

## Recommendations of the Nomination Committee to the 2018 Annual General Meeting

### The work of the nomination committee

The Borregaard website contains separate information on the nomination committee and its mandate, as well as contact information for input to the committee's work.

The website also includes an information page about the 2018 annual general meeting with details of the nominations, and how to contact the nomination committee.

Since the 2017 annual general meeting, the committee has had seven meetings. The nomination committee has made a thorough assessment of the board and its members, based on a review of the board's own evaluation and on individual meetings with the chair of the board and the other shareholder- and employee-elected board members.

There has also been dialogue with the company administration and a private meeting with the CEO in order to gain an understanding of the company's position and the board's needs for expertise.

A letter has also been sent to the 20 largest shareholders with information about the committee's work and how to contact and provide input to the committee. There have also been talks with several shareholders.

The committee's decisions on proposed candidates to the board and nomination committee and on rates of remuneration have been unanimous.

### Item 6 - Members of the board of directors

The nomination committee considers the composition of the current board to be appropriate to the needs of the company and the requirements of the instructions for the nomination committee. Of the five current shareholder-elected board members, two have several years of experience from the Borregaard board including before the IPO in 2012. The other three members joined at the time of the IPO in October 2012 and the annual general meetings in April 2013 and April 2016. The meetings have been well attended.

In general, the nomination committee has wanted to balance the need for continuity with a gradual replacement of the board members over time. However, several members of the board have taken on new duties since the previous annual general meeting and some of the members requested that they be removed from consideration for re-election. There will thus be a major replacement of board members at this annual general meeting.

In light of this, the nomination committee proposes re-election of two shareholder-elected board members: Jan A. Oksum and Terje Andersen – and proposes three new board members: Tove Andersen, Margrethe Hauge and Helge Aasen. In its proposal for new board members, the nomination committee has emphasised the candidates' overall relevant and broad experience of operational responsibilities, international industrial activities and board work in undertakings including industrial and technology companies.

*Please refer to the appendix/CV containing more detailed information.*

From among the proposed board members, the nomination committee proposes the re-election of Jan A. Oksum as chair of the board. In accordance with an agreement and established practice, an employee representative has given an assessment of the proposal for the chair of the board.

In accordance with previous practice, a term of office of one year, until the next annual general meeting, is proposed.

### Proposals for board members

1. The following board members are proposed:
  - i. Jan A. Oksum (elected as chair from 2012) – re-elected
  - ii. Terje Andersen (elected from 2012) – re-elected
  - iii. Tove Andersen – new
  - iv. Margrethe Hauge – new
  - v. Helge Aasen – new
2. Jan A. Oksum is proposed as chair of the board
3. The committee proposes a term of office of one year, until the next annual general meeting.

### **Item 7 - Members of the nomination committee**

The nomination committee was elected at the 2017 annual general meeting. Like the board of directors, the nomination committee has a term of one year, until the 2018 annual general meeting. There has been contact with several owners in assessing the composition of the nomination committee.

It is the nomination committee's assessment that the committee has relevant and broad experience and good knowledge of relevant organisations and individuals. All the members of the committee are independent of both the company's board of directors and senior executives. Three of the members of the committee represent some of Borregaard's largest owners. They have extensive experience from positions in industry, boards, nomination committees and other appointments.

There is a need for sufficient continuity among the members of the nomination committee to ensure understanding of the company, the needs of the board and to follow up the assessments and meetings that have taken place with the owners, directors and potential candidates. Two new members, Erik Must and Rune Selmar, were elected to the committee at the 2016 annual general meeting, and Ola Wessel-Aas was elected at the 2017 annual general meeting. The nomination committee therefore considers that there is no need for replacements in the committee at the 2018 annual general meeting and will propose the re-election of all members of the committee. The committee considers that the proposed candidates and the composition of the committee satisfy all the recommendations of the Norwegian Corporate Governance Board (NUES).

*Please refer to the appendix/CV containing more detailed information.*

### Proposals for members of the nomination committee

1. The following nomination committee members are proposed:
  - i. Mimi K. Berdal (elected from 2013) – re-elected
  - ii. Erik Must (elected from 2016) - re-elected
  - iii. Rune Selmar (elected from 2016) - re-elected
  - iv. Ola Wessel-Aas (elected from 2017) - re-elected
2. Mimi K. Berdal is proposed as chair of the committee.
3. The committee proposes a term of office of one year, until the next annual general meeting.

### **Items 8 and 9 - Remuneration of the board (item 8) and nomination committee (item 9)**

In its work on remuneration, the nomination committee has based its proposal on two perspectives. One is that the remuneration level shall be competitive, without being leading, compared with relevant listed companies in Norway. The second perspective is related to a desire by several shareholders to link the shareholder-elected members more closely with the owners' perspectives and interests through ownership of the company.

The nomination committee will therefore propose that the members of the board of directors be required to purchase shares in the company and that the scope be tied to the amount of the board remuneration. Some companies already have such schemes and it is expected that more companies will introduce a share purchase and ownership requirement for board members. Many of the company's larger owners have also recommended the introduction of such a scheme in Borregaard. The practice is also supported in Section 11 of the Norwegian Code of Practice for Corporate Governance, which states that consideration should be given to arranging for members to invest part of their remuneration in shares in the company at market price. The nomination committee therefore proposes that 20% of the remuneration shall be used for share purchases, until the share value reaches an amount equivalent to one year's remuneration. For board members, a share purchase requirement will place a limitation on the free liquidity from the board remuneration. To compensate for this, a 15% increase of the remuneration is proposed. While such an increase is justifiable compared with the remuneration level of comparable companies, the increase will nonetheless only partly compensate for the reduced liquidity from the board remuneration resulting from the share purchase requirement. On the other hand, members will build up a share portfolio with a significant value and a certain level of dividend.

The nomination committee proposes to not make the share purchase requirement applicable to employee-elected members or observers on the board. The extraordinary remuneration increase of 15% to compensate for the reduced liquidity is therefore not proposed for employee-elected members and observers on the board. However, in line with previous practice, it is proposed that the remuneration for the employee-elected members be adjusted in line with the company's wage increase in 2017 (approximately 2.8%). It is also proposed to increase the remuneration for board committees and the nomination committee by approximately 2.8%.

The candidates for the board of directors have been informed of the proposed remuneration level and share purchase requirement. The nomination committee will ensure that the board members' shareholding is in line with the intentions. It is proposed that the instructions for the nomination committee be updated accordingly.

Items 6, 7, 8 and 9 – The Recommendations of the Nomination Committee

The committee therefore believes that the proposal represents a competitive, but not leading, level of remuneration, corresponding to responsibilities, competence requirements, workload, and with a strong ownership perspective.

### Proposed remuneration structure and rates

The following remuneration structure and rates will apply from the 2018 annual general meeting until the next annual general meeting in 2019:

#### Remuneration of the board

Chair of the board: NOK 510 000 (443 000 last period)  
Board member, shareholder-elected: NOK 305 000 (266 000 last period)  
Board member, employee-elected: NOK 273 400 (266 000 last period)  
Observer (employee-elected)\*\*: NOK 91 000 per year (88 500 last period)  
Deputy for observer\*\*\*: NOK 7000 per meeting (6800 last period)  
Chair of the audit committee: NOK 85 300 (83 000 last period)  
Member of the audit committee\*: NOK 57 100 (55 500 last period)  
Chair of the compensation committee: NOK 51 100 (49 700 last period)  
Member of the compensation committee\*: NOK 39 800 (38 700 last period)

It is recommended to pay the remuneration in instalments during this period.

*\* Remuneration for an employee-elected board member also covers participation in board committees.*

*\*\* An observer is also a permanent deputy for an employee-elected board member and remuneration for an observer also covers any function as an acting board member.*

*\*\*\* The same remuneration rate also applies in a situation where a deputy for an observer acts as a board member because both the employee-elected board member and the observer are absent.*

#### Requirement to purchase shares for part of the remuneration

- The board's shareholder-elected members shall use 20% of their gross board remuneration (excluding remuneration for committee work) to purchase shares in the company until they (including their personal close associates/companies that they control) own shares equal in value to one year's gross board remuneration (excluding remuneration for committee work).
- The purchase of shares shall take place in accordance with applicable legislation as well as the Rules for Primary Insiders in Borregaard and the company's Instructions for Handling Inside Information. It is recommended that purchases be made during the first week following the publication of quarterly figures. The purchase may be distributed over time, but shall be carried out no later than by the end of the year and encompass at least 20% of the gross remuneration for this calendar year.
- The shares shall be retained for as long as the board member serves on the board. A shareholding exceeding one year's board remuneration is not covered by this requirement.
- The nomination committee shall monitor compliance with the share purchase scheme and this will be part of the committee's assessment of candidates for election to subsequent terms.

Items 6, 7, 8 and 9 – The Recommendations of the Nomination Committee

Remuneration of the nomination committee

Chair of the nomination committee: NOK 56 500 (55 000 last period) + NOK 9100 (8900) per meeting above four meetings

Member of the nomination committee: NOK 39 800 (38 700 last period) + NOK 7400 (7200) per meeting above four meetings

Oslo/Sarpsborg, 6 March 2018

Mimi K. Berdal, Chair

Erik Must

Rune Selmar

Ola Wessel-Aas

## **Appendix to the Recommendations of the Nomination Committee**

### **Board of Directors**

#### **Jan Anders Oksum**

Born 1950, Norwegian citizen

##### Education:

Master's degree in Wood Processing Chemistry from the Norwegian University of Science and Technology, Trondheim, Norway.

##### Professional career:

Mr. Oksum is now an independent consultant in organisational and leadership development, strategy and project management. He has more than 30 years' experience from the forestry industry and Norske Skogindustrier ASA, where he has held various positions including VP Research, Mill Manager and SVP Business and Strategy Development. He was CEO of the company from 2004 to 2006. He has also been Research Associate at the Pulp and Paper Research Institute, Oslo.

##### Directorships (selection):

Mr. Oksum serves on the board of directors of Chemring Nobel AS. Previous to this, he held board positions with Norconsult (chair), Elopak AS (member), Södra Cell AB (member), Holmen, Gulliksen & Co AS (chair), Hafslund Pellets Holding AS (member), Biowood Norway AS (chair), Nuclear Protection Products AS (chair) and Estate Media AS (chair).

Mr. Oksum has been a member the board of directors of Borregaard Industries Limited since 2007 and chair of the board of Borregaard ASA since the listing of the company in 2012. He has participated in all eight board meetings since the last annual general meeting.

Through a controlled company, Mr. Oksum holds 10 000 shares in Borregaard ASA.

#### **Terje Andersen**

Born 1958, Norwegian citizen

##### Education:

Degree in Business Administration (siviløkonom) from the Norwegian School of Economics and Business Administration (NHH), Bergen.

##### Professional career:

Terje Andersen is CEO of Orkla Investments. Since 1989, Mr. Andersen has assumed various positions within the Orkla group, including CFO of Orkla ASA, Commercial Director of Lilleborg AS and CFO of Orkla Brands. Mr. Andersen has also held positions in Nevi Finans AS and Deloitte Touche.

##### Directorships (selection):

Mr. Andersen holds board positions in a number of companies, such as Jotun AS (member) and Saudefaldene AS (chair). He has previously held positions as a board member of Gränges AB, Sapa AS, Elkem AS and Elkem Solar AS.

Mr. Andersen has been a member/chair of the board of directors of Borregaard Industries Limited since 2005, and a member of the board of directors of Borregaard ASA since 2012. He has participated in all eight board meetings since the last annual general meeting.

Mr. Andersen holds 3571 shares in Borregaard ASA.

### **Tove Andersen**

Born 1970, Norwegian citizen

#### Education:

Master's degree in Applied Physics and Mathematics from the Norwegian University of Science and Technology, Trondheim, Norway.

MBA, BI-Norwegian Business School

#### Professional career:

Tove Andersen is EVP Supply Chain at Yara International ASA and a member of the group management team. Since 1997, Ms. Andersen has held a number of different positions at Norsk Hydro/Yara, including VP Business Development/Alliances, VP Specialities and Retail Marketing, Managing Director of the fertiliser business in the UK and Ireland and VP Marketing and New Business. Ms. Andersen has also held positions at Norwegian Computing Center and as a researcher.

#### Directorships (selection):

Ms. Andersen is a board member of Cambi ASA and Posten Norge AS. Other previous board memberships include AgGateway Global Network, Globalrange Ltd. and the Agricultural Industries Confederation.

Ms. Andersen holds no shares in Borregaard ASA.

### **Margrethe Hauge**

Born 1971, Norwegian citizen

#### Education:

MSc. Economics & Business Administration, University of Mannheim, Germany.

#### Professional career:

Margrethe Hauge is a Partner at H & O Industrier AS, a company engaged in strategic business development and restructuring management in international companies. Until 2017, Ms. Hauge was Regional Managing Director - Nordic & Germany at MRC Global Inc. Prior to this, she was Managing Director of MRC Solberg & Andersen AS and EVP Services at TTS Group ASA. She has also had held several positions at Kverneland Group ASA, including VP Business Area Crop Care in Amsterdam, Business Area Spare Parts as well as Programme VP for strategic improvement areas and General Manager of three Group businesses in Australia. Ms. Hauge has also been a trainee at Norsk Hydro ASA.

#### Directorships (selection):

Ms. Hauge is a board member of Salmar ASA and GIEK. Other previous board memberships include Bjørge ASA, AFF Stiftelsen/Konsulent AS and Codfarmers ASA.

Ms. Hauge holds no shares in Borregaard ASA.

## **Helge Aasen**

Born 1963, Norwegian citizen

### Education:

Master's degree in Metallurgy from the Norwegian University of Science and Technology, Trondheim, Norway.

Leadership program, IMD, Switzerland

### Professional career:

Helge Aasen is CEO of Elkem ASA, a post he has held since 2009. He has held a number of positions in the Elkem Group since 1990, including experience from various divisions in the Group as well as sales, marketing and commercial positions. Mr. Aasen has previously held engineering positions at Norsk Ferro AS, a part of Norsk Jern Holding.

### Directorships (selection):

Mr. Aasen is a board member of China National Bluestar Company (100% owned by Elkem) and chair of the board of REC Solar Holdings AS. He is also chair of the board of the Federation of Norwegian Industries (a national association in NHO - Confederation of Norwegian Enterprise).

Helge Aasen holds no shares in Borregaard ASA.

## **The nomination committee**

### **Mimi K. Berdal**

Born 1959, Norwegian citizen

#### Education

Law degree from the University of Oslo

#### Professional career

Independent lawyer and consultant.

Partner at Arntzen de Besche advokatfirma AS and Arntzen, Underland & Co

Legal adviser at Total Norge AS

#### Directorships and other appointments (current)

Ms. Berdal holds a number of directorships: Gassco AS (chair), Itera ASA (member), EMGS ASA (member) and Vistin Pharma (member). She is also chair of the nomination committee of Sevan Marine ASA.

#### Previous appointments (selection)

She has held directorships in several companies: Infratek ASA (chair), Renewable Energy Corporation ASA (chair 2013), Q-free ASA (deputy chair), Rocksource ASA (chair), Copeinca ASA, Stiftelsen Norsk Rikstoto, Synnøve Finden ASA, Copeinca ASA, Camposol Holding PLC, Intex Resources ASA and Stabæk Fotball (chair). Ms. Berdal has also held offices in Orkla ASA (deputy member of the corporate assembly), BWG Homes ASA (chair of the nomination committee), and been a member of the expert committee for good corporate governance (Centre for Continuing Legal Education).

### **Erik Must**

Born 1943, Norwegian citizen

#### Education

Degree in Business Administration (siviløkonom) from Copenhagen Business School

#### Professional career

Mr. Must was previously Managing Director and chair of the board of Fondsinans and has extensive experience from Norwegian industry and finance.

#### Directorships and other appointments (current)

Mr. Must is chair of the board of several companies: Erik Must AS and its wholly owned subsidiaries Must Invest and Fondsavanse. He is a member of the board of the SAM fund for medical research. Mr. Must is also a member of the nomination committees of Veidekke and PCI Biotech.

#### Previous appointments (selection)

Mr. Must has been chair of the board of Fondsinans and Arendals Fossekompagni and a board member of Kongsberg Gruppen, Gyldendal, NHST Media Group, the Norwegian Trekking Association, the Norwegian Folk Museum and the Biotechnology Centre at the University of Oslo. He has also been a member of the nomination committees of Telenor ASA and Oslo Børs VPS.

Erik Must and his companies are among Borregaard's largest owners.

## **Rune Selmar**

Born 1959, Norwegian citizen

### Education

Degree in Business Administration (siviløkonom) from the Norwegian School of Economics and Business Administration (NHH). Authorised securities dealer from the Norwegian College of Banking (Bankakademiet) and authorised financial analyst from NHH/the Norwegian Society of Financial Analysts (NFF)

### Professional career

Mr. Selmar is Managing Director and Investment Director of ODIN Fund Management. He has previously held senior positions in Norfund (Head of Department, Financial Institutions and SME Funds) and the Government Pension Fund Norway (Investment Director and Managing Director), as well as Rasmussen-gruppen AS, N. A. Jensen & Co A/S and DnC.

### Directorships and other appointments (current)

Mr. Selmar serves on the boards of RS Partners AS (member) and Selco AS (chair). He is also chair of the nomination committee of REC.

### Previous appointments (selection)

Mr. Selmar has been chair of the board of Avantor AS and board member in several companies: Expert ASA, Hexagon Composites ASA, Vital Insurance ASA/DnB Life Insurance ASA, Vind AS and Røntgensenteret AS. He has also been a member of the corporate assembly and the nomination committee of Orkla ASA, the corporate assembly of Telenor ASA and the supervisory board and the nomination committee of Storebrand ASA.

ODIN Fund Management is one of Borregaard's largest owners.

## **Ola Wessel-Aas**

Born 1970, Norwegian citizen

### Education

Master of Business Administration, Finance Major (University of Pennsylvania, USA). Bachelor of Arts, Economics (University of Durham, England).

### Professional career

Mr. Wessel-Aas is the founder and Portfolio Manager of Taiga Fund Management. He has previously held various positions in Merrill Lynch (including Head of Nordic investment Banking) and McKinsey.

### Directorships and other appointments (current)

Ola Wessel-Aas is a board member of the Norwegian Alternative Investment Association and also a member of the nomination committee of Kitron AS.

### Previous appointments (selection)

Mr. Wessel-Aas was previously a member of the nomination committees of Oslo Børs VPS Holding, Bakkafrøst, Protector Insurance and Telio.

Taiga Fund Management is one of Borregaard's largest owners.