



Borregaard

# HUMAN RIGHTS & DECENT WORKING CONDITIONS

REPORT 2023

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# SCOPE, FINDINGS AND TARGETS

## 1.1 Scope of the report

Borregaard is working actively to promote respect for human rights and decent working conditions throughout the value chain. Our ambition is to continuously improve performance in this area and to avoid any harm to people.

Norwegian authorities have adopted the Norwegian Transparency Act<sup>1</sup> ("Åpenhetsloven") which entered into force as of 1 July 2022, to ensure compliance with fundamental human rights and decent working conditions in the enterprises themselves, in their supply chains and with their business partners. Further, the Transparency Act shall secure the public access to information on how companies are working with these areas. The Transparency Act is based on OECD's guidelines for multinational companies<sup>2</sup>. This entails that organisations shall conduct a due diligence assessment which includes the following six steps:

1. Ensure accountability in policies and management systems.
2. Monitor and assess negative impact/risk based in the enterprise itself, supply chains and business partners.
3. Stop, prevent, or reduce negative impact/risk.
4. Supervise implementation and results.
5. Communicate with direct parties concerned and rights holders on how the impact is handled.
6. Ensure or collaborate on remedies where necessary.

This report accounts for Borregaard's due diligence assessments pursuant to the Transparency Act. It describes the process of how we work to assess if there are any actual, or risks of, adverse impacts on human rights or decent working conditions in our own operations, our supply chain or in other business relationships. Furthermore, the report accounts for how we follow up on any potential negative impact.

Borregaard defines human rights and decent working conditions in line with the definitions in the Transparency Act. This means that human rights are understood as the internationally recognised human rights that are enshrined in the Universal Declaration of Human Rights<sup>3</sup> and in the International Labour Organization's declaration on Fundamental Principles and Rights at Work<sup>4</sup>. Decent working conditions means work that safeguard fundamental human rights and health, safety, and environment in the workplace, and that provides a living wage.

This report covers Borregaard's global operations including all subsidiaries, the supply chain and business partners.

## 1.2 Findings and overall targets

We have identified no breaches of human rights and decent working conditions in our own operations or with our business partners. No significant actual and potential negative social impacts have been identified in the supply chain. However, we operate and have business partners and suppliers in some high-risk countries and, consequently, our operations and our value chain show potential exposure.

Our targets for 2024 are zero violations of human rights, to secure compliance with laws and regulations related to decent working conditions in our business and to work actively to promote the same with our business partners and suppliers.

We will keep monitoring the risk and implement measures as more specifically accounted for in this report in our own business, with our business partners and in the supply chain.

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<sup>1</sup> Lov om virksomheters åpenhet og arbeid med grunnleggende menneskerettigheter og anstendig arbeidsforhold

<sup>2</sup> OECD (2023). OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. OECD Publishing, Paris. <https://doi.org/10.1787/81f92357-en>.

<sup>3</sup> Universal Declaration of Human Rights | United Nations

<sup>4</sup> ILO Declaration on Fundamental Principles and Rights at Work (DECLARATION)

## 2. OVERVIEW

### 2.1 Borregaard's business

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

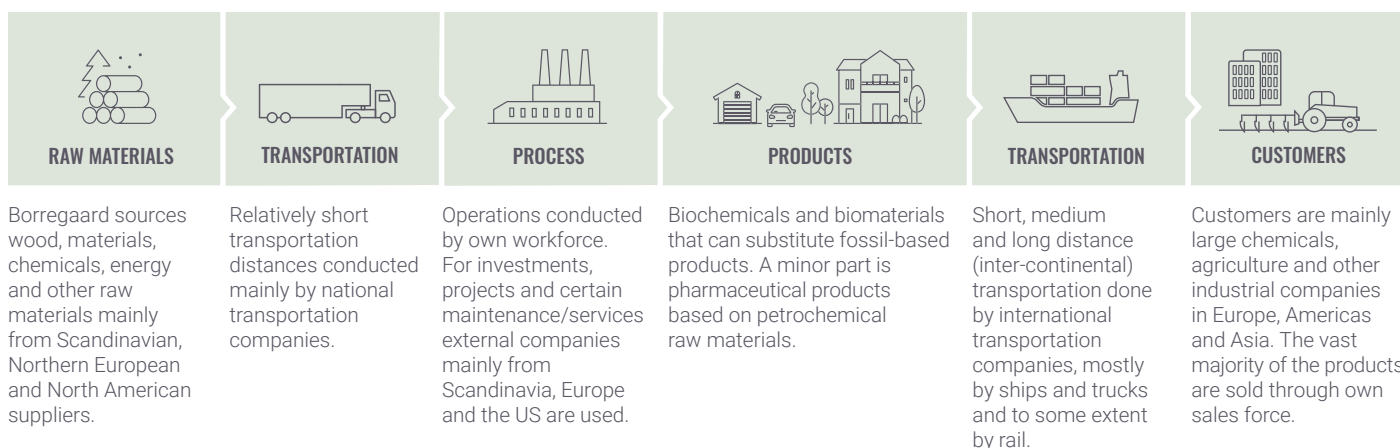
Borregaard's headquarter, corporate research and development centre and largest production unit are located in Norway. Additional production units are located in the US (Wisconsin and Florida), United Kingdom, Germany, and the Czech Republic. The sales offices are

located in Borregaard's main markets, primarily in OECD countries, but also in India, China, Singapore, and Brazil. In India, Borregaard also has a laboratory facility.

As of 31 December 2023, Borregaard employed 1127 full-time employees (FTE) in plants and sales offices in 13 countries.

In 2023, Borregaard sourced from 2900 suppliers from 39 different countries. 65% of spend (cost of purchased goods and services) originated from Norway, Sweden, and Germany. 74% of spend is by the biorefinery in Norway. We classify our suppliers according to strategic, bottleneck, leverage, and non-critical to determine the respective supplier's importance and identify those with the largest impact.

### OUR VALUE CHAIN CAN BE DESCRIBED AS FOLLOWS:



Borregaard discloses information to, and is rated by EcoVadis, a global provider of corporate sustainability ratings. In 2023, Borregaard received a gold rating. Furthermore, Borregaard uses EcoVadis for assessing our own suppliers.

### 2.2 International standards and our policies

Borregaard is a signatory to the UN Global Compact and specifically focus on the principles 3, 4, 5 and 6; uphold freedom of association, right to collective bargaining, zero tolerance for forced labour, zero tolerance for child labour and discrimination. The commitment to combat human

and labour rights violations is also expressed in our policies and guidelines.

**Human Rights Policy<sup>5</sup>** describes Borregaard's guiding principles for handling human and labour rights, including child labour, forced labour and human trafficking, relevant for our daily operations. It applies to all wholly owned subsidiaries and to joint ventures where adherence to Borregaard's group directives is agreed upon as part of the ownership contract. The principles in the policy should be regarded as a minimum standard. The policy is available in English.



**Code of Conduct**<sup>6</sup> consists of our defined values for all employees to provide guidance on our approach to ethical business practices, environmental values, and human and labour rights. These values are applied for all operations and employees. The Code of Conduct specifically prohibits the use of child labour and forced labour. The Code of Conduct is available in Norwegian, English, Chinese, Czech, German, and Portuguese.

**The Supplier Code of Conduct**<sup>7</sup> is a document all suppliers receive and sign. This document ensures that our suppliers commit to respecting human and labour rights, occupational health and safety, environmental protection, and secures responsible business practices throughout the value chain. The document is based on the principles of the UN Global Compact and the standards given by the International Labour Organisation (ILO). Borregaard requires the suppliers to comply with Suppliers Code of Conduct or its equivalent, irrespective of their country of origin. The Supplier Code of Conduct is available in Norwegian, English, Polish, Spanish and Chinese.

**Anti-corruption policy/manual**<sup>8</sup> explains and elaborates the content and implications of Borregaard's policy in relation to anti-corruption. In accordance with well-established principles as described in Borregaard's Code of Conduct, Borregaard has a strong commitment to operate in accordance with sound business principles and comply with all applicable laws and regulations. Borregaard specifically does not permit or tolerate engagement in any form of corruption. The anti-corruption manual is available in English.

**Policy for environment, climate, health, and safety engagement**<sup>9</sup> are rooted in the company's business model, corporate culture, and values. The aim of this policy is to enhance commitment, awareness and continuous improvement in these areas and determine the company's specific procedures and practices.

A strong EHS and climate performance will strengthen the company and contribute to long-term sustainability. This policy is available in Norwegian and English.

### 2.3 Responsibility

Borregaard's Board of Directors has the overall responsibility of management of the company and has clear objectives, strategies and risk profiles for the company's business activities integrating financial, social, and environmental considerations. The Board of Directors approves Borregaard's Code of Conduct anchoring the more detailed policies as referred to above.

Borregaard's Group Executive Management is responsible for managing and monitoring environmental, social and governance goals, measures, and results. This includes assessing and managing risks of adverse impact on human rights and decent working conditions related to Borregaard's operations and securing overall compliance with the Transparency Act. A member of the Group Executive Management also approves the Human Rights Policy.

Borregaard works continuously with ethics, anti-corruption, and corporate responsibility, which are integrated parts of the basis for decisions. The work in the area is organised in a Sustainability Board and a Compliance Board. The Sustainability Board addresses and monitors important sustainability topics, reports to the president and CEO and is chaired by the Senior Vice President of Organisation and Public Affairs. The Compliance Board consists of SVP Organisation and Public Affairs (Chair), General Counsel, Vice President Finance and Chief Risk Officer. The Compliance board supports the Group companies' management by raising awareness of compliance matters, reporting on its activity and findings and contribute to improvements. The Compliance Board summarises its work in an annual report (internal and external version) approved by the Board of Directors.

<sup>6</sup> [Human Rights Policy](#)

<sup>7</sup> [borregaard-s-code-of-conduct.pdf](#)

<sup>7</sup> [Supplier Approval SCoC \(borregaard.com\)](#)

<sup>8</sup> [Anti-corruption manual - Borregaard](#)

<sup>9</sup> [General guidelines for environment climate health and safety engagement dec 23 \(borregaard.com\)](#)

Borregaard has a whistle-blowing system including a separate channel operated by a third party, accessible for employees and external parties. The system allows anyone to report concerns, incidents, breaches, or suspected breaches of the Code of Conduct or other internal policies or laws and regulations. A notification group consisting of participants from HR and legal are handling the complaints, securing adequate and timely handling. Whistleblowing that concludes in serious or significant violations of the Code of Conduct is mapped and reported to the Compliance board and finally to the Board of Directors.

The specific work with following up the Transparency Act is led by SVP, Procurement and Strategic Sourcing. A work group consisting of employees with different competence within sustainability, legal, procurement and risk has been established to conduct due diligence assessments. This group reports to the Compliance board and the Board of Directors approves this report.

## 2.4 Materiality assessment

Borregaard's stakeholder and double materiality assessment determines material topics for the company. The assessment documents the approach taken, decisions, assumptions and subjective judgements made, as well as sources analysed, and evidence gathered. Different stakeholders such as customers, employees, business partners, suppliers and organisations have been included in the evaluation of human rights and decent working conditions impacting employees, workers in the value chain, people in the local society and end-users. Uphold freedom of association, right to collective bargaining, discrimination (equality, discrimination, sexual harassment), and zero tolerance for forced and child labour are Borregaard's most relevant areas related to human rights and decent working conditions. Environment, health, and safety is important for Borregaard. This topic is well explained in our annual report. The risk level for our production sites related to EHS is assessed as low and is therefore not included in the following risk assessment.

# 3 DUE DILIGENCE ASSESSMENT

## 3.1 The risk process in Borregaard

The Borregaard risk management process is based on ISO 31000 and serves as a framework for identification, assessment, and prioritisation of risks across the value chain. This is a generic approach which is found suitable for handling various risk management goals, and adapted to case specific analyses when needed. This process is the base for the due diligence assessments described in this report:



### 3.2 Specific indexes and tools

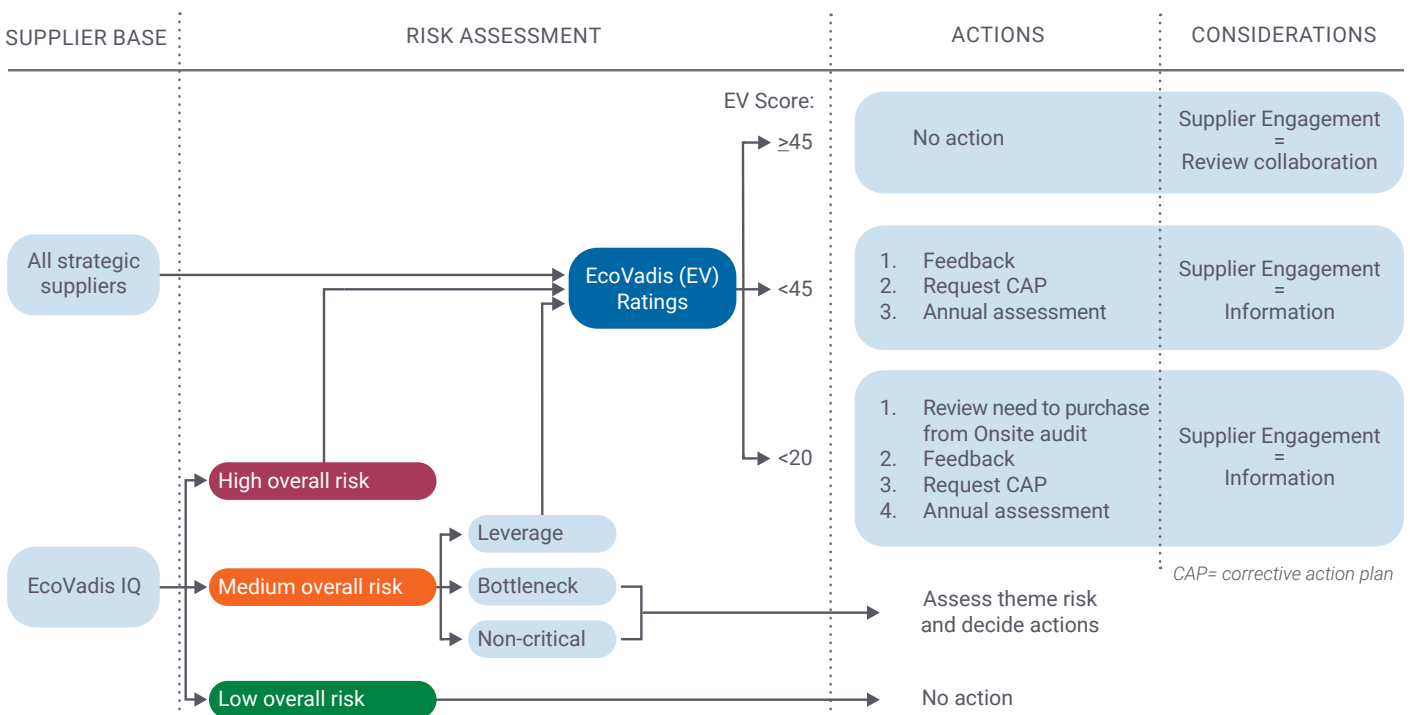
We used the Democracy Index<sup>10</sup>, developed by The Economist and published by The United Nations, as the basis for risk assessments of our own business operations and business partners. Borregaard regards this as a sound basis to evaluate country risk related to human rights and decent working conditions as it covers more countries compared to alternative sources. Other sources such as Transparency International, Global Slavery Index, Freedom house, Eires, Heidelberg Conflict Barometer and Human Development Index have also been used and evaluated, and we have seen an extended overlap regarding what is defined as high-risk countries. Based on the Democracy Index, we have rated the countries based on how high or low the country scores on securing human rights. All countries with lower than a 6.0 score are associated with high risk (red), 6.1 - 8.0 (yellow) medium risk and countries with a score of 8.1 or higher (green) is associated with low risk.

We use two EcoVadis modules; IQ, and Ratings when assessing our suppliers. Included in such assessments are both suppliers of goods, services or other input factors to Borregaard's production and delivery of biochemicals, biomaterials and fine chemicals, as well as suppliers of the other goods or services which is not part of the process from the raw material stage to a finished product in Borregaard.

Through EcoVadis IQ, we conduct a risk assessment across our supplier base, identifying company risk distribution per topic: Labour & Human Rights, Ethics and Sustainable procurement and an Overall risk distribution. The risk distribution is based on the supplier's inherent sustainability risk intelligence from the EcoVadis platform and our own procurement data. EcoVadis IQ scans the supply base over time. We have implemented a process where the supplier information, spend and criticality is updated every 12 months. As changes in supplier spend, classification, areas of operation and other supplier information can lead to a change in risk profile, updating supplier data in EcoVadis IQ is crucial.

The second module, EcoVadis Ratings, is a comprehensive assessment of a company and its sustainability performance in the four areas defined above. The company discloses information on the EcoVadis platform by responding to a detailed questionnaire, covering company's policies, practices, and documented evidence. EcoVadis performs an expert analysis and rating based on a thorough assessment of the provided information. The company is rated on the material issues as it pertains to its size, location, and industry.

#### We apply the following decision tree on the results of the assessments:



for EV score scale, see section 3.4.2

<sup>10</sup> [Demokratiindeksen \(fn.no\) & Democracy index 2021 download success – Economist intelligence unit \(eiu.com\)](#)

### 3.3 Own operations

#### 3.3.1 Scope

Subject to our assessment in this section is the whole Borregaard Group including all subsidiaries. This means that in addition to the headquarter in Norway, all production units and sales offices outside Norway are included in the assessment.

Borregaard has six production sites (Norway, Germany, the UK, the Czech Republic and two in the US) that manufactures biochemicals and biomaterials that can substitute fossil-based products. A minor part is pharmaceutical products based on petrochemical raw materials.

Customers are mainly large industrial companies based in Europe (48%), Americas (27%) and Asia (24%) which supply products to sectors such as food production, infrastructure, transportation, housing, health care and other markets. The vast majority (approximately 90%) of the products are sold through our own sales force in 13 sales offices in Europe, Asia, and the Americas.

As part of our "Know your customer" process we also follow-up and secure compliance with international regulations relating to trade restrictions and sanctions. Due to the products we sell, and the industries we sell in to, we consider the risk related to potential human rights violations to be relatively low in the downstream activities.

#### 3.3.2 Risk assessment

There are several processes in place to get a better overview of the activities in all subsidiaries and thereby minimise risk. Activities related to diversity, equality and non-discrimination are explained in detail in our publicly available report. Regular meetings are conducted with employee representatives and trade unions.

Our labour and human rights management system covers all Borregaard sites. Today, 87% of the total workforce across all locations are represented in joint management and employee health and safety committees. 100% of all operational sites have been subject to reviews including human rights or human rights impact assessments. Borregaard conducts a global employee engagement survey which covers topics related to diversity, harassment

and working conditions. The survey is distributed annually among all Borregaard employees and confirms that the vast majority of our colleagues are unexposed to discrimination of any kind. Any deviations or areas of concern are followed up within the departments in a separate health and work environment survey and in the annual appraisal dialogues.

Borregaard has identified four company offices in high-risk countries pursuant to the democracy index: India, China, Brazil, and Singapore. In these countries the risk of breaches of minimum living wage, discrimination, corruption etc. is higher than in the other Borregaard locations. Subsequently we have assessed these offices with respect to local laws on human rights, operations, reported breaches on human rights, internal audits or reviews performed, and suppliers in risk countries. For all four offices, one or more internal reviews have been conducted.

The assessments did not uncover any negative impacts or potential negative impacts on human rights or decent working conditions.

#### 3.1.3 Measures implemented and further follow up

Borregaard has several measures and follow-up procedures in place. All new employees receive an introduction to our Code of Conduct as part of the onboarding process. In addition, all new employees are required to complete a mandatory e-learning concerning our Code of Conduct, which includes details about human and labour rights, child labour, forced labour and human trafficking.

In 2023, our system for regular internal audits of all subsidiaries was extended to cover human rights and decent working conditions in more detail.

We conduct an annual organisational review of systematic leadership, competence evaluation and succession planning. During the review, the managers are challenged to evaluate diversity within their teams and conduct succession planning with focus on gender balance, age distribution and diversity in general. A summary of findings and actions



are presented to the Executive Management Group and the Board of Directors.

Pursuant to our annual Diversity and equality report, we increased our focus in 2023 on measures to avoid any form of discrimination. This included all obstacles to equality and diversity. We extended the use of the career and pay tool for objective pay determination and development opportunities for parts of the organisation. In 2023, Borregaard conducted a “living wage benchmark” analysis for our non-union offices in China, Singapore, and India. The analysis confirms that our employees receive a wage which provides for a decent standard of living.

We have KPIs concerning diversity and inclusion, and results and progress for 2023 are measured and reported in our annual report.

To be able to keep working on minimising the risk and keep securing human rights and decent working conditions, we will continue communicating and conducting training sessions with the offices. Furthermore, we continue working with ethics, anti-corruption, and corporate responsibility as an integrated part of our business.

### 3.4 Suppliers

#### 3.4.1 Scope

Subject to the assessment in this section is Borregaard’s entire supply chain. Borregaard apply a wider definition of supply chain than the Transparency Act. The assessment of the supply chain includes both suppliers of goods, services, and other input factors for the production of Borregaard’s products as well as other suppliers of goods or services to Borregaard. In 2023, Borregaard purchased goods and services from 2900 suppliers.

#### 3.4.2 Risk assessment

As part of monitoring and assessing negative impacts and risks in our supply chain we have conducted the annual update of the EcoVadis IQ. The assessment covered all suppliers to the biorefinery in Norway and the Borregaard Group’s strategic suppliers.

1626 suppliers in total, from 151 industries and 34 countries, have been assessed for social impacts, and the suppliers that pose a risk with respect to labour and human rights in our supply chain, have been identified. The result are as follows:



Further, we have assessed our suppliers by EcoVadis Ratings. Following our supplier engagement activities in 2023, the number of strategic suppliers disclosing on EcoVadis Ratings has increased from 17 to 32. By the end of 2023 a total of 126 companies were disclosing information and rated on EcoVadis Ratings. The 126 companies account for 172 of our suppliers as some suppliers belongs to the same group company. In addition, 37 companies were in the process of renewing their scores, being either at the questionnaire part or the expert analysis. Six companies have declined our request to disclose information on EcoVadis Ratings.

The EcoVadis scoring scale includes five sustainability performance levels: Outstanding (score 85-100); Advanced (score 65-84); Good (score 45-64); Partial (score 25-44); and Insufficient (score 0-24). By end 2023, our suppliers had the following overall score distribution:



No company was identified with a low score for Labour and Human rights.

None of our rated partners received a score below 20. 31% of our suppliers received a Gold or Platinum rating (score above 70) and 50% of the strategic suppliers received a Gold or Platinum rating.

In our Supplier Code of Conduct we require the suppliers to confirm that they comply with the “Ten Principles” of the UN Global Compact and the standards given by the International Labour Organization (ILO) and communicate the requirements to their own suppliers and business relations. We monitor the number of suppliers having signed the Supplier Code of Conduct. In 2023, 100%

of new suppliers and 85% of all suppliers (non-critical suppliers excluded) have signed the Supplier Code of Conduct or equivalent.

The biorefinery in Norway (74% of Group spend) have assessed the risk of breach of the Working Environment Act for the suppliers in the categories for transport services and performing constructions and maintenance. These categories are considered representing the highest risk due to their long and potential lack of control in their supply chains. In 2023, we have mapped supply chains in these categories with the aim of uncover risks and potential risks and decide on appropriate measures along the supply chain and related to sub-suppliers. No significant actual negative labour and human rights impacts have been identified in the supply chain.

### 3.4.6 Measures implemented and further follow up

We prioritise measures where the risk of negative impact is greatest, starting with suppliers with “very high” and “high” risk. One supplier was identified with “very high risk” in terms of labour and human rights, and four were identified as “high risk”.

In 2023, we conducted business with the one supplier identified with “very high risk”. The risk represented by this supplier is regarded acceptable. It is a bottleneck supplier, which we source from every second year. The supplier has been subject to our risk assessment for responsible sourcing and signed our Supplier Code of Conduct. Out of the four with “high risk” in 2023, we only sourced from two, and both for minimal amounts.

In 2023, we did not consider it necessary to terminate relationships with suppliers due to issues regarding labour and human rights. In line with the OECD guidelines and UN’s sustainability goals we will endeavour to encourage and work with the suppliers to act in accordance with human rights and decent working conditions rather than immediately cut ties with risk suppliers. Should any negative consequences be discovered in the form of human rights violations or poor working conditions related to the supply chain, proper measures will be put in place, with the aim to end the negative impact. These measures will be followed up through surveys, assessments, and anonymous grievance mechanisms.

Reference is also made to the regulation in the Supplier Code of Conduct: *"We confirm that if breaches of guidelines are uncovered through internal audits, complaint mechanisms or external audits, the necessary measures will be taken. We are aware that Borregaard considers compliance and willingness to implement the necessary measures. Furthermore, we confirm that persistent non-compliance with the guidelines or a lack of willingness to cooperate on the necessary measures will be considered a breach of the agreement"*.

An important part of stopping, preventing, and reducing negative impact/risk related to labour and human rights in the supply chain, is supplier engagement and providing information and setting firm requirements. Information and requirements to our suppliers is provided through supplier approval and sourcing documentation. In addition, information is published on our website under "For our suppliers"<sup>12</sup>.

In 2024, we shall continue assessing our suppliers using the EcoVadis IQ and EcoVadis Ratings. Our long-term target is that 100% of or strategic suppliers disclose and are rated on EcoVadis Ratings. The target for 2024, is 70%. We will continue monitoring the number of suppliers having signed the Supplier Code of Conduct, aiming at 100% of targeted suppliers having signed.

Further, we will implement a tool for supplier approval and sourcing, which will give us increased insight into the supply chain also regarding Labour and Human Rights.

## 3.5 Business partners

### 3.5.1 Scope

Subject to the assessment in this section is business partners which is not included in the assessment of our supply chain in Section 3.4. As the supplier's assessment also include indirect suppliers the remaining business partners are primarily identified as agents and distributors engaged to sell our products in various countries.

### 3.5.2 Risk assessment

In 2022, we started mapping agents and distributors pursuant to the UN Democracy Index and identified those in "high" risk countries. We have continued this work in 2023.

Agents and distributors with a sale above NOK five million in high-risk countries, which in 2023 amounted to a total of six distributors, have been assessed more thoroughly. The identified distributors were assessed on several factors: which industry they operate in, whether they have production, local human rights laws in their area, reported breaches, clauses in their contract covering human rights as well as whether they have customers in high-risk countries. Internal sales representatives were contacted to get a better understanding of the risk level per factor mentioned above.

During our investigations we did not identify any negative impacts on human rights or decent working conditions related to the identified distributors.

In 2023, we continued our review of contracts for distributors and agents with respect to regulation of human rights and decent working conditions. Based on a risk assessment we specifically followed up agents and distributors in high-risk countries with sales above NOK one million. If the contracts had no regulation of human rights and decent working conditions, this was specifically addressed by sending Borregaard's Code of Conduct to sign and confirm compliance. By doing this we emphasised our focus on the topic and clarified expectations to our business partners.

### 3.5.3 Measures implemented and further follow up

With respect to engagement of new distributors and agents we have an established "Know your customer" procedure to be followed prior to any contractual commitment.

In 2023, we also updated our templates for agent and distributor agreements with a detailed clause regulating business ethics. The clause is covering i.a. Borregaard's requirements related to human rights and decent working conditions and referencing Borregaard's Code of Conduct. By this we have strengthened our focus on the topics in all new business relationships.

We will continue our assessment of ongoing contractual relationships based on a risk-based approach where the aim is to identify any potential risk related to the markets in which they operate.

<sup>12</sup> [What you need to know as a supplier - Borregaard](#)

## 4 COMMUNICATION AND INFORMATION

This report is available on the company's website and a reference is made in our annual report 2023<sup>13</sup>. The report presents the status as of 31 December 2023<sup>13</sup> and is in line with the requirements in the Transparency Act. It will be updated in 2025 for the year 2024 and otherwise as required in line with material changes in the overall risk assessments. The public can request information related to the Transparency Act through an email address available on our web pages<sup>14</sup>.

Approved by Borregaard's Board of Directors.

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*

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<sup>13</sup> [Annual report 2023](#)

<sup>14</sup> [Human rights - Borregaard](#) or [Menneskerettigheter og åpenhetsloven - Borregaard](#)