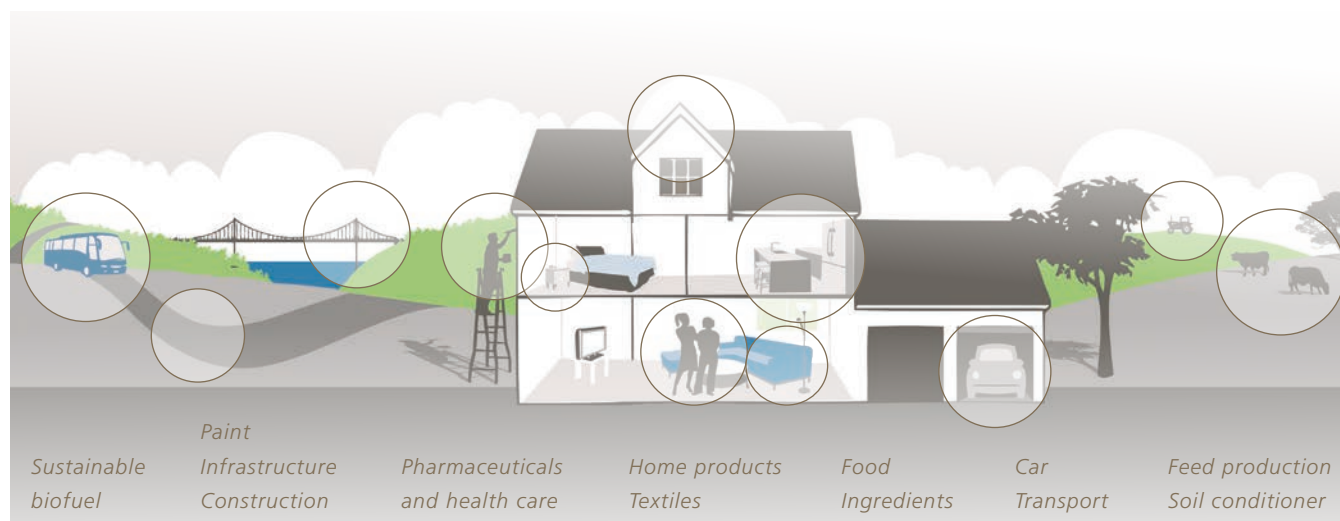


SUSTAINABILITY AND CORPORATE RESPONSIBILITY





SUSTAINABILITY AND CORPORATE RESPONSIBILITY IN BORREGAARD

Borregaard's goal is to provide sustainable solutions based on renewable raw materials and unique competence. Sustainability is therefore a core element in our business model and overall goals. The Board of Directors emphasise that sustainability is an integrated part of how to operate and develop the company.

At the end of 2015, the leaders of a large number of nations reached to a historic and ambitious agreement at the COP21 event in Paris to reduce climate changing pollution. The agreement contains implementation programmes likely to drive increased demand for green alternatives to petrochemical products and thereby puts Borregaard in a favourable position when it comes to future market demand.

Borregaard's main objective is to develop and deliver sustainable solutions using natural raw materials and its unique competence. Hence, both the company's aspirations and challenges are linked to corporate responsibility and its sustainable development.

Borregaard executes its corporate responsibility by developing and running its operations profitably in a manner that conforms to fundamental ethical values and respect for individuals, the environment and society as a whole. This approach also involves maintaining a dialogue with the Group's key stakeholders and taking them into consideration when running the business and making decisions.

MAIN AREAS

Corporate responsibility is a broad concept that covers many areas. With a view to specifying and prioritising the Group's corporate responsibility activities, Borregaard has defined the following main areas:

- A SUSTAINABLE BUSINESS MODEL
- B CLIMATE, ENVIRONMENT, HEALTH AND SAFETY
- C EMPLOYEE AND COMPETENCE DEVELOPMENT
- D SUPPLIERS AND BUSINESS PARTNERS
- E CONTRIBUTION TO SOCIETY

STAKEHOLDER DIALOGUE

Maintaining good contact with the Group's various stakeholders is important in terms of creating trust in Borregaard and an understanding of what the company does within local communities and society at large. Every Borregaard unit has to consider issues relevant to the relationship between the company and the wider community, facilitate good dialogue and ensure that complaints and other enquiries from external stakeholders are handled efficiently. Borregaard must assess the need to implement improvement projects in areas where specific challenges exist.

ORGANISATION AND RESPONSIBILITIES

Borregaard has a number of guideline documents and reporting procedures as part of its corporate responsibility policy. The overall documents are approved by the Board of Directors. Corporate responsibility is a line management

responsibility in Borregaard. This means that corporate responsibility must form an integral part of the activities of various management teams, units and departments. The Group Executive Management has the overall responsibility to monitor the company's aspirations, initiatives and results in this area.

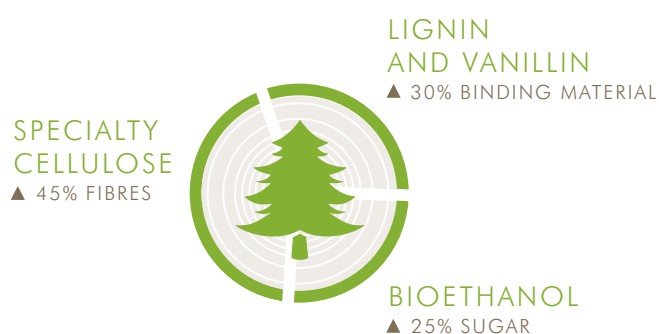
REFERENCES

- Guidelines on corporate responsibility
- Ethical guidelines
- Anti-corruption manual
- Competition law manual
- Guidelines on responsible procurement
- Guidelines on human rights
- Guidelines on whistleblowing
- Guidelines on Environment, Health and Safety (EHS)





A SUSTAINABLE BUSINESS MODEL



BORREGAARD'S BUSINESS MODEL

- Renewable raw materials
- High raw material utilisation
- Environmentally friendly substitutes for petrochemicals

Borregaard's fundamental understanding of sustainability and corporate responsibility is that the business model itself and the company's products are sustainable and meet global needs.

In the years ahead, the world will face numerous challenges associated with population growth and urbanisation. Borregaard's bio-based products are alternatives to petrochemical-based products, thereby contributing towards resolving some of the long-term global challenges associated with access to resources and the impact on the environment and climate.

Borregaard has engaged an independent third party, Ostfold Research, to conduct a life cycle analysis (LCA) in accordance with the ISO 14044/48 standard. This involves analysing all environmental and resource-related impacts of the products throughout their entire life cycle. The study was first carried out in 2008 and has since been updated several times, most recently in 2015 (using 2014 figures). This analysis confirms

that the environmental and climate footprint of Borregaard's products has decreased over time. Borregaard's bio-based products do well from a climate perspective when compared with petrochemical alternatives. Borregaard has made efforts to reduce greenhouse gas emissions in its own processes, including elimination of heavy oil consumption and increasing the amount of energy derived from more eco-friendly energy sources.

SUSTAINABLE WOOD

Borregaard's biorefinery relies on its raw materials also meeting environmental and sustainability criteria. The Group attaches great importance to purchasing wood from forests that are managed in a sustainable and eco-friendly manner. Read more about certified wood on page 15.

KEY INITIATIVES AND RESULTS IN 2015

Borregaard's sustainability profile has been strengthened during 2015 by reduction in most emissions and by further development of new biorefinery products.

In 2014, Borregaard decided to invest in a facility for the production of Exilva® microfibrillar cellulose at the Group's site in Sarpsborg. The facility is now under construction and is expected to produce sustainable biomaterials that can replace non-renewable products for industrial applications from the third quarter of 2016.

In 2014, Borregaard built a large-scale pilot plant for SenseFi® advanced texture systems at its site in Wisconsin, USA.

These two projects both entail a continuation and a further specialisation of the biorefinery concept.

Innovation plays an important role in maintaining sustainability and Borregaard measures its innovation effort as the percentage of sales derived from new products launched during the previous five years. In 2015, Borregaard's innovation rate increased to 18% (13% in 2014). The average innovation rate the last five years is 12%.

KEY TARGETS 2015	ACHIEVED
Updated life cycle analysis (LCA) for Borregaard products	✓
Increase the innovation rate in terms of new product sales	✓
Strengthen Borregaard's business model by developing Exilva® into a new business	Ongoing

KEY TARGETS 2016
Commissioning of the Exilva® plant
An innovation rate of 15% (average last five years)
Further improvement of sustainability in an LCA perspective





B CLIMATE, ENVIRONMENT, HEALTH AND SAFETY

Climate, environment, health and safety are integral parts of Borregaard's business plan. The Group makes active efforts in this area by adopting measures that can contribute to proper environmental and resource management. Borregaard's aspirations and recommendations concerning EHS (Environment, Health and Safety) are set out in a separate guideline document (see list on page 3).

Borregaard has established a risk assessment and management system, which is a part of the Group's business management activities. This system is regularly reviewed (at least every year) by management groups and the Board of Directors. Risk management covers every aspect of Borregaard's activities, including self-assessments on environment, health and safety matters.

Climate and EHS factors are a management responsibility. Borregaard also has its own dedicated support functions for environment, health and safety and risk management.

CLIMATE CHANGE - GREENHOUSE GAS EMISSIONS

Borregaard's business model involves using renewable raw materials to produce climate friendly products that can replace products from fossil raw materials. With regard to greenhouse gas emissions from a life cycle perspective, Borregaard's products more than compensate for the emissions from production (see page 3).

A particular focus in 2015 was on an energy efficiency programme which resulted in reduced energy consumption as well as reduced CO₂ emissions. Borregaard's direct emissions

of the greenhouse gas CO₂ primarily derive from fossil fuels used in thermal energy production.

During the past decade, Borregaard Sarpsborg has implemented an energy strategy to replace the use of heavy fuel oil with more climate- and eco-friendly energy sources. Over the last 10 years Borregaard has reduced its CO₂ emissions by 50%. At present, Borregaard meets its base load thermal energy needs through recovery of thermal energy from production, bioenergy and incineration of waste. In 2013, the heavy fuel oil in peak load steam production was replaced, as Borregaard commissioned a new multi-fuel boiler primarily using liquefied natural gas (LNG). The peak load steam production is now based on a combination of LNG, light fuel oil and electricity. Thus, the CO₂ emissions associated with thermal energy production will vary from year to year depending on the peak load energy source used.

In 2014, Borregaard Sarpsborg completed an Enova*-supported biological purification plant which produces green energy in the form of biogas, replacing propane for spray drying of lignin. Investment in a new control system in the spray driers enables the use of more biogas at this plant. This led to a reduction of 2,750 metric tonnes (mt) of CO₂ related to these processes in 2015. In 2016, Borregaard will continue to optimise the control system to further reduce the use of propane.

Total direct CO₂ emissions generated by all of the Group's plants were reduced by almost 9%, from 163,616 mt in 2014 to 149,474 mt in 2015. CO₂ emissions at Borregaard

* A public enterprise owned by the Ministry of Petroleum and Energy

Sarpsborg accounted for 116,296 mt, a decrease of 13,075 mt compared with the previous year. This was mainly due to lower steam consumption and increased use of biogas in the spray driers.

In 2015, Borregaard reported CO₂ emissions to the Carbon Disclosure Project (CDP) for the first time. This calculation of CO₂ emissions is according to the Greenhouse Gas Protocol (GHGP). Scope 1 emissions are almost the same as the direct emissions calculated, except that it includes internal transportation. Scope 1 emissions for Borregaard in 2015 were 150,974 mt, while scope 2 emissions were 155,744 mt. Scope 2 emissions are mainly CO₂ from the production of electricity and the steam bought from the external waste incineration plant at the site in Sarpsborg.

Borregaard will continue to reduce CO₂ emissions by planned investments in the energy efficiency programme as well as by using more biogas in the spray driers.

ENVIRONMENT

Borregaard is making efforts to reduce its environmental impact in a number of areas. The most significant environmental challenges are associated with the Sarpsborg plant.

In 2015, new and better environmental production parameters for some products as well as optimised processes in the anaerobic treatment plant led to reduced emissions to water in Sarpsborg. In total, the emissions of organic compounds to water (COD) were reduced by 4%.

In 2016, Borregaard will provide the Norwegian Environment Agency with an assessment of the environmental technology at the site in Sarpsborg according to the recently updated Best Available Techniques Reference Document (BREF) standards for the industry. This assessment will be input in the process of revising the emission permit effective from September 2018.

Borregaard Deutschland has a renewed operating permit for the spray-drying process effective from 2016 with stricter limits. To meet the requirements of the new permit, Borregaard has implemented several actions including a rebuild of the spray driers.

A. Energy production and consumption

The total amount of energy consumed by all Borregaard units amounted to 1,822 GWh in 2015: 1,240 GWh of thermal energy and 582 GWh of electricity-specific consumption.

The majority of the energy was consumed by Borregaard's plant in Sarpsborg, where total consumption amounted to 1,590 GWh in 2015: 1,090 GWh of thermal energy and 500 GWh of electricity-specific consumption. Borregaard has an energy efficiency programme aimed at reducing the annual energy consumption at the Sarpsborg site by 60 GWh within

three years (starting from 2014). This programme delivered savings of 50.9 GWh in 2015, compared to 2014. The activities involve making better use of the surplus thermal energy and waste energy to be able to reduce the amount of natural gas and electricity used. The programme receives financial support from Enova representing 42% of the total investment of NOK 107 million.

Borregaard has carried out a pre-project in 2015 to investigate further energy efficiency potential. In 2016 the pre-project will be evaluated and investment plans developed.

In 2015, Borregaard Deutschland added the ISO 50001 certificate covering energy management systems to their ISO 9001 and ISO 14001 environment certificates. An efficiency improvement project in 2015 led to an 8% reduction of specific energy consumption.

B. Emissions to air

Total SO₂ emissions for the Borregaard Group amounted to 132 mt in 2015, compared with 180 mt reported in 2014. The Sarpsborg plant reported SO₂ emissions of 118 mt in 2015, a reduction of 48 mt or 29% compared with 2014. This was mainly due to the installation of a new SO₂ scrubber in the cellulose bleaching plant.

Sarpsborg Municipality measures local air quality in terms of SO₂ content. The results of these measurements show a reduction in the concentrations of SO₂ in the local environment, but isolated incidents at Borregaard can lead to short-term elevation of values. In 2015, Sarpsborg Municipality registered 17 hourly exceedances and 3 daily exceedances of the SO₂ level in the air around Borregaard's plant. Borregaard is continually working on measures to reduce the frequency of extraordinary emissions of SO₂. These include additional facilities for monitoring and controlling SO₂ emissions from its plants. An ongoing programme aimed at replacing the pipework system by 2017 will also reduce emissions.

Local air quality is to be taken into account in the Municipality's land use planning. There are special regulatory requirements related to the localisation of activities which may involve exposure to vulnerable venues such as health institutions and nurseries. These requirements were made stricter in 2014. In 2015, in cooperation with local authorities, Borregaard has prepared a dispersion map showing potential exposure of SO₂ in Sarpsborg, taking the new requirements into consideration. In 2016, new measurements will be conducted to improve the quality of the dispersion map.

In 2016, Borregaard will conduct mapping of diffuse SO₂ emissions as a basis for further reductions, as well as install more SO₂ sniffers to more easily detect unexpected emissions.

The total amount of NO_x emissions from the Borregaard Group was 274 mt in 2015, representing an increase of

11% over 2014. In Borregaard Sarpsborg, the NO_x emissions increased due to operational changes in the bioboiler to produce more bioenergy. 208 mt of NO_x was emitted from the plant in Sarpsborg in 2015 (179 mt in 2014).

C. Emissions to water

In 2014, Borregaard Sarpsborg inaugurated a new biological purification plant. The Governmental permit for emissions of organic compounds (COD) was then reduced to 69 mt a day. In 2015, the degradation rate of the biological treatment plant was improved by investments in equipment to clean inlet streams and optimisation of the process. Better environmental production parameters for some products also led to reduced emissions. This resulted in a historically low level of emissions of COD to water, 66 mt per day (69 mt per day in 2014), representing a 4% reduction.

The COD figures only reflect emissions in Sarpsborg, since the Group's other operations do not have any significant emissions to water. The emission target for 2016 is 67 mt COD per day.

In 2015, Borregaard's discharge of copper was reduced by 2.4 kg per day to a level of 8.7 kg per day. This was mainly due to an optimisation of the recycling process for copper at the Sarpsborg site. The emission target for 2016 is 8 kg copper per day.

In the period 1949-1997, Borregaard used mercury based technology for chlorine alkali production at the site in Sarpsborg. In 1997, a new mercury free technology was implemented. In 1994, a groundwater barrier was built in order to confine mercury in the soil around the plant. The water in the area close to the plant was cleaned and a water monitoring programme for mercury was established. In the winter of 2015, a higher level of mercury was detected by the monitoring. Borregaard has undertaken measures to strengthen the ground water barriers in order to prevent mercury leakage, working closely with the Norwegian Environment Agency

("Miljødirektoratet"). In 2015, the emissions of mercury were 9 kg, while the normal annual level from the Sarpsborg site is 2-3 kg. The aim is to reach the normal emission rate of mercury during 2016.

D. Salmon cultivation facility

Emissions from industrial operations and water level control can have negative consequences for spawning and growth conditions of the wild salmon stock in the river Glomma, close to Borregaard's Sarpsborg plant. In 2012, in partnership with two other companies, Borregaard constructed and financed a salmon cultivation facility on Borregaard's premises. The goal is to achieve the salmon stock target for the river Glomma within a period of four to five years. Investigations conducted by the Norwegian Institute for Water Research (NIVA) in 2015 showed that there was a substantial rise in the number of salmon fry in the river Glomma compared with 2014 and 2013. 24% of the salmon fry came from the cultivation facility at Borregaard, which shows that the natural cultivation of salmon in the river is increasing. In 2016, NIVA will conduct an evaluation of the salmon cultivation in the river, to establish the future need for a cultivation facility.

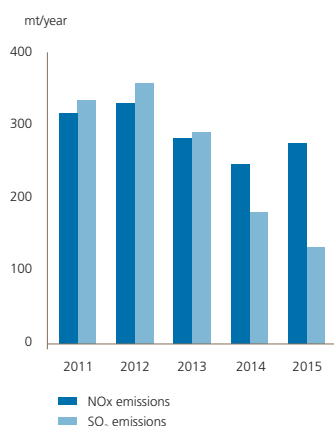
E. Waste

Plants in the Borregaard Group practise waste sorting and the material recovery rate is high (96.5% in Sarpsborg in 2015). The waste is processed by certified waste operators. The Sarpsborg plant has developed waste plans for both the industrial plant and the company's harbour. Total waste was 6,643 mt in 2015 (8,924 mt in 2014).

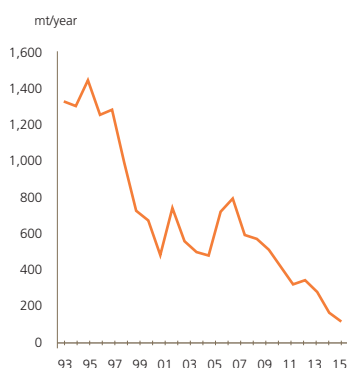
The amount of ash from the waste incineration plant that Borregaard took over in 2013 was 13,296 mt in 2015. This was not included in the reported figures in the earlier sustainability reports.

The Opsund landfill, a waste disposal site on Borregaard's premises in Sarpsborg, was taken out of use in 2009. In late

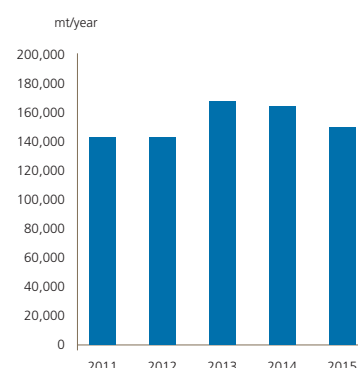
NO_x AND SO₂ EMISSIONS
BORREGAARD GROUP



SO₂ EMISSIONS
SARPSBORG SITE



CO₂ EMISSIONS
BORREGAARD GROUP



The SO₂ figures have been recalculated from previous years due to a change of reporting at Borregaard's plants outside Norway, from calculated maximum emissions to actual measured emissions.

2014, a plan for permanent closure of the landfill by the end of 2019 was submitted to The Norwegian Environment Agency. The plan was approved in March 2015, and the closure project is progressing according to plan.

F. Water consumption

Borregaard Sarpsborg is self-sufficient in terms of water, thanks to its access to the river Glomma and its own water purification facility. Water is used in processes such as cooling, steam generation and hot water production, as well as transportation of biomass through production and washing. The Sarpsborg plant used a total of 22.7 million m³ of water in 2015 (22.7 million m³ in 2014).

The amount of water used at Borregaard's production facilities outside Norway is moderate and the water is sourced from public waterworks or adjoining industrial areas.

G. Transportation

Borregaard strives for effective and eco-friendly road, rail and maritime logistics solutions. This applies to both the transportation of raw materials into the plants and the transportation of products out to the customers around the world. Having production units for lignin on three continents reduces the need to transport both raw materials and finished products over very long distances. Borregaard wants to transport more goods by sea and rail, but current capacity constraints due to Norway's port infrastructure and the railway network reduce the possibility of increased use of these forms of transportation.

In 2012, Borregaard Sarpsborg joined the EU funded project "Marco Polo" with the aim to reduce CO₂ emissions through increased sea transport while also relieving the growing levels of traffic on European roads. Borregaard has received a grant of potentially NOK 6.5 million; the funding is subject to Borregaard moving 50,000 mt of its outgoing transport from road to sea per year by the end of 2016.

In 2015, Borregaard in Sarpsborg switched transportation of 23,000 mt of goods from road to sea. This equals a CO₂ reduction of 856 mt. Overall, Borregaard moved around 45% of its goods by sea, 40% by road and 15% by rail.

In accordance with the European Commission's strategy to curb CO₂ emissions from heavy-duty vehicles over the coming years, Borregaard monitors emissions from the transportation of logs and wood chips. In 2015 Borregaard had a target of 86% Euro 5 and higher emission standards for vehicles supplying wood to the biorefinery in Sarpsborg. At the end of 2015 this figure was 88%. Emissions from vehicles are considered in the approval process for transport suppliers.

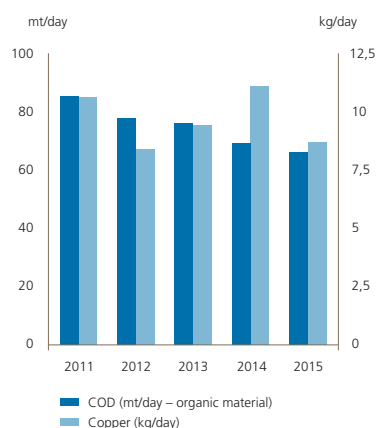
Heavy-duty vehicle traffic constitutes a large proportion of emissions from the transport sector and these are among the emissions that have increased the most globally. A shift towards greener transportation provides large reductions in emissions of greenhouse gases. In 2015 Borregaard committed itself to play its part in the effort to moving towards a green shift in goods transportation by signing the Zero Emission Resource Organisation (ZERO) declaration of a green shift in heavy-duty vehicle traffic.

HEALTH AND THE WORKING ENVIRONMENT

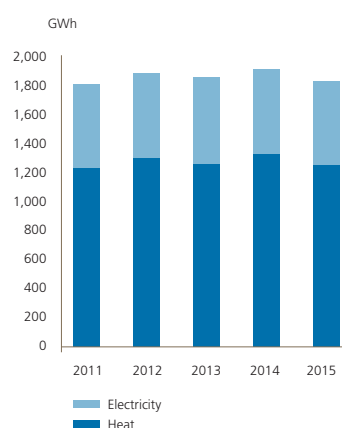
Borregaard strives to ensure that working conditions are conducive to good health for its employees. To meet this objective, preventative activities and initiatives have been introduced to reduce stressful aspects of working conditions. Employee health is regularly monitored through health and working environment surveys. The working environment is generally considered to be good, and improvement efforts are continually being implemented.

There is an emphasis on closely following up employees on sick leave and on adapting tasks for individual employees. Temporary facilitation in the working environment by providing appropriate work tasks or shorter working hours

EMISSIONS TO WATER SARPSBORG SITE



ENERGY CONSUMPTION BORREGAARD GROUP



for a period of time are examples of measures made to accommodate employees with different needs.

Results in 2015

The sick leave rate¹ in the Borregaard Group was 3.3% in 2015².

The sick leave rate at the Borregaard plant in Sarpsborg was historically low in 2015, falling from 4.2% to 4.1%. Continuous focus on and use of appropriate health promoting measures in close collaboration with employee representatives led to the third year of historically low sick leave in Sarpsborg. Dialogue and physical and organisational facilitation of the workplace, flexible work hours as well as an available psychologist are all measures to reduce sick leave. Borregaard's units outside Norway are also focusing on facilitation of the workplace as well as measures such as physical exercise, health and lifestyle counselling, vaccinations and stress awareness.

WORKPLACE SAFETY

Safety is integrated into every aspect of Borregaard's operations. Borregaard has a worldwide safety programme called Zero Harm. Important measures aimed at achieving fewer injuries include: Basic EHS training, focusing on personal responsibility for one's own safety, clearly defining safety management, reviewing rules for and the practical use of protective equipment, and observing rules on order and tidiness in the workplace. All injuries are investigated to identify root causes, implement corrective actions and document lessons that can be learned. Safety is also a permanent agenda item at the shift handover meeting for all workers in Sarpsborg who are starting a new shift period.

Results in 2015

The Zero harm process continued with Safety Leadership Team guidance and third party auditing ensuring compliance.

In recent years, Borregaard has worked hard to reduce the number of injuries and the seriousness of these incidents. In 2015 there were no lost time injuries at Borregaard's plants outside Norway. The plant in the UK marked 12 years since the last recorded lost time injury and at the end of 2015 Borregaard Deutschland obtained the Borregaard Diamond Award for eight years without any lost time injuries.

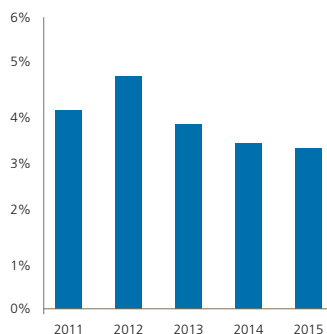
The Group's lost time injuries rate, measured as H1 value (number of injuries resulting in sick leave per million hours worked), decreased from 2.7 in 2014 to 2.4 in 2015. The total number of injuries, measured as H2 value (number of injuries per million hours worked), decreased from 10.6 in 2014 to 6.1 in 2015.

The Sarpsborg plant had a total of 11 injuries in 2015, four of which resulted in sick leave. The H1 value in Borregaard Sarpsborg decreased from 3.9 in 2014 to 2.9 in 2015. The H2 value was reduced from 14.6 in 2014 to an all-time low level of 8.1 in 2015. The main cause of injuries has historically been exposure to chemicals. In 2015 only one injury was caused by chemical exposure. Years of systematic work on reducing chemical exposure through training and safety management are now showing positive results. Other injuries in 2015 were burns from exposure to hot liquids and small cuts.

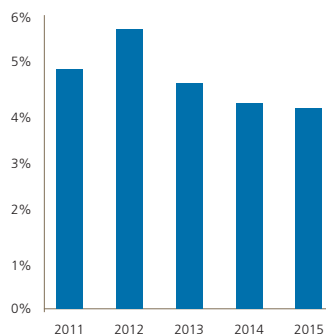
Borregaard Sarpsborg experienced three fires and 13 potential fires in 2015. The most severe fire was in a seasoning silo for wood chips. No-one was injured, but the incident caused substantial material damage (covered by insurance). During the year, Borregaard established a new fire protection organisation to safeguard internal control in fire prevention.

In 2015, the focus has been on preventative safety work. A weekly safety meeting has been established at Borregaard Sarpsborg addressing themes such as risk awareness training, hazardous conditions, use of safety tools and personal

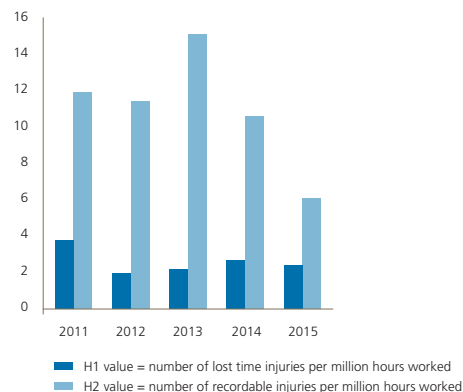
**SICK LEAVE
BORREGAARD GROUP**



**SICK LEAVE
SARPSBORG SITE**



**LOST TIME INJURY RATE
BORREGAARD GROUP**



¹ Number of total hours sick leave/available working hours.
² 3.4% in 2014 – sales offices have been included from 2015.

protective equipment as well as tidiness in the workplace. In 2015, LignoTech South Africa maintained its OHSAS 18001:2007 certification – an international occupational health and safety management system. The company organised its annual “Safety Day” raising awareness about safety risks in the workplace. In LignoTech South Africa all new employees undergo hazard awareness training and testing, and sign a safety pledge when joining the company as preparation for being absorbed into the Zero Harm systems. In 2015, Borregaard installed a new and improved deviation system which provides even better monitoring and focus of EHS incidents.

Initiatives in 2016

Borregaard will continue to focus on training to enhance employees’ risk awareness in their daily work environment as well as monitoring, visible presence of, and follow-up by management. Work on reporting, analysing root causes and implementing measures in connection with near accidents and hazardous conditions as well as frequent inspections at the plants will continue in 2016. EHS training will continue to be a key area of focus, starting with a safety training programme for external workers at the site in Sarpsborg.

To reach the goal of zero lost-time injuries, Borregaard will work further to achieve sufficient awareness of risk in work performance and behaviour. 2016 will be a year with a particular focus on safety through the project “The Safety Year 2016”. Safety management, preventative fire protection, environment (process safety) and personal safety will be areas of focus throughout the entire organisation in Sarpsborg.

In 2016, the newly established fire protection organisation will focus on the implementation of fire safety measures such as internal control procedures, tightening of 5S³ practices regarding flammable materials as well as fire drills. Borregaard will also establish a web-based system for internal fire safety management. Borregaard’s goal is zero fires and below seven potential fires in Sarpsborg in 2016.

PUBLIC SAFETY

Safety work includes not only issues related to personal safety and security during work activities. Borregaard also continuously assesses safety conditions in relation to the community outside the company. This applies in particular to Borregaard’s large plant in Sarpsborg, which is regulated by the “Seveso directive”, an EU directive to prevent major accidents.

Risk assessments





Each member of the management team is responsible for internal control and risk assessment within their respective areas. Risk management ensures that risks which are relevant to Borregaard’s objectives are identified, analysed and dealt

with at the earliest possible stage. The Board of Directors conducts a review of the Group’s risk picture at least once a year. Borregaard handles sulphur dioxide (SO₂) at its plant in Sarpsborg. The risk analysis shows that a major SO₂ incident could have fatal consequences for a third party. Borregaard is continuously working on improving risk competence and reducing actual risks. Sometimes risk can be removed by technical, organisational or business measures. Borregaard’s elimination of chlorine gas risk through a technology change in the chlor-alkali plant in 2012 is an example of this. SO₂ is an important raw material in Borregaard’s production processes. This means that there will be an inherent risk associated with SO₂ in parts of the processes also in the future. In 2015, Borregaard invested in emergency tanks in the digester plant to reduce the potential impact of an SO₂ incident.

In collaboration with independent expertise, Borregaard has conducted extensive risk assessments in accordance with guidelines from the Norwegian Directorate for Civil Protection (DSB). Based on this, DSB has proposed a zone requiring special consideration around Borregaard’s site in Sarpsborg. Borregaard expects that the municipal land use plan and the long-term development of the surrounding area will be harmonised in line with the “Seveso Directive” recommendations.

Chemical substitution

Borregaard has internal procedures to ensure that all new chemicals which are subject to labelling due to potential risk are assessed for possible substitution before they are introduced in the production processes. The existing portfolio of chemicals is subject to periodical assessment for possible substitution.

KEY EHS TARGETS 2015	ACHIEVED
Lower the sick leave rate	
Zero lost time injury rate	
Reduce greenhouse gas emissions	
Improve SO ₂ safety and emission level	

KEY EHS TARGETS 2016
Reduce direct emissions by 5000 mt CO ₂ (Sarpsborg site)
Implement energy efficiency measurements equivalent to 10 GWh (Sarpsborg site)
Zero lost time injury rate (H1)
Group sick leave rate below/maximum 3.3%
90% of transported goods by road with trucks powered by Euro 5 or better engines to/from the Sarpsborg site
0 fires and below 7 potential fires (Sarpsborg site)

³ Workplace organisation method.



C EMPLOYEE AND COMPETENCE DEVELOPMENT

The number of man-years in Borregaard was 1,075 (1,076 in 2014) by the end of 2015 (including 50% of employees at LignoTech South Africa).

STRONG CORPORATE CULTURE

Borregaard has developed a strong corporate culture over many years and through changing times, which helps create a common mindset, core values and an understanding of the business across functions, business areas and geographical boundaries. A sound corporate culture that supports Borregaard's objectives and strategies provides a vital basis for the development of the company and every one of its employees.

Borregaard's corporate culture and core values, *The Borregaard Way*, have subsequently been incorporated into various introductory and development programmes and included in internal discussions about how the company is described externally.

The corporate culture and core values also include standards and objectives for sound business ethics. Borregaard has a set of guideline documents for corporate responsibility and ethical guidelines, as well as manuals and more specific guidelines for different areas such as anti-corruption, competition legislation, responsible procurement, environment, health and safety and human rights (see list on page 3). Borregaard's ambitions and guidelines in corporate responsibility are integrated in the Group's introduction programmes and management training.

During 2015, all employees at LignoTech South Africa went through ethics training, combining company values, awareness and dilemma cases to reinforce understanding of ethical behaviour requirements.

DEVELOPING CORE COMPETENCE

Borregaard's core competence lies in the areas of sales and marketing, research and development, and production.

At present, the company's competence within these areas, and the interaction between them, is Borregaard's most important competitive advantage. Therefore, it is crucial that the company manages to maintain and strengthen this unique competence base, both through recruitment and employee development.

Borregaard has set up internal training programmes within its areas of core expertise. 14% of its employees work in sales, marketing and customer service. It is important to know the various customers' needs and the value of Borregaard's products and solutions. With a view to maintaining this knowledge, Borregaard runs an "Application School" and an international sales training academy for its employees all over the world. Since Borregaard's production processes are complex and involve a significant degree of integration, great importance is attached to knowledge and expertise in the areas of production and the biorefinery concept. Borregaard arranges extensive training programmes for its operators and apprentices (Norway and Germany). The Group has its own "Competence Centre" for training its employees and participate in an external production academy.

In 2015, Borregaard Deutschland conducted cross-over training between different parts of the organisation. Every operator got an overall competency matrix which was used as a basis for an individual cross-over training plan. The training led to more competence across the organisation, enabling the operators to run more than one operation. The training will continue in 2016.

Every second year, Borregaard arranges a two-day research and development conference. This is a forum to gain external inspiration and exchange ideas across internal research teams, facilities and business areas. The next Borregaard Innovation Conference will take place in April 2016.

The Group invests significant resources in management training. Its objective is to recruit most of its managers internally by devising career development plans and having replacement candidates and management programmes that combine management training and corporate culture development. In order to help increase the number of female managers and strengthen the company's international competence, women and managers from operations outside Norway are over-represented in these programmes. Among the 20 participants enrolled in the Borregaard Management Programme in 2015, seven were women and 13 came from units outside Norway.

Borregaard believes it is important to create an internal job market and therefore favours a high degree of job rotation and internal recruitment to fill vacancies. This provides employees with new challenges, while the company retains, develops and spreads its competence around the Group.

RESEARCH AND DEVELOPMENT (R&D)

Innovation, research and development are important for renewing and strengthening operations and are also necessary to improve the company's financial and environmental sustainability. Borregaard's research and innovation efforts increased in 2015 with gross expenditures amounting to around NOK 220 million, above 5% of the company's revenues. The increase compared to 2014 was mainly due to a significant ramp-up of activities in the Exilva® project. Borregaard has an R&D team of 99 employees, including 34 PhDs. Research is primarily carried out at the Group's joint research centre in Norway, which at year-end 2015 had 84 employees from seven nationalities. R&D activities are also conducted in Spain, South Africa, India and USA. Part of the research work is carried out via an extensive partnership with customers, universities and research institutions in a number of countries.

In 2015, Borregaard recognised NOK 30 million in funding for ongoing research projects, mainly from Innovation Norway and the Research Council of Norway. In addition, Borregaard has received other grants from both Norwegian authorities and the European Union. See note 34 to the Consolidated Financial Statements (Annual Report 2015).

Borregaard measures the results of its innovation activities by registering the share of sales revenues generated by new products that the company did not have five years ago. The innovation rate in 2015 was 18% (13% in 2014). The average innovation rate the last five years is 12%.

RESTRUCTURING AND ORGANISATIONAL DEVELOPMENT

Borregaard strives specifically to maintain its global competitiveness through innovation, technology, productivity and cost-efficiency. The plant in Sarpsborg has achieved improvements through better and higher production and quality, as well as through improved EHS conditions, thanks to continuous improvement, based on greater expertise and interaction at a joint operations centre. An extensive training programme and the introduction of new technology remain key to this. The restructuring processes are demanding, partly because of the need to reduce the number of employees. Borregaard believes it is important to involve and maintain a dialogue with the employees and trade unions during restructuring processes.

The improvement programme for Borregaard's operations in Sarpsborg has continued throughout 2015; it is aimed at reducing the number of control consoles at the control centre in Sarpsborg from six to four in 2016. This is to be achieved by reducing the operators' workload and stabilising operations through training, alarm optimisation and technical improvements. The aim is to achieve staff reductions without entailing redundancies, using such means as retirement and internal job rotation.

The Borregaard plant in Sarpsborg is also assuming greater responsibility for training skilled workers through targeted contact with and providing lessons in schools, as well as by increasing the number of apprentices it accepts. The company has its own training and presentation centre, the "Knowledge Factory", available for this purpose. In 2015, 1,013 students visited the centre, coming from schools that took part in educational programmes that combined technical training, career advice and a company presentation.

Based on today's age composition of the workforce as well as planned commercialisation of innovation projects, Borregaard Sarpsborg will have a growing need for qualified employees in the years to come. To meet these challenges, Borregaard is accelerating its recruitment activities aimed at lower secondary school students choosing upper secondary school programme options that provide relevant qualifications. Borregaard Sarpsborg enrolled 20 new apprentices in 2015, increasing the total number to 48.

DIVERSITY

Borregaard wants to contribute towards positive diversity among the company's employees and is committed to avoiding discrimination based on gender, ethnicity, religion or age. Borregaard has its own guidelines for this area.

Borregaard has initiatives aimed at promoting the recruitment of female managers and employees. It purposely has a high proportion of women in management and technical programmes and in the company's recruitment base. In 2015,

24% (23% in 2014) of Borregaard's employees were women. The lowest proportion of female employees is in production, while the female ratio is high in R&D and Customer Service. Three of the company's seven board members are women (ratio of women: 43%). A total of 28% of the managers at Borregaard are women, while the executive management team includes one woman (ratio of women: 11%).

LignoTech South Africa is consciously striving to ensure that the profile of its labour force reflects the country's demographics, with a particular focus on representation in management. The company is B-BBEE (Broad-Based Black Economic Empowerment) certified, with the common goal to distribute wealth across as broad a spectrum of previously disadvantaged South African society as possible.

WHISTLEBLOWING PROCEDURES

Borregaard wants transparency and a strong corporate culture to help ensure that difficult or undesirable situations are

discussed and resolved. However, situations may arise where reports from employees about adverse situations do not reach the right person or where they feel unfairly treated and cannot find a solution to their problems. In such circumstances, there are established procedures and guidelines for whistleblowing, in terms of contacting various specific functions in the organisation or by using a special telephone number and email address.

KEY COMPETENCE AND EMPLOYEE TARGETS 2015	ACHIEVED
Increase the proportion of female employees	
Increase the access to qualified apprentices in Norway	
KEY COMPETENCE AND EMPLOYEE TARGETS 2016	
Establish an internal production academy	
Increase the proportion of female employees and managers	





D SUPPLIERS AND BUSINESS PARTNERS

Borregaard has several thousand business partners, such as customers, suppliers and other partners. This often involves well-established, long-term relationships that go back many years. Borregaard endeavours to ensure that this contact and cooperation are characterised by trust, integrity and mutual respect, and that transactions and business practices comply with laws, regulations and recognised ethical standards. A number of documents containing guidelines have been drawn up to regulate matters and help employees cultivate good relationships and sound business practices. The guidelines cover the general ethical framework (Code of Conduct) and more specific guidelines on competition law, anti-corruption and human rights.

Borregaard basically expects the same ethical standards from its suppliers as it does for its own business operations. These requirements and expectations are set out in separate guidelines for choosing suppliers and are also incorporated into major purchase contracts.

The company's key suppliers undergo regular audits in accordance with ISO 9001/14001/18000 accreditations.

In 2015, Borregaard started the roll-out of guidelines and standards for responsible procurement throughout the Group. This work is ongoing and is to be completed during 2016. The guidelines and standards aim to enable identification of risk of violations of human and workers' rights and environmental legislation or anti-corruption legislation in the company's supply chain. Based on risk assessments, efforts are directed towards suppliers with the most significant risk.

As a member of Sedex⁴, Borregaard can request an audit and in case of an identified risk, a "Self-Assessment". In 2016 Sedex will provide Borregaard and all other existing customers with a pre-screening report.

ANTI-CORRUPTION MEASURES

Borregaard has its own guidelines for anti-corruption. During the last two years, the Group has carried out training programmes on anti-corruption for selected employee groups. From May 2015, new employees at Borregaard Sarpsborg are required to undergo anti-corruption training during their first week at work.

In 2015, Borregaard also started a new process for corruption risk assessment to ensure that relevant measurements against corruption are focused and implemented. This work will be completed in 2016.

PURCHASE OF CERTIFIED WOOD

Borregaard's biorefinery relies on its raw materials also meeting environmental and sustainability criteria. Borregaard purchases approximately 1 million solid cubic metres of wood annually for its Sarpsborg plant. The Group attaches great importance to purchasing wood from forests that are managed in a properly sustainable and eco-friendly manner. In 2015, 85% of the wood came from Norwegian forests while the remaining 15% came from Swedish forests. All the wood that is purchased is cut according to the country of origin's laws on felling. The Norwegian suppliers deliver wood in accordance with the PEFC standard for silviculture and biodiversity.

⁴ Supply chain management solution.

PURCHASE OF LIGNIN RAW MATERIAL

In general, Borregaard receives lignin raw material produced by adjacent pulp mills. The actual supply of lignin to Borregaard may depend upon or be affected by a range of factors such as the pulp mill's profitability and general market conditions, regulatory considerations, loss or closure of production, as well as a range of industry-specific factors, including the supply and cost of raw materials. All medium to long-term contracts are with partners whom we believe are sound businesses with sustainable business models. All of these suppliers purchase wood that come from FSC certified sources.

There is only a limited number of pulp producers using the sulphite pulping process necessary to produce the lignin required by Borregaard for its lignin-based products. In the past, some of Borregaard's lignin raw materials sources have been closed down. However, today's main suppliers of lignin raw materials are considered sustainable long-term, and

Borregaard has plans for further expansion. It has been decided to expand lignin capacity in South Africa to utilise additional supply from the existing source (Sappi Saiccor). In addition Borregaard and Rayonier Advanced Materials (RYAM) are planning to build a new lignin plant adjacent to RYAM's pulp mill in Florida, USA (investment decision pending). Borregaard has also developed the patented BALI concept as a long-term option for additional lignin raw material, allowing the extraction of lignin-based products from various biomasses.

SUPPLIERS AND BUSINESS PARTNERS TARGETS 2015 ACHIEVED

Roll-out of guidelines and standards for responsible procurement throughout the Group (Partly achieved)



SUPPLIERS AND BUSINESS PARTNERS TARGETS 2016

Conduct a corruption risk assessment as a tool for continuous improvement of anti-corruption efforts

Ensure use of guidelines and standards for responsible procurement throughout the Group





E CONTRIBUTION TO SOCIETY

Profitable companies and sustainable jobs are a prerequisite for welfare and social security. This manifests itself through income and meaningful activity for individuals, as well as through financial contributions such as taxes and duties, that companies and their employees provide to the countries and local communities in which they operate. Those countries where Borregaard has production operations see significant ripple effects from suppliers and other activities around the plants.

As of 31 December 2015, Borregaard employed 1,075 man-years in 16 countries⁵. The Group has production plants in Norway, UK, Germany, Spain, the Czech Republic, South Africa and the USA.

NOK 120 MILLION IN TAX PAYMENTS

Borregaard paid taxes totalling NOK 120 million in 2015 (NOK 164 million in 2014), including taxes paid by joint venture. The taxes paid for operations in Norway amounted to NOK 39 million, while the tax payment for the other locations was split into NOK 23 million for the rest of Europe, NOK 25 million in the Americas, NOK 2 million in Asia and NOK 31 million in Africa.

Borregaard uses OECD's guidelines for internal pricing, which is an important factor in ensuring that profits and taxes are distributed fairly among different countries.

SHARED INTERESTS WITH THE LOCAL COMMUNITY

Borregaard's companies impact and interact with the local communities where they are located. Borregaard's plants outside Norway are relatively small, but the Group has been a cornerstone company in Sarpsborg for generations. Borregaard



still plays an important role in the city and region as an employer, an important customer of many suppliers, and a socio-economic contributor through taxes and duties from its operations. A social audit report produced by the Confederation of Norwegian Enterprise (NHO) in 2015 shows that, overall, Borregaard's operations in Sarpsborg create and finance 5028 man-years in the company itself, as well as for suppliers and the public sector. Borregaard and its suppliers (companies and employees) contributed a total of about NOK 1.2 billion in taxes and duties to Norwegian society in 2014.

⁵ Including 50% of the employees at LignoTech South Africa.



SUPPORT FOR SOCIAL DEVELOPMENT

Borregaard has a broad stakeholders base in Sarpsborg and Østfold county. The company participates in various forums and organisations involved in urban and regional development, and has also provided venues for socially beneficial activities.

The company also contributes around NOK 3 million to support measures that mutually benefit both the company and the region, with an overall aim to strengthen the company's recruitment attractiveness. Borregaard's sponsorship strategy has two main pillars. One covers cultural and sports activities that help make the city and region a more attractive place to live and work. This is important to Borregaard in terms of creating a long-term recruitment base. The other area supports measures that stimulate young people's interest in and understanding of disciplines that are important to Borregaard and society as a whole. This is illustrated by Borregaard's support for and cooperation with the Inspiria Science Centre, the Young Entrepreneurship scheme and Borregaard's Knowledge Plant.

SOCIAL AND ETHICAL WORK IN SOUTH AFRICA

LignoTech South Africa (LTSA) has its own social and ethics committee tasked with monitoring social and ethical issues. The committee is composed of members of the company's management team and chaired by an LTSA Director. LTSA subscribes to the OECD guidelines with respect to anti-corruption measures. During 2015, internal and external audits of LTSA and its suppliers did not expose any violations of the United Nations Global Compact Principles. During the year, all senior and commercial employees (equivalent to 50% of the workforce) took part in anti-corruption training programmes initiated by Borregaard.

The company in South Africa has also become involved in the social and financial consequences of HIV/AIDS. One important area has been to prevent discrimination based on

the disease, to disseminate information about the disease and its treatment, and to carry out testing for those employees who want it. The company also offers medicines to those who are affected. In addition, the company supports a local school and selected charitable causes.

COLLABORATION WITH EDUCATIONAL INSTITUTIONS

Borregaard in Sarpsborg works closely with schools and educational institutions in the area. The Group has created its own academy, The Knowledge Plant, which functions as both an in-house training centre and as a showroom and venue for school visits. It offers educational programmes that tie in with schools' curricula, using examples taken from the company. Borregaard employees also contribute to a scheme for the teaching of chemistry in upper secondary schools in Østfold county, whereby researchers from Borregaard have created a company-related teaching plan for chemistry. Every year, students from a number of colleges and universities perform practical tasks and conduct projects or get internships in the company.

Borregaard has programmes and instructors for apprenticeship schemes involving cooperation with vocational schools in the region. These provide apprentices with relevant experience to supplement their theoretical training. In 2015, Borregaard had a total of 48 apprentices at the biorefinery in Sarpsborg.

AWARDS AND RECOGNITIONS

Over the years Borregaard has received several awards and recognitions from external bodies. In 2015, the Group received the "Norwegian Research Council's Innovation Award", an award given out by the Research Council of Norway to a company that has distinguished itself by making exceptionally good use of research findings, thus creating research-based innovation. *"The 2015 Innovation Award was given in recognition of Borregaard's systematic and long-term efforts in research, development and innovation, and the company's ability to adapt to new market needs. Borregaard*

shows strong competitiveness in a sustainable manner. The jury states that Borregaard is a good role model and an inspiration at a time that calls for readjustment, and a key player with further potential in the bioeconomy sector. In addition, the company collaborates with a number of research institutions in Norway and abroad, and has leaders and researchers who are visible and active in the Norwegian research and innovation landscape,” the Research Council wrote in a press release.

CERTIFICATION AND AFFILIATION

Borregaard has established links with various external schemes that contribute to tighter control and improvements, and provide inspiration for a systematic way of working. This also applies to issues and topics relating to corporate responsibility and sustainable development and operation.

The company has committed itself to the Responsible Care guidelines and objectives, which are the European chemical industry’s environmental responsibility initiative. Borregaard also reports greenhouse gas emissions to the local authorities. These figures are published in this report and are available to the public.

Borregaard is certified in accordance with several standards:

- ISO 9001 (Quality Management (Norway, USA, South Africa, Germany, Iberica, UK and Austria)
- ISO 14001 (Environmental Management (Norway, South Africa, Germany, Iberica and Austria)
- ISO 50001 (Energy Management (Norway and Germany)

- FSSC 22000 Management Systems for Food Safety
- GMP+ Production of Feed Additives and Premixes (Norway, South Africa, Germany, Iberica)
- SMETA Ethical Trading Initiative Base Code
- OHSAS 18001:2007 Health and Safety Management (South Africa and Austria)
- B-BBEE Broad-Based Black Economic Empowerment (LTSA)
- Kosher certified (Norway)
- Halal certified (Norway)

Borregaard is a participant in the UN’s Global Compact initiative, thereby providing its support to universal principles on human rights, labour relations, the environment and anti-corruption. Borregaard also reports on progress according to Global Compact’s scheme.

ENVIRONMENTAL REPORTING

Borregaard reports climate change data annually to CDP (formerly Carbon Disclosure Project). CDP is an international, not-for-profit organisation providing a global system to measure, disclose, manage and share vital environmental information. CDP’s climate change programme aims to reduce companies’ greenhouse gas emissions and mitigate climate change risk.



THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

Borregaard complies with the UN Global Compact’s ten principles of doing business in the areas of human rights, labour, environment and anti-corruption.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

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