



Borregaard

# COMPLIANCE WORK AT BORREGAARD

PUBLIC REPORT  
2023

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# 1. INTRODUCTION

Compliance at Borregaard is a continuous process of establishing standards and then of ensuring knowledge and understanding of, as well as adherence to, those standards. Together with national and international legislation, Borregaard's internal guidelines set out the framework for compliance at Borregaard. Accordingly, this involves both having effective guidelines and governing documents in place and having a corporate culture that supports the objectives and ambitions of the company for compliance.

Borregaard has established governing documents for a number of relevant topics. These documents have been revised several times, are distributed throughout the entire organisation and can now be found on digital platforms available to the entire global organisation. Various training initiatives have also been conducted on the most relevant topics. Continuous efforts are made to systematise compliance by means of documentable control measures, reporting and improvement measures.

As part of its management and quality systems, Borregaard has several certifications and authorisation schemes from third-parties. This has also been addressed in this report.

Arrangements are made to ensure that the Board of Directors is involved through annual reporting and ongoing dialogue. The last board report was in September 2023.

The board report is internal and confidential. The present report is a more concise and publicly available version outlining the main content of the board report as regards organisation and responsibility, main priorities and measures. The report fulfils the wishes and expectations of various stakeholders and assessment bodies.

## 2. ORGANISATION AND RESPONSIBILITIES

### **Compliance – a line responsibility**

Compliance is a line responsibility at Borregaard. All managers and employees are responsible for complying with applicable legislation and company guidelines.

A fixed structure has been established with an annual meeting attended by the responsible parties (Managing Directors and Board Members) in subsidiaries ("Legal Heads Meeting"). A significant proportion of the content relates to the implementation of compliance matters.

Compliance has also been established as a fixed agenda item at board meetings of subsidiaries and internal steering committees and templates have been created for meeting presentations to reflect this. An audit was also completed in respect of the formalities linked to the management of subsidiaries.

### **Whistleblowing**

The company's Code of Conduct sets out employees' responsibility and opportunity for reporting conduct they believe is in breach of laws and policies (whistleblowing). A whistleblowing poster has been produced in multiple languages to clarify the opportunities for reporting misconduct. A dedicated e-mail address has been created for such reports and e-mails sent to this address are forwarded to the company's Legal Director. No whistleblowing matters have been reported via this channel in the last 12 months. Nevertheless, some

whistleblowing matters have been reported through other channels. These matters were investigated and managed at the relevant level within the organisation. Procedures have been prepared with regard to how whistleblowing matters should be managed, as well as responsibilities, roles and documentation requirements. A separate group will assess the submitted whistleblowing reports and determine who will be involved in investigating them.

A new digital whistleblowing channel was established in 2023. Access to the whistleblowing channel is through the company's website, and there are several language options in the service. Both employees and external parties can report via the whistleblowing channel, including anonymously. The whistleblowing channel meets regulatory requirements regarding procedure, confidentiality and retention.

### **Compliance Board**

The Compliance Board is an internal specialist committee that has the overall responsibility for contributing to compliance with laws and regulations in accordance with external and internal requirements and expectations. Through its work, the Compliance Board will support the line organisation with matters relating to awareness-raising, reporting and contributions to improvements within the area. The work will be based on risk assessments.

The President and CEO appoints the Compliance Board and its chairperson. The Compliance Board consists of:

- Senior Vice President of Organisation and Public affairs, chairperson
- Legal Director
- Person responsible for internal audits (VP of Finance)
- Chief Risk Officer (CRO)
- Corporate legal adviser

A specific mandate has been drawn up for the Compliance Board. During the period from September 2022 until the end of August 2023, the Compliance Board convened eight meetings.

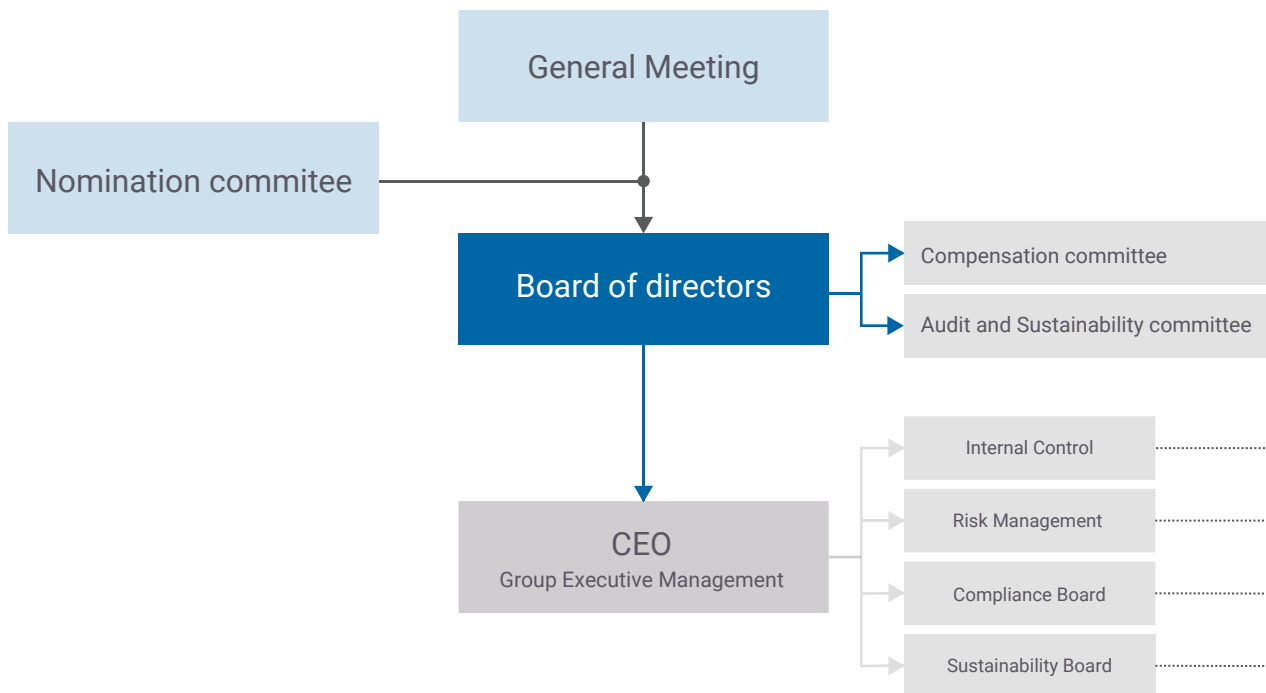
### **Review of implementation and training**

There are growing levels of attention being paid, both internally and externally, to how the company's policies and procedures are implemented and monitored, not least through training. The Compliance Board has monitored this in several areas, including through separate meetings with those responsible for implementing standards and measures in new and key areas. Examples of this are e-learning programmes within information security.

### **Part of corporate management**

Borregaard is committed to ensuring that work on compliance is integrated into the company's ordinary activities and uses the established systems and implementation arenas that already exist.

This means that compliance work is also subject to the same templates and systems for risk that Borregaard uses for risk assessments and risk management. Furthermore, the methodology employed in quality assurance and continuous improvement is also used in work on compliance and follows a continual process of planning, performance, auditing and correction/improvement.



### *The Audit and Sustainability Committee*

In 2021, the role of the Audit Committee was expanded to include sustainability to a greater extent and the name of the Committee was changed to the Audit and Sustainability Committee.

Sustainability has been a key element in Borregaard's business model, strategy and investments for a number of years. The topic has been afforded increased attention from several important stakeholders: the authorities, investors, financial institutions and employees and an increasing proportion of the value chain now integrates sustainability in its business plans and initiatives.

Borregaard coordinates its sustainability efforts through a dedicated Sustainability Board, which is also responsible for the sustainability report that constitutes an important source of information for a number of stakeholders that regularly conduct assessments and issue "ratings". The integration of sustainability in all functions, as well as in the management and governance structure, is important to both Borregaard as a company and to its stakeholders.

Similarly, expectations are also linked to the role of the Board of Directors in this work. This has been strengthened through increased reporting on sustainability factors (including greenhouse gas emissions) in board documentation and board matters, the integration of sustainability in the Board of Directors' strategy process and the Board of Directors has also introduced sustainability criteria for the remuneration of executive employees (bonuses and options). This is also the reason why the Audit and Sustainability Committee's role has been expanded in deliberating on, auditing and monitoring matters relating to sustainability. Expectations and ambitions linked to sustainability could also result in significant financial consequences in the form of investments and costs but also market opportunities. The interface with financial and accounting consequences also means that the role of the Committee will be relevant in matters relating to sustainability.

### *Compliance – risk situation*

An overall risk situation has been drawn up for 'compliance'. The risk situation shows an assessment of key risk factors, the status of associated management systems and matters that have been addressed. Several matters have also been escalated within the organisation as a result of the management systems being employed. Further training and competence in topics such as corruption, ethics and sanctions regulations are expected to lead to more compliance concerns being assessed going forward.

We are seeing a trend of increased complexity resulting from both internal and external factors. Common to these challenges is the fact that proper systems to ensure compliance allow for proper business decisions where these have been integrated comprehensively in operations, both by ensuring that opportunities can be exploited and that problems can be identified (and avoided) at an early stage. To the extent possible, Borregaard seeks to utilise the structures of the established management systems and internal expertise with international experience in order to ensure the implementation of the systems. Where necessary, we consult external experts to ensure that our decisions are quality-assured.

Risk factors affecting each business area must always be included in the overall risk situation. The risk situations are regularly reviewed by senior management together with the overall assessment of compliance.

## 3. KEY PRIORITIES

Based on an assessment of risk, importance and relevance, Borregaard has focused its work and monitoring on four priority areas:

- Important business-related legislation and the Code of Conduct (see section 3.1)
- Responsible sourcing (see section 3.2)
- Information security and privacy (see section 3.3)
- Certification and quality systems (see section 3.4)

These priority areas do not preclude other matters and areas from being discussed, but the more extensive systems mentioned above will be used in these areas in particular.

### **3.1 IMPORTANT BUSINESS-RELATED LEGISLATION AND THE CODE OF CONDUCT**

In this context, important business-related legislation refers in particular to legislation linked to corruption, competition, international sanctions and human rights both in our own operations and in the supply chain (see section 3.2). These are areas that Borregaard considers particularly important to emphasise. Firstly, because these areas are important from an ethical perspective. Secondly, because the consequences of violating these rules can be drastic. This applies to both public law sanctions (penalties, fines and surcharges) and civil law consequences (loss of customers, litigation risk, liability for damages, etc).

#### *Plan/documents*

Borregaard's Code of Conduct sets out general guidelines on key areas requiring awareness and reflection on alternative courses of action. In some areas, the legislation will provide guidelines and limitations, while in other areas corporate policy is needed to guide actions. In cases where discrepancies exist between the Borregaard Code of Conduct and legislation, the strictest course of action shall apply.



Borregaard has regulations in place for all areas mentioned and these have been set down in writing and communicated to all affected employees. In order to reduce the risk of violating international sanctions rules, the company has established a system to identify risky transactions in customer service systems. This means, for example, that a “Know Your Customer” analysis will be introduced for all new customers that are added. Account managers must actively confirm that such analyses have been performed and the analyses must also be documented.

#### *Activities and control measures*

Borregaard’s Code of Conduct was reviewed and revised again in 2023 based on established risk assessments and existing stakeholder and materiality analyses. Several parts of the organisation and employee representatives were involved in the process. Training materials will be prepared in connection with the new Code of Conduct. Borregaard also has an interactive e-learning programme on anti-corruption, which combines knowledge of Borregaard’s attitudes in the area with dilemma training. The programme also ensures that a record is retained of who has completed the programme. New employees in relevant positions must complete the programme when joining the company and other employees must complete the programme as a refresher after a certain period. Even though Borregaard’s overall corruption risk is considered to be low, Borregaard is aware that the company conducts significant sales and activities in areas where there is an inherently high risk of corruption. In such areas, it is important to combine general and key activities with specific local measures to ensure proactive and continually improving understanding of the importance of anti-corruption work. Examples of specific measures in high-risk countries include extremely restrictive use of agents, negligible use of cash transactions, the requirement for distributors to sign up to Borregaard’s Code of Conduct, increased training in connection with corruption, etc. Additionally, the corporate culture is strengthened by discussion, transparency and increased awareness and knowledge of corruption.

In 2023, Borregaard submitted its first public report on its due diligence assessments in accordance with the Norwegian Transparency Act (see below on the act’s entry into force and purpose). The report is available on the company’s website. The company has also established a separate e-mail address for related inquiries.

Competition law is a topic in the new employee induction programme. Written procedures have been established in subsidiaries that have joint owners who are also competitors (currently only applies to Florida). When conducting sales training (sales academy seminars), it will also be appropriate to include seminars on topics from competition law. Several questions have been raised concerning competition law by employees in Norway and abroad, which shows their awareness of potential issues. A training programme on competition law is also planned for the coming year.

The procedures relating to trade restrictions and sanctions are revised and updated on an ongoing basis during use. In 2022, the company hired a dedicated resource to systematise and follow up on issues related to trade restrictions. The system also ensures that employees in relevant positions become aware of the need for careful assessment of customers. So far, the system has worked as intended.

## **New legislation/regulations**

### *New Norwegian Transparency Act*

The “Act relating to enterprises’ transparency and work on fundamental human rights and decent working conditions” entered into force on 1 July 2022. The purpose of the act is to promote companies’ respect for fundamental human rights and decent working conditions in connection with the production of goods and services. The act will also ensure that the general public has access to information about how Norwegian companies manage negative consequences for fundamental human rights and decent working conditions.

In order to fulfil the purposes of the act, large companies (such as Borregaard) are required to carry out due diligence in accordance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. Borregaard's report is available on the company's website.

### 3.2 RESPONSIBLE SOURCING

#### *Plan/documents*

Borregaard has established governing documents in order to ensure responsible sourcing and good quality at supplier level. The Senior Vice President is responsible for these documents.

Responsible sourcing is endorsed in the general Procurement Policy, as well as in a dedicated Responsible Sourcing Policy. A special procedure has also been drawn up that includes a detailed description of how supplier approval will be performed, including responsible sourcing. The approval includes a step-by-step assessment based on risks and associated measures. To assist in this work, special questionnaires and templates have been produced.

#### *Activities:*

- Supplier approval and monitoring are performed in accordance with guidelines.
- Ignite Procurement is used for analysis and reporting. This tool is subject to continuous improvements and expansions, both in terms of functionality for suppliers and in terms of use for Borregaard. Standard reports for reporting have been prepared and are used in the follow-up work.
- The EcoVadis rating has been used in connection with supplier follow-up.
- EcoVadis IQ is used for the existing supplier base. The outcome is used in the planning and implementation of supplier follow-up. Focus on suppliers with a "High Risk" score for "Overall risk".
- All suppliers rated as "Strategic" and a selection of suppliers rated as "Bottleneck" are followed up by means of Supplier Development Action Plans (SDAs). Fixed agenda items to be raised with suppliers include sustainability, safety and responsible sourcing in general. SDA meetings have been held with suppliers. An overall overview of the status per supplier has been established.
- Borregaard's established digitalisation initiative, including the preparation of data platforms and reports, facilitates increased insight and more effective follow-up.
- Everyone in the purchasing department has completed training in "Safe Food and Food Contact Materials" organised by the quality department, and has also completed "Scope 3 training".
- Completed training of the EcoVadis platform for staff outside the purchasing department with supplier responsibility.
- "Training & Capacity Building for Suppliers" e-learning course completed by people with purchasing responsibility within the global organisation.
- Established "Global Procurement Initiative" and joint Team Channel for the purpose of coordinating procurement activities in the Group.

#### *Audits and monitoring*

- KPIs include sustainability, which means that new suppliers will be assessed with regard to corporate responsibility/responsible sourcing in accordance with the given guidelines and through supplier monitoring. KPIs have also been established to ensure that the internal purchasing process is followed.
- Maintenance of the supplier database is carried out annually.

- Annual assessments of suppliers are conducted on the basis of the given assessment criteria, including responsible sourcing. Nine audits were carried out by the Borregaard AS's QA department during the reporting period.
- Procurement processes within the company undergo internal audit.

#### *Improvements/new measures*

- Expand the scope of suppliers reporting via EcoVadis.
- Implement vendor authentication and follow-up.
- Review and update procedures.

### **3.3 INFORMATION SECURITY AND DATA PROTECTION (PRIVACY)**

The Chief Financial Officer (CFO) has the overall responsibility for information security and for ensuring that this work is organised and implemented in a safe and efficient manner. Operational information security work is led by the Chief Risk Officer (CRO). Information security also includes a responsibility to ensure that Borregaard operates in accordance with the applicable data protection regulations. A separate meeting structure has been established with a steering committee that is responsible for safeguarding and implementing the management system. The objective of the information security work is to ensure proper information management in our business processes, i.e. to ensure confidentiality (unauthorised access), integrity (quality of information) and availability (continuity). At the same time, information management must comply with applicable regulatory requirements.

#### *Plan/documents*

Borregaard assumes that the company may be exposed to various threats related to information processing. Our risk management for information security shall be based on an updated understanding of the company's exposure related to operations, changes and projects. Through active management of our information security policy, we aim to promote governance in the following areas:

- Information management strategy
- Confidentiality (information and classification management, as well as the responsibilities of the information owner)
- Awareness (training)
- Availability (criticality and contingency)
- Document retention (use of electronic archiving solutions)
- Mobility and access to information (regulations and threat awareness)
- Social media (communication regulations)
- Privacy (management system)
- Partners (process for criticality assessments and non-functional requirements relating to IT procurements)
- Culture (risk management and trust)
- Organisational changes (access controls)



*Threat picture*

The threat picture changes constantly and we monitor this via our partners, as well as through appropriate online channels, by means of which we always stay abreast of new and existing threats.

*Development and improvement of procedures*

- Information security exercises and e-learning courses for everyone at Borregaard were also conducted in 2023, and the effect of the e-learning will be measured.
- A partnership has been established with an external expert for monitoring and assistance.
- Stricter requirements for information and IT security at new and existing suppliers.

**Privacy/GDPR***Plan/documents*

Borregaard has created a risk-based management system to ensure that the company meets all expectations associated with the General Data Protection Regulations (GDPR). The system provides a detailed description of the regulations, including Borregaard's implementation, description of systems and guidelines for ensuring that privacy is properly safeguarded. The management system and associated supporting documentation are used actively when assessing new projects and system changes.

*Activities, improvements and new initiatives*

- There have been no requests for access to personal data from our own employees.
- No violations of the data protection and privacy guidelines have been reported.
- Internal training of apprentices has been conducted during the period.
- The privacy management system has been updated with clarifications related to the basis for processing, requirements for system description and audiovisual recordings, as well as distribution and streaming of such media.

*Monitoring and follow-up*

Selected matters and improvements are followed up on continuously by the Steering Committee for Information Security.

**3.4 CERTIFICATIONS AND QUALITY SYSTEMS****Certificates and audits:**

Borregaard maintains ISO 9001, 14001 and 50001 certification as the basis for its quality, environment and energy management systems. The management system is integrated so that all the standards are taken into account within the same work processes and these are used as common platforms for the specialised certifications.

As regards product certification, Borregaard is certified according to GMP+ B1 for feed products, FSSC 22000 (food safety system certification) for vanillin, and ISCC (international sustainability and carbon certification) for bioethanol for biofuel. Cellulose acetate was certified in accordance with ICSS Plus in autumn 2022.

Biovanillin, Alvamix and biogas were scheduled for certification in accordance with ISCC by the end of 2023 in order to prove zero emissions of greenhouse gases in the carbon allowance system.

Borregaard is PEFC certified (Programme for the Endorsement of Forest Certification) and FSC (Forest Stewardship Council) certified for wood, woodchips as well as cellulose products and vanillin.

Bioethanol, vanillin, cellulose, hypochlorite and hydrochloric acid are Kosher certified. Vanillin is also Halal certified.

During this period, Borregaard was audited in accordance with the standards' requirements for audit programmes and rectified any commented matters or non-conformities identified in these audits. The audit programmes also provide valuable input for other system improvements.

#### **Internal quality audits of the management system:**

Borregaard has established a programme for internal quality audits of the management system. The quality standards are revised by the Quality Department and by the HSE department in line with the scope of the certificates. With regard to quality standards, this covers production and research activities at the Sarpsborg site in Norway, including sales and distribution, and the scope of the environment and safety standards covers all physical locations for which Borregaard is responsible at Sarpsborg.

Comments and non-conformities have been rectified on an ongoing basis.

#### **Customer and supplier audits:**

Customer audits are now up to pre-pandemic levels, and all are conducted with physical presence. It is typically customers who buy products for more advanced applications who choose to audit Borregaard (food/feed/pharma/battery/oil). Customers often provide useful inputs for improvements.

For suppliers, the audit schedule is one of the outcomes of assessing supplier performance. Criteria for when Borregaard should audit a given supplier as the right tool for improvement efforts are under development. Today, suppliers of essential goods for the manufacturing of food and pharmaceuticals are audited, as well as the contract manufacturers of Borregaard's products (Biovanillin). Essential goods and services for pharmaceutical intermediates, and follow-up of contract manufacturers are subject to a generic schedule. These are audited every three years. No significant deficiencies have been identified at these suppliers during the period under review.

#### **Supervision from the authorities:**

During the period under review (autumn 2022 to present), several regulatory audits were conducted). Comments and nonconformities have been continuously rectified, and there are no unresolved matters after these audits.

#### **Quality systems**

Improvement of procedures

- Food safety: New editions of the standard (FSSC 22000) entail increased focus on food safety culture. In practice, the expectation is for more ambitious goals for food safety efforts. Borregaard is intensifying its training procedures and working actively to raise awareness organisation wide.
- Root Cause Analysis: An improvement activity has been initiated to ensure learning from the improvement processes through improved procedures and the implementation of requisite digital tools.

- Management Review (LG): In the coming period, a restructuring of the work process will be undertaken by making it more goal-oriented.
- Document management: A project will be initiated to establish a comprehensive quality assurance system for Borregaard. This system will ensure necessary improvements in change management, non-conformity management, document management and risk management.

## 4. OTHER MATTERS

In addition to the priority areas, the Compliance Board also considers other topics and measures associated with these on an ongoing basis. These processes have involved dialogue between those working on the topics in question and the Compliance Board. Dialogue has been initiated by both the Compliance Board and by request from various departments.

### *Clarified responsibilities within subsidiaries*

In recent years, greater emphasis has been placed on corporate governance in subsidiaries and their management. Relevant topics have been considered at the “Legal Heads meetings”, which are now convened 1-2 times per year and are attended by the managing directors and board members of subsidiaries.

In the last year, a general job description was drawn up for managing directors of subsidiaries, which addresses compliance, including the responsibility to follow up on relevant national legislation and any amendments thereto that are of relevance to the area. Compliance has also been added as a separate item on the generic board agenda (annual cycle) that has been drawn up.

### **Record of compliance matters addressed**

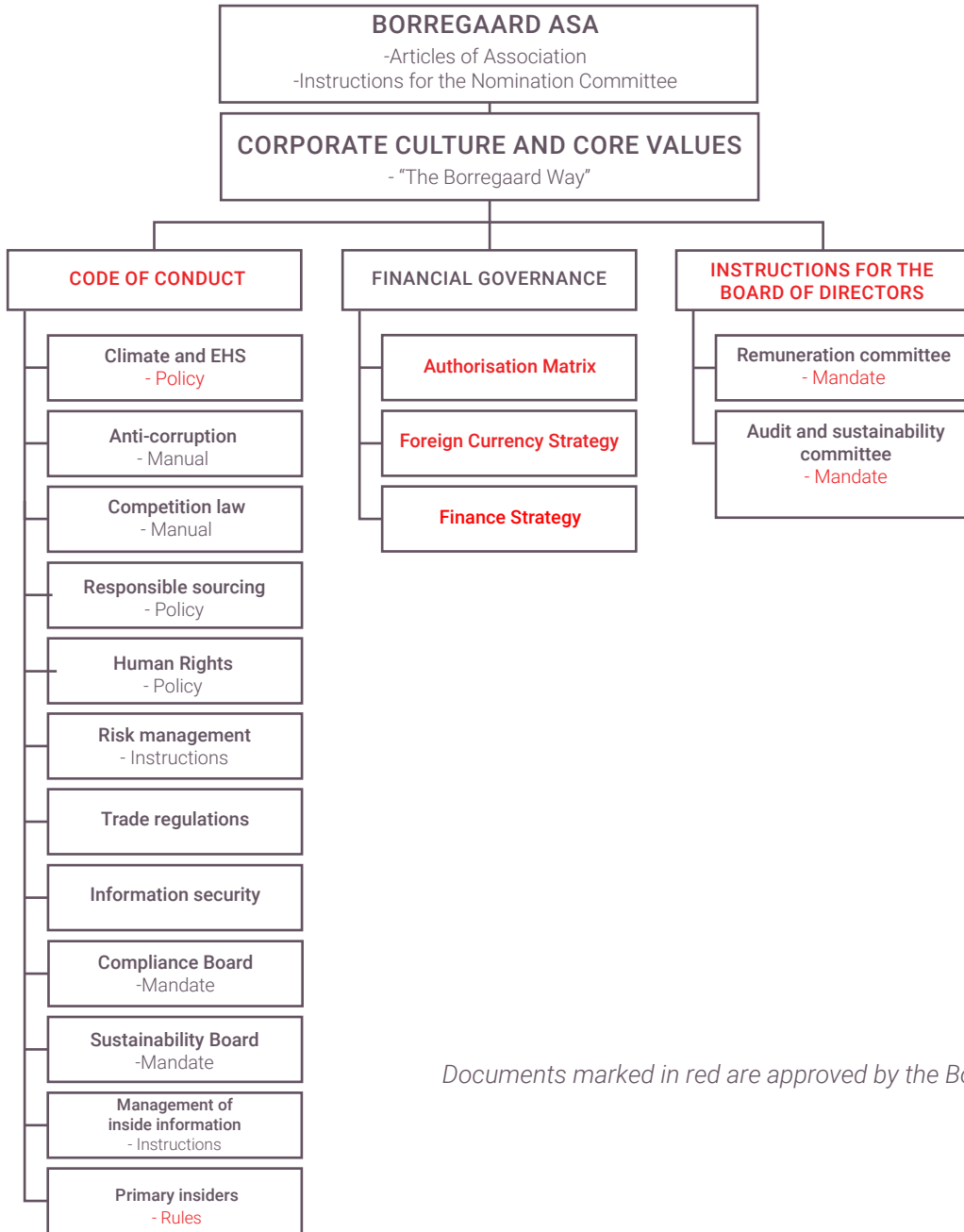
An ongoing overview of matters relating to compliance that have been addressed by the Legal Director is in preparation.

### **Appendix – to information**

*Structure – governing documents*

*Mandate for the Compliance Board*

Structure – governing documents



*Documents marked in red are approved by the Board*

## Compliance Board - Mandate

### Introduction

The Compliance Board is an internal specialist committee that has the overall responsibility for contributing to compliance with public legislation (laws and regulations) and internal regulations. Compliance with such rules and regulations is a line responsibility at Borregaard. Through its work, the Compliance Board will support the line organisation with matters relating to awareness, reporting and contributions to improvements within the area.

### The document

The SVP of Organisation and Public Affairs is responsible for this document.

### Members

The CEO appoints the Compliance Board and its chairperson.

### Mandate and Responsibilities

- Review and evaluate the organisation, training and due diligence measures in priority areas
- Initiate the establishment of guidelines in areas where this is needed
- Register non-conformities and issues, as well as propose improvements to current and relevant areas
- Report on overall issues, relevant topics and improvement measures
- The work must be based on risk assessments

### Reporting

The Compliance Board will report to the CEO of the company through the main management meeting. The Board of Directors of the company will also consider reports and recommendations from the Compliance Board.

Reporting to the main management meeting must take place as needed, but at least once per year.

Reporting to the Board of Directors must take place as needed, but at least annually by way of a separate written report that will be included in the Board of Directors' review of the area of Compliance. The report will be reviewed by the Audit and sustainability committee prior to being considered by the Board of Directors.