http://globalreporting.org) and information on where Custom criteria is defined 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.

### Borregaard ASA's responsibilities

The Board of Directors and Group Chief Executive Officer (management) are responsible for 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.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

### Our Independence and Quality Control

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'



2

*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.

EY also applies International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements*, which requires that we design, implement and operate a system of quality management including policies or 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 if a reasonable assurance engagement had 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:

- Interviews with key personnel to understand the business and the reporting process
- Interviews with key personnel to understand the process for collecting, collating and reporting the Subject Matter during the reporting period
- Test on a sample basis the calculation Criteria against the methodologies outlined in the Criteria
- Analytical review procedures of the data
- Comparison, on a sample basis, of data with the underlying source information
- Comparison of the presentation of the Subject Matter with the presentation requirements outlined in the Criteria.

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.

### 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 for the year then ended in order for it to be in accordance with the Criteria.

Oslo, 19 March 2024  
ERNST & YOUNG AS

*The assurance report is signed electronically*

Kjetil Rimstad  
State Authorised Public Accountant

# ALTERNATIVE PERFORMANCE MEASURES

In the discussion of the reported operating results, financial position and cash flows, Borregaard refers to certain measures which are not defined by generally accepted accounting principles (GAAP) such as IFRS. Borregaard management makes regular use of these Alternative Performance Measures and is of the opinion that this information, along with

comparable GAAP measures, is useful to investors who wish to evaluate the company's operating performance, ability to repay debt and capability to pursue new business opportunities. Such Alternative Performance Measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.



## EBITDA

### Description

EBITDA is defined by Borregaard as operating profit before depreciation, amortisation and other income and expenses.

### Reason for including

Shows performance regardless of capital structure, tax situation and adjusted for income and expenses related transactions and events not considered by management to be part of operating activities. Management believes the measure enables an evaluation of operating performance.

EBITDA	2023	2022
Operating profit	1,291	1,186
Other income and expenses	-	8
Amortisation intangible assets	5	5
Depreciation and impairment property, plant and equipment	485	444
<b>EBITDA</b>	<b>1,781</b>	<b>1,643</b>

## EBITDA MARGIN

### Description

EBITDA margin is defined by Borregaard as EBITDA divided by operating revenues.

### Reason for including

Shows the operations' performance regardless of capital structure and tax situation as a ratio to operating revenue.

EBITDA MARGIN	2023	2022
EBITDA	1,781	1,643
Operating revenues	7,132	6,881
<b>EBITDA margin (%) (EBITDA/operating revenues)</b>	<b>25.0</b>	<b>23.9</b>

## EQUITY RATIO

### Description

Equity ratio is defined by Borregaard as equity (including non-controlling interests) divided by equity and liabilities.

### Reason for including

Equity ratio is an important measure in describing the capital structure.

EQUITY RATIO	2023	2022
Total equity	4,894	4,445
Equity & liabilities	9,115	8,114
<b>Equity ratio (%) (total equity/equity &amp; liabilities)</b>	<b>53.7</b>	<b>54.8</b>

## EXPANSION INVESTMENTS

### Description

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, investments in bio-based start-ups, pilot plants, capitalised research and development costs and new distribution set-ups.

### Reason for including

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	2023	2022
Total investments including investment in associate companies and bio-based start-ups	838	464
Replacement investments	-550	-359
<b>Expansion investments including investment in associate companies and bio-based start-ups</b>	<b>288</b>	<b>105</b>

## OTHER INCOME AND EXPENSES

### Description

Other income and expenses are 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.

### Reason for including

To be able to compare the EBITDA of different reporting periods, significant non-recurring items not directly related to operating activities, are included in Other income and expenses.

OTHER INCOME & EXPENSES	2023	2022
<b>Other income &amp; expenses</b>	<b>-</b>	<b>-8</b>



## NET INTEREST-BEARING DEBT

### Description

Net interest-bearing debt is defined by Borregaard as interest-bearing liabilities minus interest-bearing assets.

### Reason for including

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	31.12.2023	31.12.2022
Non-current interest-bearing liabilities	2,016	1,370
Current interest-bearing liabilities including overdraft of cashpool	246	702
Non-current interest-bearing receivables (included in "Other assets")	-2	-2
Cash and cash deposits	-469	-234
<b>Net interest-bearing debt</b>	<b>1,791</b>	<b>1,836</b>

## LEVERAGE RATIO

### Description

Leverage ratio is defined by Borregaard as net interest bearing debt divided by last twelve months' (LTM) EBITDA.

### Reason for including

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 Borregaard's financial covenant on long-term credit facilities.

LEVERAGE RATIO	31.12.2023	31.12.2022
Net interest-bearing debt	1,791	1,836
EBITDA	1,781	1,643
<b>Leverage ratio (net interest-bearing debt/EBITDA)</b>	<b>1.01</b>	<b>1.12</b>

## CAPITAL EMPLOYED

### Description

Capital employed is defined by Borregaard as the total of net working capital, intangible assets, property, plant and equipment, right-of-use assets minus net pension liabilities.

### Reason for including

Borregaard uses capital employed as basis for calculating ROCE.

CAPITAL EMPLOYED (END OF PERIOD)	31.12.2023	31.12.2022
Capital employed (end of period)	7,142	6,802

## RETURN ON CAPITAL EMPLOYED (ROCE)

### Description

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.

### Reason for including

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)	2023	2022
Capital employed end of:		
Q4, 2021	-	6,043
Q1, 2022	-	6,421
Q2, 2022	-	6,779
Q3, 2022	-	7,015
Q4, 2022	6,802	6,802
Q1, 2023	7,142	-
Q2, 2023	7,216	-
Q3, 2023	7,191	-
Q4, 2023	7,142	-
<b>Average capital employed</b>	<b>7,099</b>	<b>6,612</b>
<b>CAPITAL CONTRIBUTION</b>	<b>2023</b>	<b>2022</b>
Operating profit	1,291	1,186
Other income and expenses	-	8
Amortisation intangible assets	5	5
<b>Capital contribution</b>	<b>1,296</b>	<b>1,199</b>
<b>RETURN ON CAPITAL EMPLOYED (ROCE)</b>	<b>2023</b>	<b>2022</b>
Capital contribution	1,296	1,199
Average capital employed	7,099	6,612
<b>Return on capital employed (ROCE) (%)</b> <b>(capital contribution/average capital employed)</b>	<b>18.3</b>	<b>18.1</b>

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