



Norske Skog

# A LAUNCH INTO A NEW SPHERE

ANNUAL  
REPORT  
2021



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# KEY FIGURES

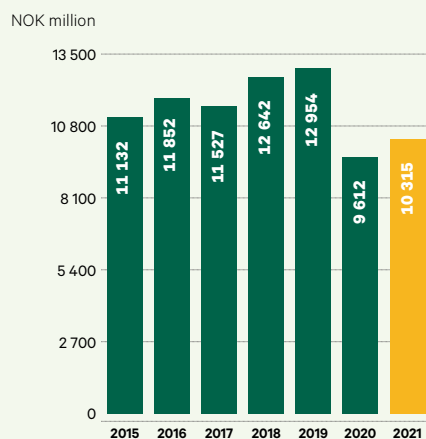
| NOK MILLION (UNLESS OTHERWISE STATED)                     | 2015   | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   |
|---|--------|--------|--------|--------|--------|--------|--------|
| <b>INCOME STATEMENT</b>                                   |        |        |        |        |        |        |        |
| Total operating income                                    | 11 132 | 11 852 | 11 527 | 12 642 | 12 954 | 9 612  | 10 315 |
| EBITDA*   | 818    | 1 081  | 701    | 1 032  | 1 938  | 736    | 662    |
| Operating earnings  | 19     | -947   | -1 702 | 926    | 2 398  | -1 339 | -160   |
| Profit/loss for the period                                | -1 318 | -972   | -3 551 | 1 525  | 2 044  | -1 884 | -363   |
| Earnings per share (NOK)**                                | -13.98 | -10.31 | -37.67 | 16.18  | 21.68  | -19.99 | -3.85  |
| <b>CASH FLOW</b>  |        |        |        |        |        |        |        |
| Net cash flow from operating activities                   | 146    | 514    | 404    | 881    | 602    | 549    | 191    |
| Net cash flow from operating activities per share (NOK)** | 1.55   | 5.45   | 4.28   | 9.34   | 6.39   | 5.82   | 2.02   |
| Net cash flow from investing activities                   | -174   | -105   | -278   | -188   | -180   | 302    | -891   |
| <b>OPERATING MARGIN AND PROFITABILITY (%)</b>             |        |        |        |        |        |        |        |
| EBITDA margin*  | 7.3    | 9.1    | 6.1    | 8.2    | 15.0   | 7.7    | 6.4    |
| Return on capital employed (annualised)*                  | 5.2    | 8.9    | 6.6    | 14.1   | 28.5   | 2.1    | -7.8   |
| <b>PRODUCTION/DELIVERIES/CAPACITY UTILISATION</b>         |        |        |        |        |        |        |        |
| Production (1 000 tonnes)                                 | 2 366  | 2 506  | 2 494  | 2 492  | 2 310  | 1 800  | 1 921  |
| Deliveries (1 000 tonnes)                                 | 2 356  | 2 520  | 2 491  | 2 485  | 2 285  | 1 825  | 1 952  |
| Production/capacity (%)                                   | 85     | 93     | 93     | 95     | 89     | 77     | 89     |
| <b>BALANCE SHEET</b>                                      |        |        |        |        |        |        |        |
| Non-current assets  | 9 620  | 7 184  | 4 939  | 4 789  | 5 248  | 4 084  | 4 538  |
| Assets held for sale                                      | 0      | 0      | 0      | 0      | 631    | 0      | 0      |
| Current assets  | 3 512  | 3 313  | 3 170  | 3 776  | 4 360  | 3 703  | 4 587  |
| Total assets  | 13 133 | 10 497 | 8 109  | 8 565  | 10 240 | 7 787  | 9 125  |
| Equity  | 4 729  | 2 090  | -1 427 | 2 365  | 5 493  | 3 219  | 3 133  |
| Net interest-bearing debt                                 | 4 528  | 5 038  | 5 717  | 2 268  | 919    | 725    | 1 054  |

\* As defined in Alternative Performance Measures.

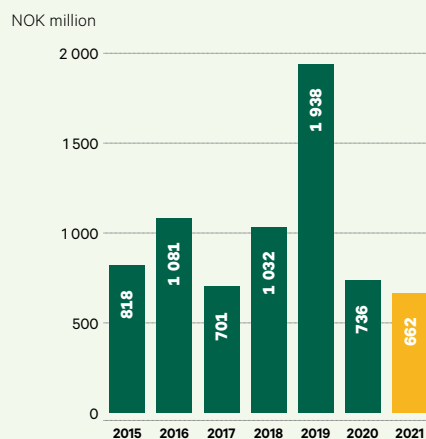
\*\* Cash flow per share and earnings per share are calculated based on 94 264 705 shares.

An analysis of 2021 key figures compared with 2020 is included in the Report of the Board of Directors.

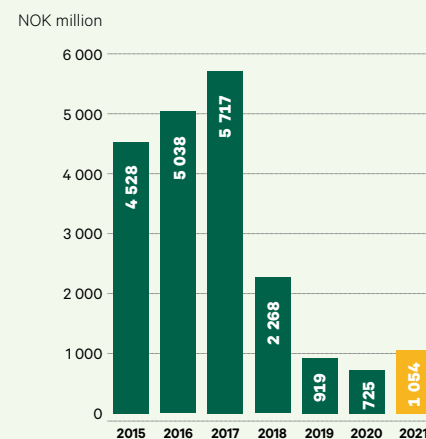
**TOTAL OPERATING INCOME**



**EBITDA**



**NET INTEREST-BEARING DEBT**



**5** mills in 4 countries

Boyer, Australia / Bruck, Austria / Golbey, France / Skogn, Norway / Saugbrugs, Norway /

**2 092**

Employees

**12%**

Female employees



**89%**

Certified fibres



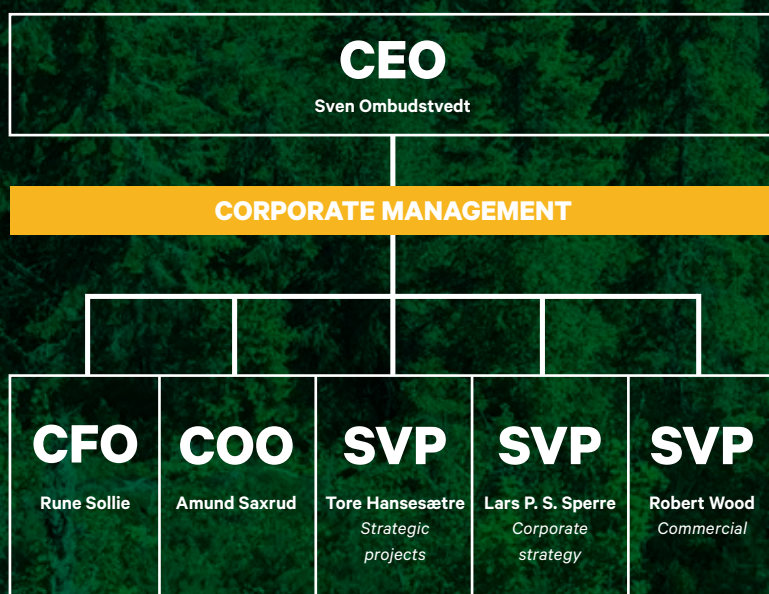
**84%**

Renewable energy



**1.9**

Lost time injuries per million working hours



# THE HISTORY OF NORSKE SKOG

Norske Skog was established in 1962, but our Boyer, Bruck and Saugbrugs mills have been in operation much longer. Until the 1990s, the company grew in Norway, acquiring businesses in pulp, paper and wood-based construction materials.

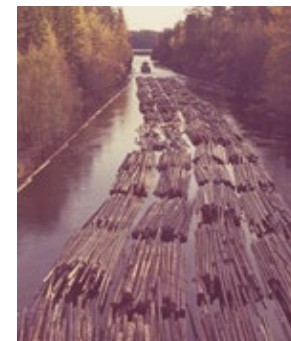
Through the nineties, Norske Skog expanded internationally, first with the construction of a mill in France and later through acquisitions of other newsprint and magazine paper companies all over the world. The activities within other paper grades, market pulp, energy and construction materials were sold off. In recent years, the company has entered into several projects related to recycled containerboard, energy and bio products.

As of 2022, Norske Skog has five mills in four countries and is one of the world's largest producers of publication paper to newspapers, magazines, periodicals and for advertising purposes. Norske Skog is listed on the Oslo Stock Exchange, and had about 2 100 employees at year-end 2021.



## 1962

Norske Skog was established by Norwegian forest owners. The purpose was to exploit timber resources in central Norway, and a newsprint mill was built at Skogn, starting production in 1966.



## Expansion in Norway 1970 - 1990



## Global expansion 1991 - 2005

### 1992

Expansion outside Norway, Start-up of production in Golbey in France, our first business outside of Norway.

### 1996-1997

Purchase of paper mills in Austria and the Czech Republic.



### 2001

Purchase of mills in Germany and the Netherlands.

Comprehensive restructuring of the business, and divestment of activities outside the defined core area of newsprint and magazine paper.

### 2000

Sale of pulp mills in Norway. Purchase of Fletcher Challenge Paper in New Zealand, a firm with operations in Australasia, South America, Canada and Asia.



## 2006

Five newsprint machines shut down, shares in the Canadian business sold.

## 2008

Sale of two mills in South Korea, sale of property, shut-down of two paper machines in Europe.

## 2009

Sale of two mills in China, shut-down of one paper machine in Europe.



## 2015

Closure of the Walsum mill in Duisburg, Germany.

## 2017

The board of Norske Skogindustrier ASA filed for bankruptcy. Open new biogas facility at Saugbrugs.

## 2018

New beginning with Oceanwood purchasing the mill portfolio.

## 2019

New three-leg strategy within publication paper, packaging paper, and bio products and energy related products.

Norske Skog ASA was listed on the Oslo Stock Exchange.



## 2020

Sale of the Albury mill in Australia and the forest in Tasmania. Establishing commercial activities within nanocellose and expansion in biopellets.



### Comprehensive restructuring 2005 - 2014

### Financial restructuring 2015 - 2018

### New beginning 2019 -

## 2012

Sale of two mills in Chile and Netherlands, shut-down of Follum paper mill in Norway.

## 2013

Sale of two mills in Brazil and Thailand. Two machines idled at Tasman and Walsum.

## 2014

Ramp-up of a converted newsprint machine to LWC-products at Boyer in Australia.



## 2021

Closure of Tasman mill in New Zealand. Expansion into biocomposites and starting construction of a waste-to-energy plant at Bruck. Financing the conversion of two newsprint machines at Bruck and Golbey into containerboard production.

## 2022

Sale of Nature's Flame 90 000 tons pellets facility in New Zealand. Plan to start-up waste-to-energy of plant and recycled containerboard production at Bruck.

# GREEN TRANSFORMATION TO A BRIGHT FUTURE



CEO Sven Ombudstvedt interviewed by Marius Lorentsen at HegnarTV about the quarterly results in November 2021.

Our transformation from a pure publication paper business to a packaging and bio-based company with an assembly of new green products are progressing according to plans with sound financing and dedicated employees. In 2022, we will fulfil our strategic ambitions through diversification of our product portfolio. At the same time, we are exploring new fibre- and energy business opportunities at every mill.

“

I want to thank all our employees for splendid morale and efforts in 2021, once again a different year for all of us.

The huge containerboard and energy projects at Bruck will be part of our revenue streams in 2022. In 2023, the Golbey projects will be commissioned. These transformations are designed according to sustainable business models and satisfy the global economic ambitions of circularity for three reasons:

1. We will be a large independent producer in a growing containerboard market with 760 000 tonnes of cost-competitive capacity,
2. Our containerboard operations will be fully based on recycled fibre,
3. We will utilise green energy generated from the new waste-to-energy facility at the Bruck industrial site and later a new biomass plant at the Golbey industrial site.

During 2021, we have seen more volatile markets for our publication paper products, especially in Europe where the abrupt energy price hikes put a tremendous challenge to our commercial team. Without this well-handled customer response, the business situation would have been very different for our European mills. However, we will still be a committed and reliable supplier of high-quality publication paper grades in the future.

In addition to the new containerboard conversions, we have during the year proudly communicated our excellent new fibre business opportunities regularly in different channels with excitement from key stakeholders. The promotion of our environmental efforts and growth story will strengthen the valuation of the entire group and most importantly the local reputation of each mill. Europe will until 2050 strive to fulfil the common commitments of a carbon neutral industry. Through our strategic choices, we are without doubt well positioned to be a competitive business leader in the transition to a low-carbon economy. Our green transformation initiatives demonstrate this:

- Golbey won the Choose France Award in the Green Transition category presented by the Minister of Economy and Finance. Golbey received the award for the environmental commitments by the conversion of one machine to packaging paper and the Green Valley (CRE5) energy project. In addition, Golbey has been awarded the Ecovadis platinum level for their outstanding sustainability performance.
- Through the construction of two energy plants based on waste residues at Bruck and biomass at Golbey, we will have access to green energy and significantly reduce our carbon footprint. This will enable us to become one of the best performers in the industry. The waste-to-energy plant at Bruck will commence commercial production in first half of 2022.
- New green products like CEBINA and CEBICO developed at Saugbrugs, have successfully entered new markets, replacing high carbon footprint products. The production of fibre composite products at Saugbrugs has a huge market potential, especially considering the decommissioning of fossil based plastic products expected long before 2050.



- Through the partnerships with Ocean GeoLoop at Norske Skog Skogn and Borg CO<sub>2</sub> at Norske Skog Saugbrugs, Norske Skog aims to pursue the opportunity to become CO<sub>2</sub> net negative, and to explore economically viable models for utilisation of biogenic CO<sub>2</sub>.
- Skogn is successfully contributing to innovative resource and energy efficiency improvement of the pulp and paper industry through the integration of process wastewater and biogas production enabling a 65% CO<sub>2</sub> emission reduction.
- Nature's Flame received in 2021 a prestigious recognition at New Zealand's Energy Excellence Awards for greatly reducing the carbon footprint for a large customer by shifting from brown coal to green bio-pellets. The facility was sold in 2022 to Talley's, a New Zealand based industrial company.

In June, our Tasman mill in New Zealand unfortunately ceased production due to a difficult market situation, and unpredictably high and volatile energy prices. We tried hard for many years to secure the operations and jobs for many good colleagues by alternative production to no avail. In France and Austria, we are investing EUR 350 million at the mills because we believe in a prosperous future. A long-term stability in the political conditions, effective and predictable operational environment and loyal customer relations are evaluated as important pre-requisites for such investments.

I want to thank all our employees for splendid morale and efforts in 2021, once again a different year for all of us. At Norske Skog, we are acutely aware that we are in charge of our own destiny. We are committed to be competitive in the global marketplace, leaving us with no other options than being innovative, creating new products and exploring new business opportunities in a safe working environment for all our employees. I am glad to say that we are undergoing a promising green transformation to a bright future.

**SVEN OMBUDSTVEDT**  
CEO

## Norske Skog creates green values from sustainable fibre and energy for the benefit of all stakeholders:

### STRATEGY:

#### Publication paper:

Improve and optimise publication paper cash flows



#### Packaging paper:

Become a leading European producer of renewable packaging



#### Bio products and energy:

Diversify and innovate within bio products and energy



### OPERATIONAL EFFICIENCY TARGETS:

#### Publication paper:

Achieve an EBITDA margin of at least 10%

10%

Maintain an operating rate of at least 90%

90%

#### Packaging paper (from 2025-26):

Achieve an EBITDA margin of at least 20%

20%

Maintain an operating rate of at least 95%

95%

# SHARE INFORMATION

## INTRODUCTION

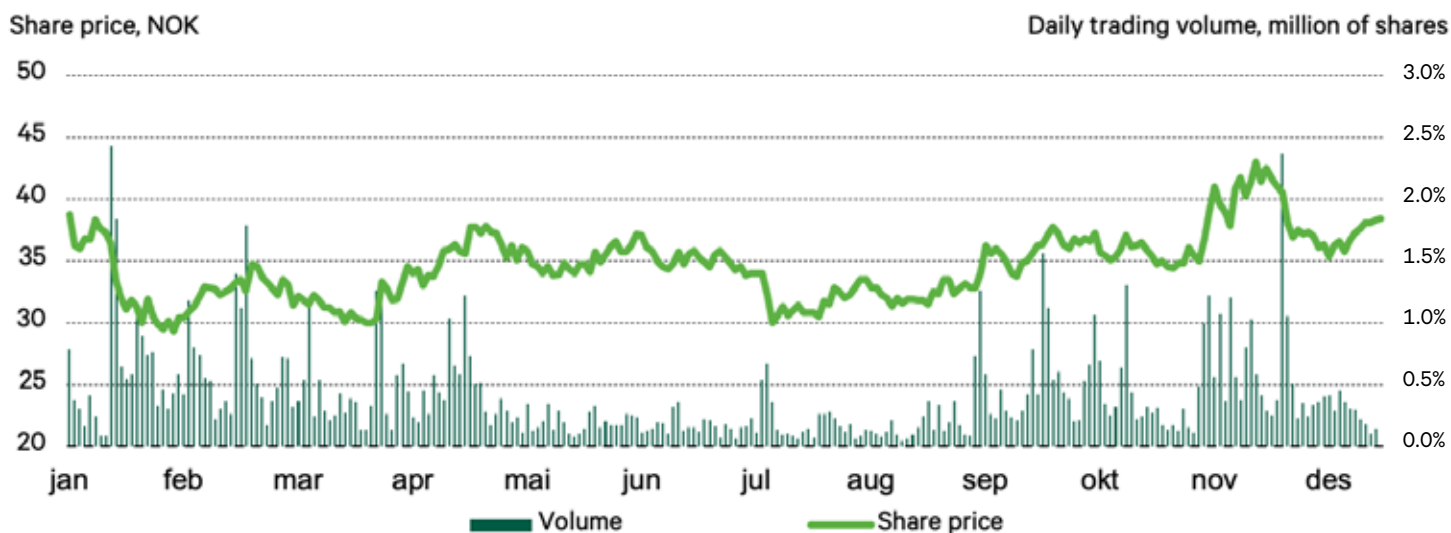
Norske Skog aims to provide long-term value growth and an attractive return for its shareholders, which exceeds that of relevant investment alternatives. This ambition will be supported by a responsible capital allocation strategy and a conservative capital structure. Norske Skog is listed on the Oslo Stock Exchange where it trades under the ticker code NSKOG. All shares have equal rights and are freely transferable.

The Norske Skog Corporate Management and Board of Directors are committed to serving all shareholders and potential new investors with consistent, accessible, and immediate disclosure of relevant information through Oslo Stock Exchange, media, and financial newswires. Norske Skog has a policy of equal treatment of all stakeholders to the group.

## SHARES AND SHARE CAPITAL

On 31 December 2021, the share capital of Norske Skog was NOK 377 058 820, consisting of 94 264 705 shares each with a par value of NOK 4.00. All shares have equal rights.

The Norske Skog share price was NOK 38.40 on 30 December 2021, representing a market value of approximately NOK 3 620 million. The return for 2021 was negative NOK 0.30 or negative 0.8 percent. The Oslo Stock Exchange Benchmark Index (OSEBX) had a return of 23.4 percent in 2021. For Norske Skog, the highest share price in 2021, based on close-of-trading, was NOK 43.00 on 25 November, and the lowest price was NOK 29.30 on 29 January. Norske Skog paid no dividends during the year.



## VOLUME

In 2021, 90 990 771 Norske Skog shares were traded in the market, equivalent to a turnover of NOK 3 186 million. The average daily trading volume was 361 074 shares. This volume excludes the off-market transactions referenced below.

NS Norway Holding AS, the largest shareholder of Norske Skog, sold 11 764 705 shares in January and 13 500 000 shares in December. Norske Skog issued 11 764 705 shares in February raising NOK 400 million and increasing the number of shares issued from 82 500 000 to 94 264 705.

## DIVIDEND POLICY AND PROPOSAL

It follows from Norske Skog's Corporate Governance Policy that the company shall, at all times, have a clear and predictable dividend policy established by the board of directors. The dividend policy forms the basis for the board of directors' proposals on dividend payments to the company's general meeting.

The company's dividend policy has historically been to pay dividends reflecting the underlying earnings and cash flow while ensuring efficient capital allocation in the group. When deciding the dividend level, the board of directors will among other things take into consideration capital expenditure plans, financing requirements and maintaining the appropriate strategic flexibility of the group. The group's financing arrangements for the ongoing

projects at the Bruck and Golbey mills to convert a newsprint paper machine at each of the mills to a recycled containerboard paper machine include restrictions on dividend distribution in the period up to July 2025. The company's dividend policy has therefore been suspended until such restrictions do no longer apply. For the financial year 2021, the board of directors has accordingly not proposed that the annual general meeting approves payment of dividend.

#### LONG-TERM INCENTIVE PROGRAMME

The board of directors has approved a synthetic option programme for senior executive employees in Norske Skog. By year-end 2021, 4.462 million synthetic options had been awarded. The programme is described in detail in the remuneration report.

#### FUNDING AND CREDIT QUALITY

Maintaining a strong financial position is considered an important risk mitigating factor, supporting Norske Skog's possibilities for strategic

development of its businesses. Access to external financial resources is required to maximise value creation over time, balanced with acceptable risk exposure. Norske Skog targets freely available and unrestricted cash and cash equivalents of minimum NOK 100 million, EBITDA to net interest costs of minimum 2.0:1, and book equity to total assets of minimum 25%, see Note 22 Interest-bearing liabilities in the consolidated financial statements.

#### MAJOR SHAREHOLDERS AND VOTING RIGHTS

On 31 December 2021, the largest shareholder was NS Norway Holding AS with 26 896 681 shares corresponding to a 28.5% ownership share. On 31 December 2021, the foreign ownership was 27.89%. Based on the information in the Norwegian Registry of Securities, Norske Skog had a total of 7 615 shareholders on 31 December 2021 of which 288 resided outside of Norway.

| SHAREHOLDING INTERVAL | NO. OF SHAREHOLDERS | NO. OF SHARES     | % OF SHARE CAPITAL |
|-----------------------|---------------------|-------------------|--------------------|
| 1 - 100               | 2 119               | 83 559            | 0.09               |
| 101 - 1 000           | 3 372               | 1 524 591         | 1.62               |
| 1 001 - 10 000        | 1 748               | 5 742 279         | 6.09               |
| 10 001 - 100 000      | 296                 | 8 585 529         | 9.11               |
| 100 001 - 1 000 000   | 64                  | 22 880 353        | 24.27              |
| above 1 000 000       | 16                  | 55 448 394        | 58.82              |
| <b>Total</b>          | <b>7 615</b>        | <b>94 264 705</b> | <b>100.00</b>      |

| SHAREHOLDER CITIZENSHIP | NO. OF SHAREHOLDERS | NO. OF SHARES     | % OF SHARE CAPITAL |
|-------------------------|---------------------|-------------------|--------------------|
| Norway                  | 7 327               | 67 978 761        | 72.11              |
| United Kingdom          | 30                  | 8 447 614         | 8.96               |
| Luxembourg              | 11                  | 7 438 025         | 7.89               |
| Sweden                  | 63                  | 4 860 257         | 5.16               |
| Ireland                 | 20                  | 3 329 389         | 3.53               |
| United States           | 9                   | 799 400           | 0.85               |
| Germany                 | 11                  | 628 763           | 0.67               |
| Denmark                 | 28                  | 273 355           | 0.29               |
| Belgium                 | 5                   | 219 493           | 0.23               |
| Switzerland             | 8                   | 111 516           | 0.12               |
| Guernsey                | 2                   | 59 692            | 0.06               |
| Finland                 | 2                   | 35 306            | 0.04               |
| France                  | 11                  | 29 865            | 0.03               |
| Canada                  | 7                   | 10 826            | 0.01               |
| The Netherlands         | 7                   | 6 904             | 0.01               |
| India                   | 5                   | 5 757             | 0.01               |
| Japan                   | 1                   | 5 500             | 0.01               |
| Italy                   | 6                   | 4 556             | 0.00               |
| Liechtenstein           | 1                   | 3 800             | 0.00               |
| Estonia                 | 1                   | 1 720             | 0.00               |
| Other                   | 60                  | 14 206            | 0.02               |
| <b>Total</b>            | <b>7 615</b>        | <b>94 264 705</b> | <b>100.00</b>      |

**ANALYST COVERAGE**

| ANALYST             | TELEPHONE       |
|---------------------|-----------------|
| ABG Sundal Collier  | +47 22 01 61 37 |
| Arctic Securities   | +47 95 10 08 87 |
| Carnegie            | +47 22 00 93 58 |
| DNB Markets         | +46 8 475 6844  |
| Pareto Securities   | +47 24 13 21 78 |
| Sparebank 1 Markets | +47 24 14 74 16 |

**ANNUAL GENERAL MEETING 2021**

The Norske Skog Annual General Meeting for 2021 will be held on **Thursday 21 April 2022, at 13:00 CET**. Shareholders who wish to attend, are asked to follow the instructions on the notice of annual general meeting and to inform the registrar by 16:00 CET on Monday 18 April:

DNB Bank ASA  
 Registrar's Department  
 P.O. Box 1600 Sentrum  
 N-0021 Oslo, Norway


You may also register electronically on our website [www.norskeskog.com](http://www.norskeskog.com) or via VPS Investor Services. Any shareholder may appoint a proxy with written authority to attend the meeting and vote on his or her behalf. The meeting will be held online.

**FINANCIAL CALENDAR FOR 2022**



*Norske Skog reserves the right to revise these dates.*

**Muriel Caniez**  
**PARIS, FRANCE**



Muriel Caniez has worked for Norske Skog for 23 years, and for the last two years, she has been in charge of the Western European Hub.

*"I was attracted to the world of paper and wanted to learn more about the market and the production processes. Now, 23 years later, I still find this world just as fascinating, even though it has changed a lot since then."*

She believes Norske Skog will become a major player in the green transition in France and Europe.

*"Norske Skog's diversification strategy provides a solid basis for our future development. There will be challenges, but we are confident and solution-oriented."*

**INFORMATION FROM NORSKE SKOG**

Communicating with the stock market is given high priority, and Norske Skog aims to maintain an open dialogue with market participants. Our objective is to provide sufficient information on a timely basis to all market participants to ensure a fair valuation of our shares. Information that is considered price sensitive is communicated by news releases and stock exchange announcements. We host regular meetings for investors, both in-person and virtually. All information about Norske Skog is published on our website: [www.norskeskog.com](http://www.norskeskog.com).

Our annual and quarterly reports are available on [www.norskeskog.com](http://www.norskeskog.com). Printed version of the annual and quarterly reports can be received at our office at Sjølyst Plass 2, 0278 Oslo, Norway, or via mail by sending a request to [info@norskeskog.com](mailto:info@norskeskog.com).

Three weeks before the announcement of quarterly results, Norske Skog practices a “silent period”, meaning that contact with external analysts, investors and journalists is limited. This is done to minimise the risk of information leaks and potentially unequal information in the marketplace.

| <b>SHARE PRICE</b>                                       | <b>2021</b> | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|-------------|
| Share price high (close-of-trading), NOK                 | 43.00       | 44.00       | 43.99       |
| Share price low (close-of-trading), NOK                  | 29.30       | 24.10       | 37.00       |
| Share price average (volume weighted average price), NOK | 35.14       | 31.98       | 38.42       |
| Share price year-end, NOK                                | 38.40       | 38.70       | 43.70       |
| Dividend paid per share, NOK                             | 0.00        | 6.25        | 0.00        |
| Market capitalisation year-end, NOK million              | 3 620       | 3 193       | 3 605       |
| <b>Volume (excluding off-market transactions)</b>        |             |             |             |
| Number of shares traded, million                         | 90.99       | 38.05       | 10.68       |
| Turnover, NOK million                                    | 3 186       | 1 217       | 427         |
| Number of trades   | 166 577     | 68 834      | 12 359      |
| Number of trading days                                   | 252         | 252         | 49          |
| Average daily number of shares traded                    | 361 074     | 150 983     | 217 995     |
| Average daily turnover, NOK million                      | 12.6        | 4.8         | 8.7         |
| Average daily number of trades                           | 661         | 273         | 252         |
| <b>Shareholders</b>                                      |             |             |             |
| Non-Norwegian ownership year-end, % share                | 27.89       | 9.70        | 15.74       |
| Shareholding interval 1 - 100, % share                   | 0.09        | 0.07        | 0.02        |
| Shareholding interval 101 - 1 000, % share               | 1.62        | 1.41        | 0.64        |
| Shareholding interval 1 001 - 10 000, % share            | 6.09        | 4.51        | 1.65        |
| Shareholding interval 10 001 - 100 000, % share          | 9.11        | 6.29        | 3.63        |
| Shareholding interval 100 001 - 1 000 000, % share       | 24.27       | 9.28        | 19.75       |
| Shareholding interval above 1 000 000, % share           | 58.82       | 78.44       | 74.32       |
| Top 5 shareholders, % share                              | 42.21       | 72.02       | 71.77       |
| Top 10 shareholders, % share                             | 51.32       | 79.47       | 77.74       |
| Top 15 shareholders, % share                             | 57.73       | 83.20       | 82.50       |
| Top 20 shareholders, % share                             | 62.89       | 85.26       | 85.66       |
| Top 25 shareholders, % share                             | 66.91       | 86.63       | 88.14       |
| Top 30 shareholders, % share                             | 70.21       | 87.58       | 89.82       |
| Number of shareholders                                   | 7 615       | 5 322       | 2 120       |
| Outstanding shares year-end                              | 94 264 705  | 82 500 000  | 82 500 000  |

# BOARD OF DIRECTORS



## JOHN CHIANG (1976)

Chair, Board member since 2018

**Current election period:** Elected Chair on 15 April 2021, for a two-year period (2021-2023)

**Independent:** No. John Chiang is the Chair of NS Norway Holding AS, which is the largest shareholder of Norske Skog ASA

**Residence:** London, United Kingdom

**Position:** Senior Partner and Portfolio Manager of Oceanwood Capital Management (London, UK)

**Education:** Master of Business Administration, Harvard Business School (USA)

Bachelor of Science in Industrial Engineering and a Minor in Economics, Stanford University (USA)

**Other directorships:** Chair of NS Norway Holding AS

**Shares in Norske Skog ASA per 29.03.2022:** Owns and/or controls 116 839 shares

**Options:** 0



## TRINE-MARIE HAGEN (1977)

Board member since 2019

**Current election period:** Elected Board member on 15 April 2021, for a two-year period (2021-2023)

**Independent:** Yes

**Residence:** Oslo, Norway

**Position:** Group CFO Felleskjøpet Agri SA

**Education:** Four-year programme in economics and business administration consisting of three years at bachelor/undergraduate level and one year at master/graduate level, Norwegian School of Economics, Bergen (Norway)

First section of law studies, University of Bergen (Norway)

**Other directorships:** Subsidiaries of Felleskjøpet Agri SA

**Shares in Norske Skog ASA per 29.03.2022:** Owns and/or controls 0 shares

**Options:** 0



## ARVID GRUNDEKJØN (1955)

Board member since 2018

**Current election period:** Elected Board member on 15 April 2021, for a two-year period (2021-2023)

**Independent:** Yes

**Residence:** Oslo, Norway

**Position:** Investor and professional board member

**Education:** Executive programme, Harvard Business School (USA)

Master of Law, University of Oslo (Norway)

Master of Business and Economics, Norwegian School of Economics, Bergen (Norway)

**Other directorships:** Currently on 18 different boards of directors, ao. Chair of Infima AS, Chair of Creati Estate AS, Chair of Cardid AS, Chair of Stiftelsen Fullriggeren Sørlandet, Board member KLP Eiendom, Chair of AKO Art Foundation and Chair of Strømme Foundation

**Shares in Norske Skog ASA per 29.03.2022:** Owns and/or controls 21 617 shares

**Options:** 0

## OBSERVERS:



## PAUL KRISTIANSEN (1956)

Observer since 2021

**Position:** Main employee representative Norske Skog Saugbrugs. Line driver at Norske Skog Saugbrugs.



## SVEIN ERIK VEIE (1972)

Observer since 2021

**Position:** Main employee representative Norske Skog Skogn, 1. machine operator Norske Skog Skogn.

# CORPORATE MANAGEMENT



## SVEN OMBUDSTVEDT (1966)

Chief Executive Officer  
Employed in Norske Skog since 2010

### Professional experience:

Senior Vice President SCD, SAS  
Chief Financial Officer and Head of Strategy & Senior Vice President Upstream Operations, Yara International ASA  
Senior Vice President Corporate Strategy, Norsk Hydro ASA  
Various positions in Hydro Agri and Norsk Hydro

### Education:

Master in International Management, Thunderbird (USA)  
Bachelor in Business Administration at Pacific Lutheran University (USA)

### Shares in Norske Skog ASA per 29.03.2022:

Owns and/or controls 62 631 shares

Options: 582 000 synthetic options



## TORE HANESÆTRE (1984)

Senior Vice President Strategic Projects  
Employed in Norske Skog since 2009

### Professional experience in Norske Skog:

Chief Operating Officer  
Vice President Operations  
Manager Operation Support  
Senior Advisor Business Performance  
Corporate Strategy Analyst

### Education:

Master of Industrial Economics and Technology Management, Norwegian University of Science and Technology, Trondheim (Norway)

### Shares in Norske Skog ASA per 29.03.2022:

Owns and/or controls 14 263 shares

Options: 311 000 synthetic options



## AMUND SAXRUD (1972)

Chief Operating Officer  
Employed in Norske Skog since 1996

### Professional experience:

Managing Director, Norske Skog Skogn  
Production Manager, Norske Skog Follum  
Performance Manager, Norske Skog Follum  
Production Manager in Pulp and Energy Department manager Energy/Effluent, Norske Skog Follum  
Process engineer, Norske Skog Follum

### Education:

Master of Science, Faculty of Chemistry and Chemical Technology at the Norwegian Institute of Technology, Trondheim (Norway)

### Shares in Norske Skog ASA per 29.03.2022:

Owns and/or controls 0 shares

Options: 311 000 synthetic options



## RUNE SOLLIE (1966)

Chief Financial Officer  
Employed in Norske Skog since 2014

### Professional experience:

Senior Director Financial Reporting & Compliance, Statoil Fuel & Retail AS  
Various positions at UNiconsult AS and Yara International ASA and KPMG AS

### Education:

State Authorised Public Accountant at Norwegian School of Economics (Norway)  
Bachelor of Science in Accounting and Auditing at Oslo University College (Norway)

### Shares in Norske Skog ASA per 29.03.2022:

Owns and/or controls 31 315 shares

Options: 311 000 synthetic options



## LARS P. S. SPERRE (1976)

Senior Vice President Corporate Strategy  
Employed in Norske Skog since 2006

### Professional experience:

President and Chief Executive Officer, Norske Skog  
Senior Vice President Corporate Strategy & Legal, Norske Skog  
Vice President Legal, Norske Skog  
Legal Counsel, Norske Skog  
Associate lawyer, Wikborg Rein

### Education:

Practising Certificate

Master of Law (Cand. Jur.) at University of Bergen (Norway)

### Shares in Norske Skog ASA per 29.03.2022:

Owns and/or controls 42 947 shares

Options: 311 000 synthetic options



## ROBERT A. WOOD (1962)

Senior Vice President Commercial  
Employed in Norske Skog since 1987

### Professional experience:

Vice President Commercial, Norske Skog  
Managing Director Central European Hub, Norske Skog  
Vice President European Sales, Norske Skog  
General Manager, Norske Skog PanAsia (Shanghai)  
Various positions in Commercial Consulting Co. Ltd. (China), Herald and Times (Glasgow), Strathclyde Police (Glasgow)

### Education:

Bachelor of Science (1st Class Hons), University of Strathclyde (Scotland)

### Shares in Norske Skog ASA per 29.03.2022:

Owns and/or controls 5 263 shares

Options: 311 000 synthetic options

# A GLIMPSE OF 2021

## Norske Skog receives Norwegian environmental award

In connection with the World Environment Day on 5 June, Norske Skog's Skogn production facility was awarded Norwegian political party SV's local environmental award.

This is the third time Norske Skog Skogn receives this recognition since the award was established in 1985. The award pointed to Norske Skog Skogn as a sustainable cornerstone business.

Norske Skog Skogn received the award specifically for their efforts in the road to rail strategy, which has brought Norske Skog Skogn's timber transportation from trucks to trains. In collaboration with Bane NOR and CargoNet, Norske Skog Skogn has taken 30 000 cubic metres of timber off the roads, corresponding to 25 fewer trucks on the roads per week in the district of Trøndelag, Norway. This means reduced CO<sub>2</sub> emissions, safer roads, less airborne dust, and lowered exhaust emissions in the communities in which Norske Skog operates.



## Becoming a diversified player in growing markets

*"From being a focused publication paper company we are now transforming Norske Skog towards becoming a more diversified company, with projects in several categories for growth,"* says Tore Hansesætre, Senior Vice President Strategic Projects in Norske Skog.

Norske Skog has a strong portfolio of projects aimed at growing markets. In Continental Europe, the company is pushing towards making Norske Skog a leading independent producer of recycled containerboard, targeting a rapidly growing packaging market.

*"The conversions of Norske Skog Bruck PM3 and Norske Skog Golbey PM1 to producing recycled containerboard, as well as the two new energy facilities at Bruck and Golbey, are four individually large, sustainable and attractive growth projects. Together, they will reinforce each other and will contribute to Norske Skog quickly picking up the pace on revenue and earnings growth,"* says Hansesætre.





## Award from Choose France to Norske Skog Golbey for green investment

In 2021, Norske Skog was awarded the Choose France Award in the Green Transition category for its €250 million investment at Norske Skog Golbey, for the conversion of one newsprint production line to 100% recycled containerboard.

The award was presented to Norske Skog by the Minister of Economy and Finance during his visit to Norske Skog Golbey.

*“We are humble and proud to receive this award for the investments in our Golbey mill. This recognition proves that our future oriented projects not only make business sense, but also contributes to the benefit for the environment, the societies and the economy in the societies in which we operate,”* says Norske Skog’s CEO Sven Ombudstvedt.



## Continued commercialisation of CEBINA

CEBINA continues to see strong commercial traction and high customer attention. Commercial development of CEBINA has seen good progress during 2021, and the commercial entry into a new application area is a key milestone. In addition, it represents the first sales contract with regular volume delivery.

*“The sale of CEBINA into a new application is very exciting, as it provides further evidence of the wide-ranging and environmentally beneficial potential of the product. In addition, we will be able to generate regular sales and revenues, and start building the financial foundation for the CEBINA business,”* says Hugo Harstad, Commercial Development Director of CEBINA at Norske Skog Saugbrugs.

CEBINA is a natural fibre-based product that adds rheology control in fluids and armoring in solid materials. CEBINA is produced by breaking down the wood fibre to very small parts, called cellulose nano fibrils (CNF) or micro fibrillated celluloses (MFC). One gramme of CEBINA can cover an entire tennis court, or be stretched eight times around the earth. These incredible surface and length properties give CEBINA its unique qualities. Norske Skog Saugbrugs has worked closely with the R&D institutions RISE PFI, NORCE and Re-Turn. Support from The Research Council of Norway and Innovation Norway has been key to the success.



## Energy project at Bruck reaches key milestone

Norske Skog is investing in a new 50MW energy boiler at the Bruck mill, utilising refuse-derived fuels and paper production residuals. This will improve the carbon footprint, further strengthen the mill's profitability and create new business beyond publication paper. The fuel storage building for the project reached its final height in April 2021.

*"It is impressive how Norske Skog in Bruck have managed to successfully advance the energy project, despite the still tense Corona situation. The energy boiler and the machine conversion project will serve sustainably growing markets,"* says Tore Hansesætre, Senior Vice President Strategic Projects.



## Enters the packaging market with Skogn Interliner

The production of Interliner started on Skogn's second production line in March of 2021. Interliner is the liner, which lies between the flutes in double wall corrugated cardboard. The product is manufactured for use in the type of corrugated cardboard, which is produced and utilised in Asia.

Operations progressed well, and the end users provided positive feedback upon testing the Interliner. Based on the feedback the test deliveries received, Skogn mill is actively working to improve the product and to carry out the next test deliveries with enhanced product characteristics.

*"We aim to further develop the product and produce greater volumes in 2022. At the same time, we are prioritising the important work of strengthening our expertise surrounding the Interliner product, both to enhance its quality, and to facilitate the Interliner production process' compatibility with our newsprint production,"* says Håvar Fjerdingen, Head of Technical Customer Service at Skogn.



## Launching into a new sphere for containerboard production

In 2022 and 2023, Norske Skog will launch into a new sphere as a producer of recycled containerboard, with a clear commitment to become a leading, independent supplier in the packaging industry.

*“Over the next two years, Norske Skog will convert two paper machines, entering a fast-growing packaging market with 760 000 tons of recycled containerboard. PM3 at Norske Skog Bruck will start production in fourth quarter of 2022. Norske Skog Golbey will follow almost one year later with their PM1,”* says Marleen van den Berg, VP Containerboard Sales at Norske Skog.

Marleen van den Berg has been with Norske Skog since the beginning of 2020 and together with the Norske Skog sales team, she has already started to reach out to potential customers across Europe. *“Although we have a long history in producing high quality papers, we are a newcomer in the packaging industry. We need to introduce ourselves, inform people about our projects and our organization,”* she says.

Norske Skog will enter the growing recycled containerboard market in Q4 2022



## Norske Skog receives Platinum Sustainability Rating from EcoVadis

Since 2015, Norske Skog Golbey has been assessed by EcoVadis for its performance on environmental and social impact, human rights and responsible purchasing. EcoVadis is an independent organization in charge of evaluating supplier's performance in terms of sustainable development.

For 2021, Norske Skog Golbey scored higher than the industry average across all categories. This means Norske Skog Golbey have achieved a score of 73/100, which awards them an EcoVadis Platinum rating and ranks them in the top 1% of companies in the pulp and paper industry.

*“At Norske Skog, we believe that industry must participate actively in the process to drive sustainability. Our mills work continuously to reduce emissions and discharges and to build new, innovative solutions to contribute to the transition. We are very proud of the work done at Golbey and congratulate them with the EcoVadis Platinum rating. They are inspiration for the rest of our company and industry,”* says CEO Sven Ombudstvedt.



## Biogas filling station opened in Trondheim

Biogas is increasingly used as a fossil free fuel for vehicles, replacing diesel and petrol. Norske Skog Skogn mill contributes to innovative resource use and improved energy efficiency of pulp and paper industry effluents through a collaboration between Norske Skog, Scandinavian Biogas and Biokraft AS. In November 2021 a new biogas filling station opened in Tiller, Norway, where heavy transportation vehicles can now fill biogas produced at Biokraft Skogn, a project located at Norske Skog Skogn.

By integrating the paper mill and the biogas production facility, the project was able to reduce CO<sub>2</sub> emissions by 65%, an estimated amount of 3 500 to 9 000 tons per year. The demonstration project was supported by the EU LIFE Programme.

For further information on these and other short stories please visit our website [www.norskeskog.com](http://www.norskeskog.com)

# ABOUT NORSKE SKOG'S OPERATIONS

## SUMMARY

Norske Skog is a world leading producer of publication paper with strong market positions and customer relations in Europe and Australasia. The Norske Skog group operates four mills in Europe, of which two will produce recycled containerboard following planned conversion projects. In addition, the group operates one publication paper mill in Australasia. Norske Skog ceased production at one converting grade mill in June 2021 and sold one pellet facility in New Zealand in January 2022.

Norske Skog aims to further diversify its operations and continue its transformation into a growing and high-margin business through a range of promising converting, energy and bio products projects. The group has approximately 2 100 employees in four countries, is headquartered in Norway and listed on the Oslo Stock Exchange under the ticker NSKOG.

## PUBLICATION PAPER

The group's newsprint paper products include standard and improved grades, while the group's magazine paper products comprise uncoated super-calendared paper ("SC") and lightweight coated paper ("LWC"). The end uses of the group's products are mainly newspapers and magazines, but also include catalogues, inserts/flyers, supplements, free-sheets, directories, direct mail, brochures and book paper. The group sells its products under well-known brands, including Nornews, Norbright, NorX, Norstar, Norcote, NorSC, Norbook, and Vantage. The group's customers include publishers of leading newspapers and magazines in Europe, Australasia and the rest of the world. The group has longstanding relationships with several of its largest customers. In Europe, the group serves a diversified customer base including internationally recognised publishers, retailers and commercial printers, with the top 15 customers representing approximately 36% of revenue.

The group's market shares based on production capacity for newsprint, SC magazine paper and

LWC magazine paper in Western Europe are approximately 23%, 9% and 5% respectively, according to PPPC. In Australasia, the group is the sole producer of publication paper, but the group estimates a market share in terms of publication paper deliveries of approximately 80% for newsprint and 55% for magazine paper.

## NEW ACTIVITY

Norske Skog plans to become a leading European producer of recycled containerboard by converting two newsprint machines, one at Norske Skog Bruck and one at Norske Skog Golbey. The conversions will introduce 760 000 tonnes of competitive containerboard capacity to meet the growing demand for renewable packaging. The group has chosen Strato as the new recyclable packaging paper product brand name. The Strato commercial team prepares several promotional activities and campaign to attract new customer to our new packaging products. The Skogn mill produces Skogn interliner, a complementary packaging paper product to Strato, on one of its three newsprint machines to serve the Asian packaging markets.

Following the conversions, both mills will have access to renewable energy and will have reduced their carbon footprints to become among the best performers in the industry. The instalment of a 50 MW renewable waste-to-energy boiler in Austria is scheduled for start-up in the first half of 2022.

Norske Skog actively works to realise value from the industrial sites by developing existing infrastructure and industry competence. Norske Skog ceased production at the Tasman mill in June. The Tasman mill site is in the process of being sold. The 90 000 tonnes wood pellets production facility was sold to the New-Zealand based food company Talley's in January 2022.

Norske Skog is the largest shareholder in Circa Group, which has been granted EUR 9.2 million from the EU Flagship Grant for the production of a first-of-its-kind 1 000 tonnes biochemicals plant in France. Circa Group was listed on the Euronext

Growth market in Oslo during the first quarter of 2021. Circa successfully completed a NOK 575 million private placement, in which Norske Skog ASA invested NOK 50 million. The proceeds will be used to fund the construction of the ReSolute plant in France, further market development, and development of new products. Norske Skog Australasia has worked closely with Circa since 2015 at its Boyer Mill in Tasmania, providing significant industrial and process competence to enable the scalability of Circa's unique and patented Furacell technology.

Following significant marketing efforts and further customer testing in 2021, CEBINA is now sold and delivered to customers in Norway and internationally. CEBINA is a natural fibre product developed at Norske Skog Saugbrugs, which adds rheology control in fluids and armoring in solid materials.

The continued development of CEBICO (bio composites) progressed well during the year. The installation of a NOK 25 million extruder or pilot-plant at Norske Skog Saugbrugs, enabling a significant increase in the ability and quality of testing with potential customers, was installed and is now effectively producing bio-composites. Innovation Norway has granted NOK 15 million to a pilot bio-composites plant.

Through the partnerships with Ocean GeoLoop at Norske Skog Skogn and Borg CO<sub>2</sub> at Norske Skog Saugbrugs, Norske Skog aims to pursue the opportunity to become CO<sub>2</sub> net negative, and to explore economically viable models for utilisation of biogenic CO<sub>2</sub>.

# STAKEHOLDER AND MATERIALITY ANALYSIS

The stakeholders affect Norske Skog's decisions, activities and performance in many ways. In our opinion, our key stakeholders are our own employees, local communities where we operate, investors and owners, customers and our key suppliers. In determining the most material sustainability topics for Norske Skog, we have assessed to what extent different stakeholder groups are affected by our activities and/or to what extent they are affecting our sustainability work and performance. This is based on our ongoing interactions and dialogues with the different stakeholder groups. One example is that the commercial organisation in Norske Skog regularly performs customer surveys. The most important customers are followed up closely for each delivery. Other examples of cooperation and interaction with different stakeholders are included under the different sections of the sustainability report.

The materiality analysis highlights areas of opportunity and risk that will be fundamental to the group's strategy and integrated in daily operational activities. Norske Skog business units have during the last 50 years been seeking best environmental practice and the reported figures show great progress in the same period. The group has achieved significant results in collaboration with stakeholders, national authorities and employee initiatives. Norske Skog has also through the years been nationally recognised for its labour practices and excellent work environment, and the outstanding health and safety performance compared to the industry average.

The materiality analysis has been revised and approved by the corporate management. The SDG strategy is based on both external and internal input. **The outcome of the materiality review are listed below.**

## THE GRI STANDARDS TOPICS WITH THE MOST VITAL IMPACT ON NORSKE SKOG'S OPERATIONS



Economic performance



Waste



Occupational Health and Safety



Energy



Public policy

## THE GRI STANDARDS TOPICS WITH THE MOST VITAL IMPACT ON NORSKE SKOG'S EXTERNAL STAKEHOLDERS



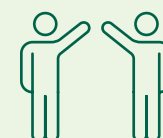
Economic performance



Water and effluents



Customer health and safety



Non-discrimination

Our priorities will have a significant impact throughout the sustainability report and are included in the presentations related to each of the 17 UN Sustainable Development Goals. A total overview of which GRI Standards we report on, can be seen from the GRI Index presented in the back of this report and on our homepages below: [www.norskeskog.com/sustainability](http://www.norskeskog.com/sustainability)

# THE SUSTAINABLE DEVELOPMENT GOALS ARE AN INTEGRAL PART OF OUR STRATEGY

The UN Sustainable Development Goals (SDGs), adopted by world leaders in September 2015, are a call for action for all countries and businesses to promote prosperity while protecting the planet. The 17 SDGs address the global challenges we face, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice. The SDGs interconnect, and it is important that the world achieves each of the SDGs and its targets set for 2030.

Norske Skog supports all 17 SDGs, but realize that some are more relevant to our business than others. During 2021, we have assessed which of these 17 goals that we consider are the most relevant for Norske Skog, and those where we believe we can make a difference and contribute positively.

## WE HAVE ASKED OURSELVES THESE QUESTIONS:

- To what extent do the SDGs affect our operations and business strategies?
- To what extent may we influence and contribute to the achievement of the specific goal?

Our assessment included input from workshops with representatives from all our mills focusing on which of the SDGs that are the most relevant ones for our operations. We believe that we can make the greatest difference and contribute positively through the prioritized SDGs highlighted in the illustration. We have summarized what the prioritized SDGs mean to us in one sentence:

**Norske Skog shall create value for people and society in a responsible way, while promoting a sustainable environment and principles of circular economy.**

To be a profitable business is fundamental for creating jobs and value for society through our operations and products. Profit must be created in a sustainable and responsible way. Innovations and operational excellence will spur a long-term profitable business. We have a strong commitment to maintain a high-level governance practice combined with an operational safety focus for our employees. Our operations must be based on sustainable sourcing, e.g. using certified wood and chips documented through the Chain of Custody and use of recycled paper. We must be resource and energy effective in all our operations. Environmental impacts from our supply chain and our mills must be minimized.

Our attitude and ability to be entrepreneurial, empower each other and behave consistently, define our results in changing and challenging markets. Through reliable, responsible and sustainable conduct, we will win the trust and confidence of our stakeholders, both within and outside of Norske Skog. We monitor activities in order to achieve sustainable products and processes throughout the entire value chain. We continuously strive to maintain our status as the most attractive industry partner for suppliers and customers. The corporate strategy consists of three elements and gives us a well-defined foundation for our work related to the prioritized SDGs:

- Improve and optimise publication paper cash flows
- Become a leading producer of renewable packaging
- Diversify and innovate within fibre and energy

These strategic goals are communicated extensively throughout the organisation, and are well known to external, crucial stakeholders, especially the press and investors. In 2021, the group reviewed the business climate risks and opportunities and related these findings to define ambitions, target settings for the prioritized SDGs and relate these to the already determined strategic choices of the group. The purpose of the assignment was to align the corporate strategy with a selection of the most relevant of the 17 UN Sustainable Development Goals.

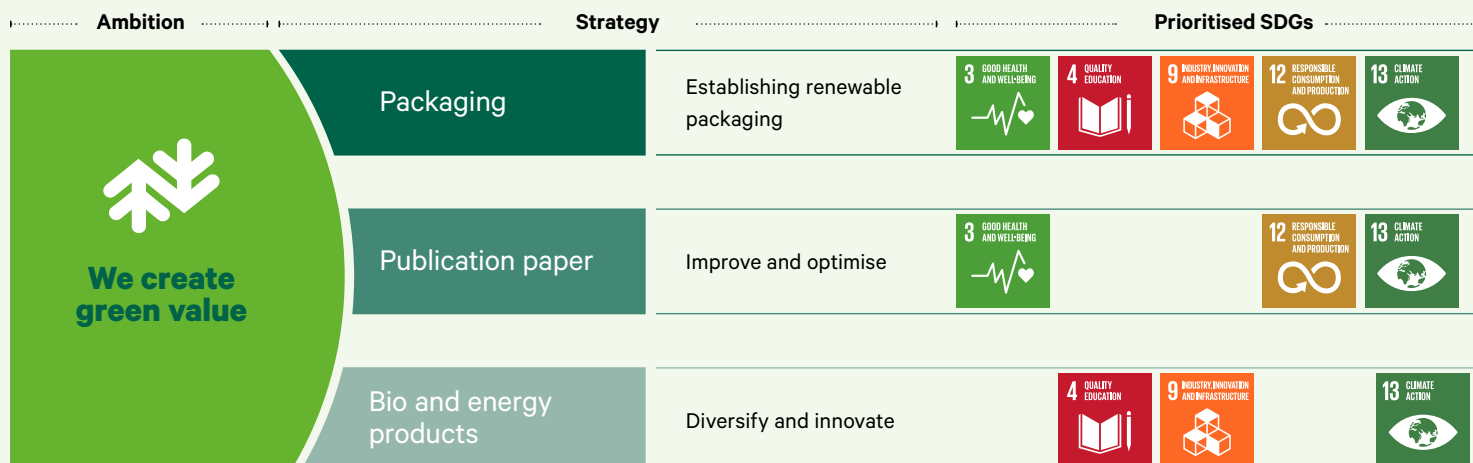
To make the SDG targets relevant for the board, management and the rest of the group, the intention was to align and integrate the 5 prioritized sustainable development goals to the resolved strategic goals already effectuated by the board of directors.

The following five sustainable development goals that were selected to be most relevant to the existing strategy:

- **SDG 3:** Good health and well-being
- **SDG 4:** Quality education
- **SDG 9:** Industry innovation and infrastructure
- **SDG 12:** Responsible consumption and production
- **SDG 13:** Climate action

For each of the prioritized SDGs, we summarize in this report how we relate to the goals, e.g. our ambitions and relevant targets and actions initiated or planned. For the SDGs considered less relevant to Norske Skog, we provide a brief description of ambitions and performance.

## THE SDGS ARE AN INTEGRAL PART OUR STRATEGY



## Compliance

Non-compliant and unethical conduct can have severe consequences, and entails both substantial economic losses and reputational damage. Norske Skog's aim is to be a "best in class" industry partner for our suppliers, customers and other business relations, and an attractive investment for our shareholders.

Norske Skog has common standards for all business units and employees to ensure compliance (the Steering Guidelines - <https://www.norskeskog.com/sustainability/steering-guidelines>) to which all of our business partners shall adhere. This strengthens the quality of our operations and promotes our predictability and credibility with customers, suppliers and other partners, and consequently Norske Skog's commercial position. Norske Skog board of directors has appointed a compliance officer for the group to ensure that the Steering Guidelines are up to date and adequate global and local internal control systems exist. However, the responsibility to comply with the Steering Guidelines on a day-to-day basis lies with the line organisation at each of our business units as compliance must take place where the risk lies, primarily in the production and commercial operations and their associated activities.

Norske Skog has for a number of years maintained a whistle-blowing channel, where an employee can report irregular conditions or matters he/she finds difficult to report directly to immediate superiors. Norske Skog considers it important that each employee is ensured confidential and serious treatment of reported issues, and all reports are handled in accordance with written procedures set out in the Norske Skog reporting routines. Non-compliant and unethical conduct can be reported to [compliance@norskeskog.com](mailto:compliance@norskeskog.com).

## About the sustainability report

Norske Skog is committed to contribute to sustainable development and supports the ten principles in the UN Global Compact.

Norske Skog also supports the work to develop a global standard for reporting of sustainable development; therefore, we use the Global Reporting Initiative's (GRI) Standards for reporting relating to sustainability as a tool in our work to report environmental and corporate responsibility. Our reporting practice is, in our view, for all practical purposes in line with the GRI Standards reporting principles.

The report covers material sustainability topics to Norske Skog. For the environmental data, it covers the value chain of the group's activities. Sustainability data for 2021 includes the five Norske Skog paper mills at Boyer, Bruck, Golbey, Skogn and Saugbrugs operating at 31 December 2021, and data for the Tasman mill until the end of June 2021, when it ceased production.

Environmental data has been collected from the mills using established reporting routines. These include standard monthly reporting for the key environmental data as well as a standard collection of supplementary information on an annual basis. Data from this reporting is collected by the chief operating officer of the group in monthly reports to the corporate management and to the board quarterly. Similarly, people data, and health and safety data are collected from the mills with monthly reporting to the corporate management and quarterly to the board quarterly.

**The sustainability report consists of three elements:**

- 1 Materiality analysis and TCFD (task force on climate-related financial disclosures)
- 2 Sustainable Development Goals
- 3 Corporate governance

# Lisa Grimstad

SAUGBRUGS, NORWAY












Lisa Grimstad has a Master of Science in Process Technology and has been with Norske Skog for 17 years, both in the Norske Skog Research & Development department and at the Saugbrugs mill. She is now responsible for health, environment and safety, quality assurance and sustainability. She has a passion for continuous improvement, a sustainable future for Norske Skog and a safe work environment for all employees 24/7.

*"We have created green value! I see a sustainable Norske Skog in all dimensions. We will continue with successful growth projects at Saugbrugs with CEBICO and CEBINA amongst others, and still holding a leading position in publication paper."*





Sustainability goals overview

|   | E/S/G & E* | Ambition/ Area   |
|---|------------|--|
|    | S          | Inspire others to learn from our 'best in class' occupational health and safety standards.   |
|   |            | Increase job attendance for all employees.   |
|   |            | Ensure a healthy and safe working environment.   |
|    | S          | Attract and keep top talent.   |
|   |            | Invest in our people through training and development.   |
|   |            | Prepare Norske Skog for entering the containerboard market in 2023.  |
|   | G & E      | Create shareholder value.  |
|   |            | Develop sustainable industrial clusters utilizing existing site infrastructure and contribute to economic growth.  |
|   |            | Align innovation activities with the long term group strategy.   |
|   |            | Perform R&D activities at all business units based on Norske Skog's position in the fiber value chain.   |
|   |            | Commercialize promising and profitable innovation results.   |
|  | S          | Increase the level of sustainability through knowledge sharing across business units to strengthen continuous improvement activities and product development within the existing core business.  |
|   | E          | Understand the actual and potential impacts our operations have on local communities, and to understand their expectations and needs.  |
|  | E          | Report the extent of development of significant infrastructure investments and services supported, both current or expected impacts on communities and local economies.  |
|   |            | Ensure sustainable use of materials and energy in our operations.  |
|   |            | Operate mills with high energy efficiency.   |
|   |            | Reduce Chemical Oxygen Demand (COD) to recipient.  |
|   | G          | Reduce emissions of Sulphur Dioxide (SO <sub>2</sub> ) and Nitrogen Oxide (NOX) from our operations.   |
| Reduce waste from our operations.   |            |  |
|  | E          | Ensure sustainable sourcing of raw material.   |
|   |            | Ensure responsible supplier value chain handling.  |
|   |            | Reduce greenhouse gas (GHG) emissions.   |
|  | G          | Use sustainable energy sources.  |
|   |            | Handle climate risk and business opportunity understanding.  |
|   |            | Abstain from financial and in-kind political contributions.  |
|  | S          | Abstain from anti-competitive behaviour and adhere to relevant competitive legislation.  |
|   |            | Ensure our customers healthy and safe working environment.   |
|   |            | Have zero tolerance for discrimination on grounds of race, color, sex, religion, political opinion, national extraction, or social origin as defined by the ILO, or other relevant forms of discrimination involving internal and/or external stakeholders.  |
|  | G          | Have no tolerance for practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering; the offer or receipt of gifts, loans, fees, rewards, or other advantages as an inducement to do something that is dishonest, illegal, or represents a breach of trust. This also include practices such as embezzlement, trading in influence, abuse of function, illicit enrichment, concealment, and obstructing justice. |
|   |            | Prohibit the use of child labor within our operations and avoid contributing to the use of child labor suppliers and customers.  |

\* E/S/G&E: Environment / Social / Governance and Economy

| Targets   | Planned activities  |
|---|---|
| Share knowledge through relevant professional forums and industry organizations.  | <ul style="list-style-type: none"> <li>- Participate in and share knowledge with membership association like Federation of Norwegian Industries and CEPI (Confederation of European Paper Industry).</li> <li>- Define intranet knowledge network vital to increase HESQ innovation across Norske Skog.</li> <li>- Review and develop internal e-Learning HESQ-material for local training.</li> <li>- Focus on contractor management contracts.</li> </ul> |
| Reduce absenteeism.   | <ul style="list-style-type: none"> <li>- Develop local and community BU medical centres.</li> <li>- Provide medical assistance for injuries.</li> <li>- Provide extensive health and well-being programmes for employees.</li> </ul>  |
| Reach zero occupational injuries (LTI and TRI).   | <ul style="list-style-type: none"> <li>- Use DNV GL's tool "Synergy" to report LTI and TRI, and complete training programmes for relevant personnel.</li> <li>- Develop a new HESQ leadership training program.</li> <li>- Perform regular self-assessments to identify focus areas for improvement.</li> </ul>   |
| Achieve at least 75 % of new hired skilled workers to be recruited from apprentices programs by 2025.   | - Implement advanced apprentice programs and extended training programs at all mills.   |
| Offer ten trainee positions or internships for master degree students annually.   | - Cooperate with local schools and selected universities about relevant programs.   |
| Establish three knowledge networks to capture critical competence and facilitate knowledge transfer throughout the group.   | - Establish and operate three knowledge networks by the end of 2022.  |
| Provide training modules for technical core skills, soft skills and compliance skills.  | <ul style="list-style-type: none"> <li>- Offer training and supplementary education for all through their entire job career.</li> <li>- Reinvigorate the Norske Skog Academy.</li> <li>- Reinvigorate NSPS-modules.</li> </ul>  |
| Achieve a 100 % completion rate for annual performance reviews and development plans by 2023.   | - Stimulate mid-level managers to carry out performance reviews and annual plans for training and development.  |
| Establish three knowledge networks and related commercial processes to capture critical competence and facilitate knowledge transfer throughout the group.  | <ul style="list-style-type: none"> <li>- Establish a containerboard knowledge network in 2022.</li> <li>- Review the sales organisation.</li> <li>- Deliver a market knowledge program.</li> </ul>  |
| <b>Publication paper:</b><br>- Achieve an EBITDA margin of at least 10%.<br>- Maintain an operating rate of at least 90%.<br><b>Packaging paper (from 2025-26):</b><br>- Achieve an EBITDA margin of at least 20%.<br>- Maintain an operating rate of at least 95%.   | - Adhere to operational budget plans and implement necessary corrective actions.  |
| Achieve net debt/EBITDA ratio of 2 or less.   | - Finance activities adapted to operational profit capabilities.  |
| Achieve 50 % of revenue from new business areas by 2030.  | <ul style="list-style-type: none"> <li>- Invest in packaging, energy and fibre projects.</li> <li>- Ensure alignment through group annual strategy discussions in corporate management.</li> <li>- Report R&amp;DI activities in the mills to corporate management through the budget process.</li> </ul>   |
| Achieve 50 % of revenue from new business areas by 2030.<br>Achieve at minimum an IRR of 10% on new investment projects.  | - Establish steering committees at group level to ensure needed anchoring and allocation of necessary resources to speed up and succeed with commercialisation of new business opportunities.   |
| Reach a minimum of 20 annual continuous improvement activities across all mills.  | - Evaluate the continuous improvement activities and the impact they have on the SDG targets compared to planned activity.  |
| Report the significant social, environmental, safety and economic impacts our operations have on the local communities.   | - Cooperate with local community organization and being open and honest about environment, safety and economic issues with relevant community bodies.   |
| Report examples of significant identified indirect economic impacts of the organization also in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.   | - Cooperate and communicate openly with the local community about company strategy and investment plans as early as possible.   |
| Achieve efficient use of biprocess streams in the production process to create biobased-energy or biproducts for sale.  | - Utilise bi-products from the entire production process.   |
| Measure the level of CAPEX used on energy efficiency/energy-source improvements.  | - Establish specific activities and investments in energy efficiency and changes in energy source, i.e. activities from the CAPEX-lists and the continuous improvement programs.  |
| Install anaerobic wastewater treatment and biogas at all European mills (% installed) within 2030.  | - Invest in anaerobic waste water treatment and biogas production at all European mills.  |
| Ensure compliance with emission permits and regulations.  | - Perform mill activities related to SO <sub>2</sub> and NO <sub>x</sub> improvements.  |
| Deliver no ash to landfill in 2030.   | - Establish procedures and/or ash product development.  |
| Achieve 100% certification of all wood used for our products.   | - Review internal control routines to measure and reach the certification target.   |
| Ensure supplier adherence to Norske Skog code of conduct within 2023.   | - Mature sustainable sourcing practices by updating code of conduct, questionnaire for suppliers on ESG-topics and routines for audit of suppliers.   |
| Reduce GHG emission kg/tonne paper (baseline 2015) by 55% in 2030 (Scope 1 & 2).  | - Invest in packaging and promising energy and fibre projects.  |
| Net zero GHG emission kg/tonne paper in 2050.   | - Participate in CCS and CCU activities at Norske Skog Skogn and Norske Skog Saugbrugs.   |
| Reduce Scope 3 GHG emissions by collaborating with external parties.  | - Collaborate with transporters to utilize CO <sub>2</sub> -free vehicles such as train for truck programs at the mills.  |
| Reduce dependency of fossile energy sources.  | - Invest in biomass-boilers to replace fossile energy sources at the mills.   |
| Review the annual climate risk plan and business opportunity analysis.  | - Perform an annual climate risk and opportunity analysis for each business unit.   |
| Report which political topics and influence channel the group has used.   | - Be involved in political tasks through the Norwegian Federation of Trade and Industry, the Norwegian pulp and paper organization, CEPI, and through other relevant partnerships.  |
| Report percentage of significant product and service categories for which health and safety impacts are assessed for improvement.   | - Perform reviews of relevant health and safety hazards our products expose to our customers.   |
| Report the number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant. Report the main outcomes of completed legal actions, including any decisions or judgments.  | - Perform annual reviews with relevant personell and agents on relevant anti-competitive legislation and Norske Skog steering guidelines.   |
| Report the total number of incidents of discrimination during the reporting period.   | - Identify through formal process(es) instance(s) of non-compliance to relevant non-discriminatory steering document procedures, including management system audits, formal monitoring programs or grievance mechanisms (whistleblower channels).   |
| Report the total number and percentage of operations assessed for risks related to corruption, and the significant risks related to corruption identified through the risk assessment. Report the total number and nature of confirmed incidents of corruption: in which employees were dismissed or disciplined, when contracts with business partners were terminated or not renewed, public legal cases against the organization or its employees. | <ul style="list-style-type: none"> <li>- Review the steering guidelines annually.</li> <li>- Perform mandatory compliance review and training for relevant personell and business partners and others relevant to our business periodically or when needed.</li> </ul>  |
| <b>Report operations and suppliers considered to have significant risk for incidents of:</b><br>- child labor and young workers exposed to hazardous work,<br>- child labor either in terms of type of operation (such as manufacturing plant) and supplier; or<br>- countries or geographic areas with operations and suppliers considered at risk.  | <ul style="list-style-type: none"> <li>- Review the steering guidelines and code of conduct annually.</li> <li>- Perform mandatory compliance review and training for relevant personell and business partners and others relevant to our business periodically or when needed.</li> </ul>  |



# PRIORITISED SDGS



Ensure healthy lives and promote well-being for all at all ages

| E/S/G & E* | Ambition/ Area   | Targets  | Planned activities  |
|------------|--|--|---|
| S          | Inspire others to learn from our 'best in class' occupational health and safety standards. | Share knowledge through relevant professional forums and industry organizations. | <ul style="list-style-type: none"> <li>- Participate in and share knowledge with membership association like Federation of Norwegian Industries and CEPI (Confederation of European Paper Industry).</li> <li>- Define internal knowledge network vital to increase HESQ innovation across Norske Skog.</li> <li>- Review and develop internal e-Learning HESQ-material for local training.</li> <li>- Focus on contractor management contracts.</li> </ul> |
|            | Increase job attendance for all employees.   | Reduce absenteeism.  | <ul style="list-style-type: none"> <li>- Develop local and community BU medical centres.</li> <li>- Provide medical assistance for injuries.</li> <li>- Provide extensive health and well-being programmes for employees.</li> </ul>  |
|            | Ensure a healthy and safe working environment.   | Reach zero occupational injuries (LTI and TRI).                                  | <ul style="list-style-type: none"> <li>- Use DNV GL's tool "Synergy" to report LTI and TRI, and complete training programmes for relevant personnel.</li> <li>- Develop a new HESQ leadership training program.</li> <li>- Perform regular self-assessments to identify focus areas for improvement.</li> </ul>   |

\* E/S/G&E: Environment / Social / Governance and Economy

Health and Safety has high priority for Norske Skog, twenty-four hours a day, seven days a week. Norske Skog's health and safety programme at the business units, called "Take Care 24 hours", is adapted to our different cultures, requirements and local requirements where we operate, but shall always meet the requirements of our health and safety standards for international activities. Our goal is a safe working environment where health and safety receive equal attention in planning and in the daily operations of the company.

All employees in Norske Skog shall take responsibility for improving the working environment for themselves, their colleagues, visitors and sub-contractors. Internal cooperation, involving sharing of experience and best practice, enables us to adapt preventive activities to all our business units. Through the activities in Take Care 24 hours, the group stimulates and encourages the same attitudes and behaviour at work and during our spare time, for our own employees and their families. At Norske Skog, we believe that issues relating to health, safety and the environment must be fully integrated into all our activities at every level and not managed as a separate and distinct function. That is why everyone working in Norske Skog – whether an employee or contractor – is accountable for the company's health, environmental and safety performance.

The Process for Safety Excellence (PSE) is an ongoing, structured process integrated into the day-to-day business of the company to achieve the highest level of health, safety and environmental performance. It applies to every unit within Norske Skog and activity carried out by employees and contractors. PSE focuses on three management components: people, assets and systems. Each component includes nine elements (standards), providing the framework for health, safety and loss prevention.

**OUR IDENTIFIED NINE KEY ELEMENTS (STANDARDS) ARE:**



These standards are applicable to all operations, throughout Norske Skog, which have the potential to adversely affect the health and safety of people, including employees, contractors, visitors and the public.

**THE OBJECTIVES OF THESE STANDARDS ARE AS FOLLOWS:**

- To define the minimum requirements for the Health and safety systems at all levels of operation
- To provide a framework for health and safety systems measurement
- To encourage a consistent approach to health and safety systems
- To identify and share the best practice between business units
- To provide the business units the opportunity to assess themselves against the standards and continually improve their systems
- To enable inter-mill/unit reviews to provide an external perspective and recommendations for improvement

Where Norske Skog has no operational responsibility, but has an equity stake, or where -significant Norske Skog assets are involved in a subcontracting site, arrangements shall be made to ensure that comparable standards of safety are maintained. We strongly believe in behavioural based safety observations and audits. These are observations of people’s workplace behaviour that enables positive feedback for safe behaviour, recognition and correction of unsafe acts.

Our Norwegian business units have signed a letter of intent regarding a more inclusive workplace (IA Agreement with supplementary agreements) with the aim of reducing sickness absence rates and increasing job attendance for all employees. Although the IA Agreement is a distinctly Norwegian concept, our non-Norwegian business units operate under similar conditions. The IA Agreement builds on a tripartite cooperation

between the national authorities, the trade unions and the company. The IA Agreement and Norske Skog’s operational objective is to develop targets for our work to prevent sickness and absence and to establish verifiable activity targets to achieve a professional attitude to both preventive and reactive health care in the company.

All our business units also have local health, safety and environmental (HSE) forums where the company and trade unions have regular meetings to address local HSE issues. At these meetings, there should be an equal number of representatives from the company and the employees, with as many different groups as possible from within the organisation represented. If the organisation has Occupational Health Services, it should also be represented on the committee. Occupational Health Services should be an advisory and independent body, and represent the interests of both the employer and the employees.

Norske Skog has used Synergi Life for many years, which is an operational risk management tool from DNV GL. We have a monthly Management Focus Report (MFR), which is distributed to all business units for internal distribution and includes type of injury and rates of injury, occupational disease rate, lost working days due to accidents, absenteeism, total number of work-related personal injuries and fatalities, by region and business unit. All business units report their information into the Synergi Life database system (Synergi), which is also a source for the transfer of experience and sharing of best practices. Reports from Synergi are analysed and form the basis for our internal HSE audits conducted by our HSE staff at the group level.

Norske Skog is committed to provide a safe working environment for our employees, contractors and visitors. Health and safety considerations are integrated into the day-to-day business of Norske Skog and apply to every organisation within Norske Skog and every activity carried out by its employees and contractors.

Norske Skog aims to have zero injuries, reduce sickness absence rates and to increase focus on job attendance for all employees.

**PERFORMANCE:**

Norske Skog had an absence rate due to illness of 4.2 per cent in 2021, which is on the same level as last year. The total number of accidents at the mills are almost at the same level in 2021 as in 2020, but it was an increase in lost time injuries per million working hours (H1 or LTI) in 2021 compared to 2020.

The IA-agreement has been renewed and continues the operational objectives for the cooperation:

- Reduce sick leave
- Increase employee retention rate
- Increase employment of people with functional impairments
- Increase the retirement age

Our work with the IA-agreement has been extended to apply to all of Norske Skog’s business units and is intended to be an integral part of our targeted health, safety and environmental (HSE) work.

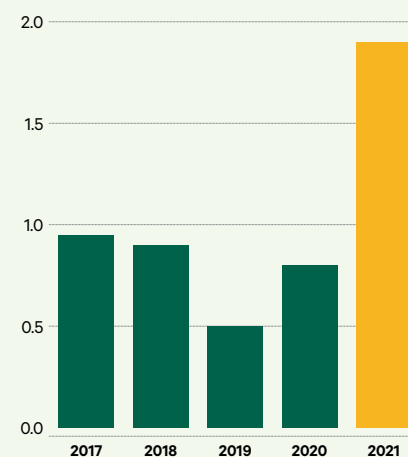
|                        | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------------|------|------|------|------|------|
| LTI <sup>1)</sup> (H1) | 1.0  | 0.9  | 0.5  | 0.8  | 1.9  |
| TRI <sup>2)</sup> (H2) | 7.3  | 7.4  | 9.8  | 6.6  | 5.9  |
| Absence due to illness | 3.5  | 3.8  | 3.7  | 4.2  | 4.2  |

<sup>1)</sup> LTI = Lost Time Injuries per million working hours.

<sup>2)</sup> TRI = Total Recordable Incident meaning total number of injuries with and without lost time per million working hours.

**H1 DEVELOPMENT**

Lost time injuries per million working hours





## Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

| E/S/G & E* | Ambition/ Area  | Targets  | Planned activities   |
|------------|---|--|--|
| S          | Attract and keep top talent.  | Achieve at least 75 % of new hired skilled workers to be recruited from apprentices programs by 2025.  | - Implement advanced apprentice programs and extended training programs at all mills.  |
|            |   | Offer ten trainee positions or internships for master degree students annually.  | - Cooperate with local schools and selected universities about relevant programs.  |
|            | Invest in our people through training and development.              | Establish three knowledge networks to capture critical competence and facilitate knowledge transfer throughout the group.                                  | - Establish and operate three knowledge networks by the end of 2022.   |
|            |   | Provide training modules for technical core skills, soft skills and compliance skills.   | - Offer training and supplementary education for all through their entire job career.<br>- Reinvigorate the Norske Skog Academy.<br>- Reinvigorate NSPS-modules. |
|            |   | Achieve a 100 % completion rate for annual performance reviews and development plans by 2023.  | - Stimulate mid-level managers to carry out performance reviews and annual plans for training and development.   |
|            | Prepare Norske Skog for entering the containerboard market in 2023. | Establish three knowledge networks and related commercial processes to capture critical competence and facilitate knowledge transfer throughout the group. | - Establish a containerboard knowledge network in 2022.<br>- Review the sales organisation.<br>- Deliver a market knowledge program.                             |

\* E/S/G&E: Environment / Social / Governance and Economy

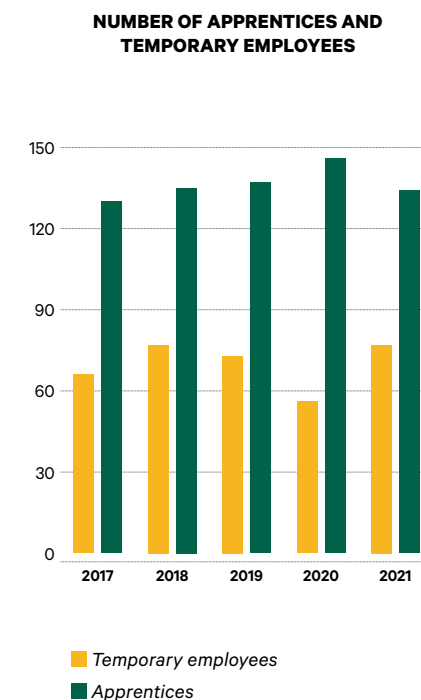
Norske Skog's people and organisation strategy is to maintain a business-oriented, international organisation that attracts and retains highly competent and motivated employees on all levels around the world. We strive to give people the opportunity to grow personally and professionally in a stimulating working environment.

Our goal is to have a broad access to qualified personnel in a short and long-term perspective.

### PERFORMANCE:

Norske Skog has a structured process for assessing people performance and creating targeted professional development plan for human resources. We believe in developing people through their entire employment period in Norske Skog by providing training, job enrichment and career opportunities.

We take pride in delivering advanced programs for apprentices. These programs are the preferred source when recruiting to our business and a key contribution from Norske Skog to society in terms of quality education. In 2021, 6.4% of our employees were apprentices and trainees. In Norway, 38% of new hired skilled workers are recruited from apprentice programs, whereas the group achieved 17%. During 2021, a containerboard knowledge network has been established. It has been established a platform for other knowledge networks. Most business units cooperate with selected schools, colleges, and universities. Our engagement embraces activities such as mill visits, project work, diploma theses, trainee, and apprentices' programmes. In our internal continuous improvement programmes, we aim to share knowledge and learnings. The group is working to further improve the execution of annual performance reviews and development plans by 2023.



## Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



| E/S/G & E*  | Ambition/ Area  | Targets   | Planned activities  |
|---|---|---|---|
| G & E   | Create shareholder value.   | <b>Publication paper:</b><br>- Achieve an EBITDA margin of at least 10%.<br>- Maintain an operating rate of at least 90%.<br><b>Packaging paper (from 2025-26):</b><br>- Achieve an EBITDA margin of at least 20%.<br>- Maintain an operating rate of at least 95%. | - Adhere to operational budget plans and implement necessary corrective actions.  |
|   |   | Achieve net debt/EBITDA ratio of 2 or less.   | - Finance activities adapted to operational profit capabilities.  |
|   | Develop sustainable industrial clusters utilizing existing site infrastructure and contribute to economic growth. |   | - Invest in packaging, energy and fibre projects.   |
|   | Align innovation activities with the long term group strategy.  | Achieve 50 % of revenue from new business areas by 2030.  | - Ensure alignment through group annual strategy discussions in corporate management.   |
|   | Perform R&DI activities at all business units based on Norske Skog's position in the fiber value chain.           |   | - Report R&DI activities in the mills to corporate management through the budget process.   |
|   | Commercialize promising and profitable innovation results.  | Achieve 50 % of revenue from new business areas by 2030.<br>Achieve at minimum an IRR of 10% on new investment projects.  | - Establish steering committees at group level to ensure needed anchoring and allocation of necessary resources to speed up and succeed with commercialisation of new business opportunities. |
| Increase the level of sustainability through knowledge sharing across business units to strengthen continuous improvement activities and product development within the existing core business. | Reach a minimum of 20 annual continuous improvement activities across all mills.                                  | - Evaluate the continuous improvement activities and the impact they have on the SDG targets compared to planned activity.  |   |

\* E/S/G&E: Environment / Social / Governance and Economy

Norske Skog's research and development work is performed at each business unit often in cooperation with external research institutions. The work is coordinated centrally, with the aim of leveraging synergies and best practices throughout the group. There are continued focus on improving paper products and new innovative, green alternatives in synergy with existing production process.

Norske Skog continuously engages in low-cost R&D activities to explore new revenue sources. The efforts include both short-term and long-term projects across a wide range of initiatives. The initiatives are at various stages of the development cycle, from early-stage research to final stages of implementation and range from bioenergy production to development of biochemical and fibre products. Investments into projects for alternative use of fibre and development of biochemicals are being done in the form of pilot plants that, if successful, can contribute to growth when commercialised.

The group's five paper mills are material industrial sites that offer possible attractive brownfield investment opportunities for investments such as packaging grades production, since a material part of the infrastructure at a publication paper mill can be re-used for packaging grades production such as containerboard. In addition, the logistics flow of inbound raw materials and outbound finished goods materials are very similar and offers synergies compared to a greenfield investment alternative. Finally, an existing publication paper mill will normally have all required permits and licenses in place for such a large-scale industrial production and the modification of existing permits to a different type of production may offer a less comprehensive and a quicker process compared to a greenfield investment alternative.

**PERFORMANCE:**

In addition to the traditional publication paper business, new growth initiatives related to packaging, renewable energy, biochemical products

and fibre products have been launched.

Norske Skog plans to become a leading European producer of recycled containerboard by converting two newsprint machines, one at Norske Skog Bruck and one at Norske Skog Golbey. The conversions will introduce 760 000 tonnes of competitive containerboard capacity to meet the growing demand for renewable packaging.

The group has chosen Strato as the new packaging product brand name, and has established a commercial team that is already performing marketing activities and developing customer relations.

Norske Skog employs dedicated R&D staff at all the paper mills, engaging in both the development of new publication paper products and researching opportunities within biochemical and fibre products than can replace petrochemical products. In addition to the R&D staff, the group employs personnel involved in developing and



executing on opportunities for biogas, waste-to-energy facilities and alternative or additional methods of reusing the by-products from the production processes. The business units are all continuously working on improving existing publication paper products and finding new alternative purposes for our paper. For example, the Skogn mill has switched from producing standard newsprint to interliner, which is a product within the packaging paper segment. Norske Skog engages in several early-phase research projects into biochemical and fibre products.

Norske Skog has together with the Circa Group developed the Furacell process, which could represent the first biochemical solvent for use in the pharmaceutical industry to replace petrochemical products. Norske Skog is the largest shareholder in Circa Group, which has received a EUR 9.2 million EU Flagship Grant for the

production of a first-of-its-kind 1 000 tonnes biochemicals plant in France. Circa Group was listed on the Euronext Growth in Oslo during the first quarter of 2021 with the purpose of raising the required capital for construction of the plant in France and continued market introduction of its biochemicals.

The group is also engaged in developing nanofibrils for strengthening paper products, enhancing paint and glue, developing 3D composites and additives in nutritional products. Following significant marketing efforts and customer testing in 2021, CEBINA is now sold and delivered to customers in Norway and internationally. CEBINA is a natural fibre product developed at Norske Skog Saugbrugs, which adds rheology control in fluids and armouring in solid materials.

Norske Skog has built a 300 tonnes capacity pilot plant for fibre composites at the Saugbrugs mill in Norway, which Innovasjon Norge has granted NOK 15 million. In early 2022, Norske Skog Saugbrugs, together with its research and industry partners, have been granted NOK 60 million in research funding from the Research Council of Norway and Innovation Norway under the Green Platform Programme. The portfolio of products to be developed aims to remove or greatly reduce the use of petroleum-based raw materials and harmful materials, as well as to contribute to increased recycling of plastics.

Through the partnerships with Ocean GeoLoop at Norske Skog Skogn and Borg CO<sub>2</sub> at Norske Skog Saugbrugs, Norske Skog aims to pursue the opportunity to become CO<sub>2</sub> net negative, and to explore economically viable models for utilisation of biogenic CO<sub>2</sub>.



Photo: Enzo Zadra

**Enzo  
Zadra**

**BRUCK, AUSTRIA**



While the managing director at Norske Skog Bruck in Austria, Enzo Zadra, points to external factors as corona, energy prices, and shortage of important raw materials for production, he picks internal factors as organisational development when asked to point to what is key for the future success of his mill.

*"It is important to use the existing know-how and to learn from each other to develop the mill further towards our ambitious climate and business goals."*

*"We will put lots of effort into attracting young talents to work in our team. A zero-harm working environment and a sound working atmosphere is at the base of our activities. The last two years have shown that it is essential to combine global thinking and local acting and sourcing to safeguard our business."*

## Ensure sustainable consumption and production patterns



| E/S/G & E* | Ambition/ Area   | Targets  | Planned activities   |
|------------|--|--|--|
| E          | Ensure sustainable use of materials and energy in our operations.                                    | Achieve efficient use of biprocess streams in the production process to create biobased-energy or biproducts for sale. | - Utilise bi-products from the entire production process.  |
|            | Operate mills with high energy efficiency.   | Measure the level of CAPEX used on energy efficiency/energy-source improvements.                                       | - Establish specific activities and investments in energy efficiency and changes in energy source, i.e. activities from the CAPEX-lists and the continuous improvement programs. |
|            | Reduce Chemical Oxygen Demand (COD) to recipient.  | Install anaerobic wastewater treatment and biogas at all European mills (% installed) within 2030.                     | - Invest in anaerobic waste water treatment and biogas production at all European mills.   |
|            | Reduce emissions of Sulphur Dioxide (SO <sub>2</sub> ) and Nitrogen Oxide (NOX) from our operations. | Ensure compliance with emission permits and regulations.   | - Perform mill activities related to SO <sub>2</sub> and NOX improvements.   |
|            | Reduce waste from our operations.  | Deliver no ash to landfill in 2030.  | - Establish procedures and/or ash product development.   |
| G          | Ensure sustainable sourcing of raw material.   | Achieve 100% certification of all wood used for our products.  | - Review internal control routines to measure and reach the certification target.  |
|            | Ensure responsible supplier value chain handling.  | Ensure supplier adherence to Norske Skog code of conduct within 2023.  | - Mature sustainable sourcing practices by updating code of conduct, questionnaire for suppliers on ESG-topics and routines for audit of suppliers.                              |

\* E/S/G&E: Environment / Social / Governance and Economy

The highly simplified diagram on page 36 illustrates the paper production process. Main input materials are wood and/or recovered paper, as well as electricity and chemicals. Wood and recovered fibres are separated during pulp production in two different processes.

Pulp production based on recovered paper consumes less energy than production from fresh fibre because the fibres in recovered paper are more easily separated than those within wood. In the paper machine, the pulp passes along a web, firstly through a wet section, then a press section and finally through a drying section. The paper is finally rolled up on reels, and then cut to the sizes ordered by the customer. During this process, more than 90% of the wood fibres in trees are converted to paper products.

The residues from the production processes are reused or disposed of in a number of ways: energy recovery, landfill, agriculture or sale/delivery. Where possible, process residues are used to generate energy for the pulp and paper manufacturing process. Some customers want paper based entirely on recovered paper. However, a value chain based only on recovered paper is not sustainable. About one third of the paper is lost in

the recovered paper cycle. Factors such as consumer awareness, waste disposal and collection systems and alternative uses for used paper influence its collection rate. The structure and strength of the fibres of paper degrade with successive use. Recovered paper fibres that are no longer suitable for papermaking are rejected in our mill pulping processes and are generally used as a source of renewable energy. To make the recovered paper value chain sustainable, fresh fibre from forests, plantations or sawmill by-products must be added.

We will only use raw materials from sustainably managed sources. Our goal is to have 100% certified wood in our products.

Key objectives in all our business units are efficient production processes with high yield on raw material and energy utilisation. Norske Skog expects all of our business partners to comply with the applicable laws, regulations and principles set out in Norske Skog's Code of Conduct.

Norske Skog shall have an environmental performance that supports our customers in reaching their environmental objectives.

### PERFORMANCE:

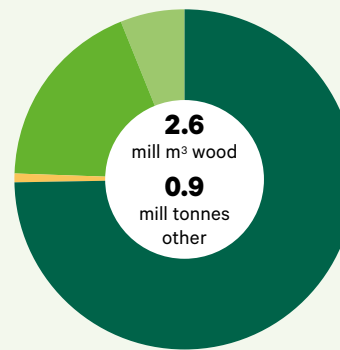
Norske Skog has systems and processes to make sure that all wood used in Norske Skog's products comes from sustainably managed forests. All Norske Skog mills utilising fresh fibre have third-party verified Chain of Custody (CoC) certification systems in place. The average share of certified fresh fibre in 2021 was 89%, in line with last year.

In 2021, Norske Skog consumed 2.59 million m<sup>3</sup> of fresh fibre and 0.65 million tonnes of recovered paper. On a tonnage basis, our largest consumption of recovered paper takes place in continental Europe. The fibre source used at the different Norske Skog mills depends upon availability and economic considerations. The minimisation of transport distances and costs is an increasingly important economic and environmental consideration.

The total quantity of production waste generated by the group in 2021 was 325 842 dry tonnes. 122 579 tonnes of ash were generated from combustion. In 2021, 85% of the waste was used as biofuel. Other residues, for example ash, are used in concrete or brick making, or in road construction. Agricultural re-use is also an option for some ash and organic materials. Part of the production residues are deposited in landfills. Hazardous

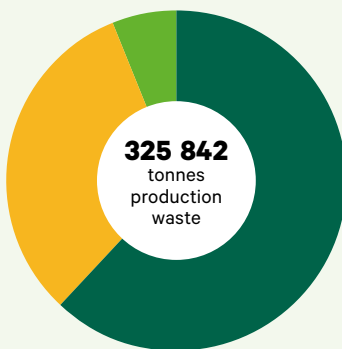
**SHARE OF RECOVERED PAPER IN PAPER PRODUCTION:**

|                            |     |
|----------------------------|-----|
| Norske Skog Bruck, Austria | 79% |
| Norske Skog Golbey, France | 42% |
| Norske Skog Skogn, Norway  | 14% |



**CONSUMPTION OF RAW MATERIAL**

- 74% Wood (roundwood and sawmill chips)
- 1% Purchased pulp
- 18% Recovered paper
- 6% Inorganic fillers



**SOURCES PRODUCTION WASTE**

Total 325 842 tonnes

- 62% Sludge
- 32% Bark
- 6% Other



**DISPOSAL PRODUCTION WASTE**

- 85% biomass (used as biofuel)
- 9% Agriculture
- 2% Landfill
- 4% Sale delivered

waste amounted to 426 tonnes in 2021. Hazardous waste is disposed through authorised collection systems in accordance with national regulations.

Norske Skog makes great efforts to ensure that the wastewater treatment meet the highest standards. In 2020 and 2021, the operations in Australasia had an increase in discharges of organic substances (COD) and Suspended Solids (SS). This is due to the closure of two mills with very beneficial environmental profiles, leading to increased KPI values for the region.

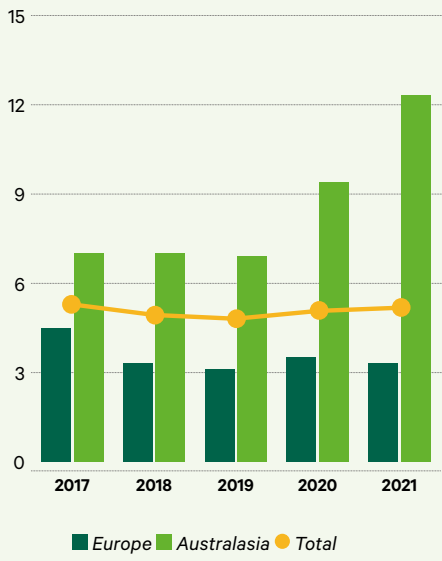
Many of our mills participate in projects to find alternative or additional methods of reusing the by-products from the production processes. Our products come with an environmental product declaration for paper (Paper Profile) which guide the paper buyer according to environmental performance on standardised environmental parameters. All of Norske Skog's business units are certified in accordance with ISO 9001 and 14001.

Please refer to SDG 15 about sustainably managed forest and fibre sourcing, SDG 6 about clean water, and SDG 7 to read about energy utilisation.

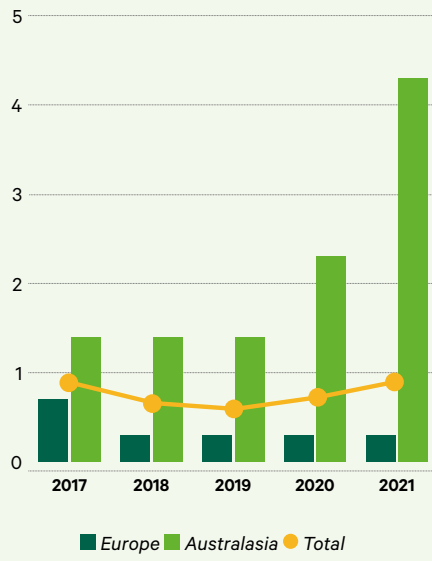


Photo: Finn-Arne Bjørnstad

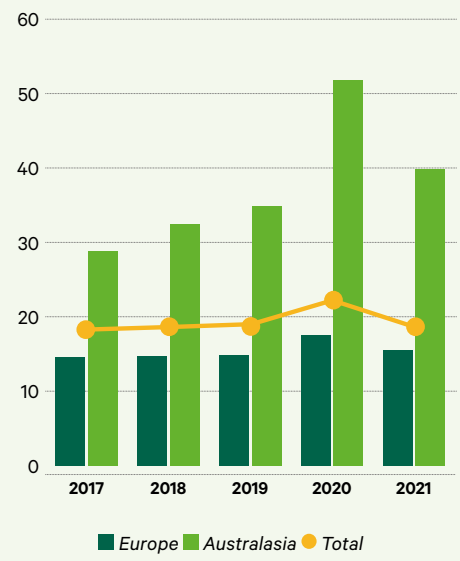
**DISCHARGES OF ORGANIC SUBSTANCES (COD)**  
Kg per tonne of paper



**DISCHARGES OF SUSPENDED SOLIDS (SS)**  
Kg per tonne of paper

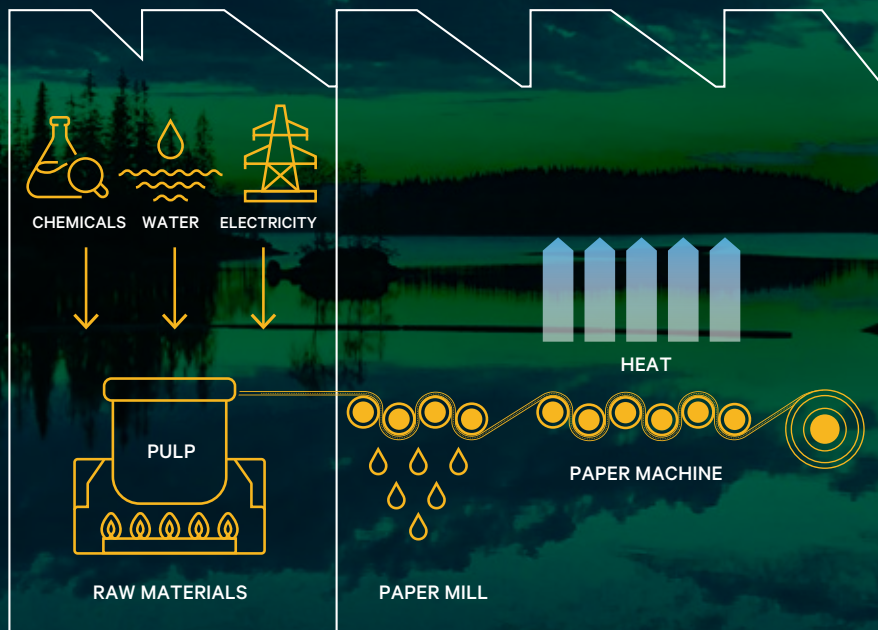
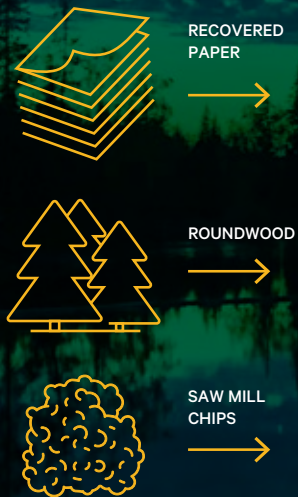


**DISCHARGES OF WASTEWATER**  
m³ per tonne of paper



## PAPER PRODUCTION PROCESS

### RAW MATERIALS



### PRODUCTS



Photo: Carsten Dybevig



## Take urgent action to combat climate change and its impacts

| E/S/G & E* | Ambition/ Area  | Targets  | Planned activities   |
|------------|---|--|--|
| E          | Reduce greenhouse gas (GHG) emissions.                      | Reduce GHG emission kg/tonne paper (baseline 2015) by 55% in 2030 (Scope 1 & 2). | - Invest in packaging and promising energy and fibre projects.   |
|            |   | Net zero GHG emission kg/tonne paper in 2050.                                    | - Participate in CCS and CCU activities at Norske Skog Skogn and Norske Skog Saugbrugs.                                  |
|            |   | Reduce Scope 3 GHG emissions by collaborating with external parties.             | - Collaborate with transporters to utilize CO <sub>2</sub> -free vehicles such as train for truck programs at the mills. |
|            | Use sustainable energy sources.                             | Reduce dependency of fossile energy sources.                                     | - Invest in biomass-boilers to replace fossile energy sources at the mills.  |
|            | Handle climate risk and business opportunity understanding. | Review the annual climate risk plan and business opportunity analysis.           | - Perform an annual climate risk and opportunity analysis for each business unit.  |

\* E/S/G&E: Environment / Social / Governance and Economy

The European Union and related national governments have set forth new ambitious goals to reach carbon neutral societies by 2050. Norske Skog, together with other European and Norwegian industries, has adopted these ambitious goals and through our industrial organisations presented a proposed industrial road map to reach this ambition by 2050. The EU together with member state governments have introduced a comprehensive energy plan including various common and state programmes within technology development, energy efficiency and energy consumption to fulfil this ambitious goal.

Norske Skog has integrated reduction of greenhouse gas emissions as a key part of the business strategy. The goal is to reduce energy consumption, increase the share of renewable energy sources and to optimise the use of process chemicals and transport. We are committed to contribute to combat global climate change. Climate change is the environmental issue receiving the greatest attention today. Norske Skog has a long-term goal to achieve net zero GHG emission by 2050, and a 55% reduction within 2030 from the baseline in 2015. Norske Skog has a tradition of setting ambitious goals of greenhouse gas reduction.

Emissions to air occur primarily from energy generation processes, and the majority of solid wastes occur from the processing of fibre inputs (wood or recovered paper) and from the treatment of effluent (fibre and biological solids). Most of our mills have their own boilers or incinerators for

producing thermal energy from these solid residues. Fossil fuels in the form of natural gas, oil and coal may also be used. The main emissions associated with these activities include carbon dioxide, particulates, sulphur dioxide and nitrogen oxides. A number of technologies are used to reduce and control these discharges. Ash residues result from combustion processes involving solid fuels.

To demonstrate Norske Skog's commitment to combating climate change, and to make critical information available to investors, customers and the market, we will start reporting to Carbon Disclosure Project (CDP) in 2022.

### EU TAXONOMY:

To meet the climate and energy targets and reach the objectives of the European green deal, the EU has introduced the "EU Taxonomy", a classification system for sustainable economic activities.

The EU Taxonomy Regulation sets mandatory requirements on disclosure. For 2021, only the proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities of the net turnover, operational expenditure, and capital expenditure shall be disclosed. An economic activity is considered eligible if it is included in the list of activities covered by the delegated acts of the Taxonomy Regulation.

Norske Skog's main activities, paper and cardboard production, do not fall under the scope of the taxonomy activities that are published in the Climate Delegated Act.

The European Commission has been explicit that economic activities that are not recognised by the EU Taxonomy are not necessarily environmentally harmful or unsustainable. This is also true for the non-eligible activities in Norske Skog. Norske Skog will closely follow the EU Taxonomy regulation as it gets updated with new eligible activities that might be relevant for our business, and will assess the eligibility for new products and services from Norske Skog under development.

### PERFORMANCE:

Our carbon footprint, based on the CEPI carbon footprint tool, covers emissions from several elements of our value chain:

- Pulp and paper production
- Forest and recycling operations
- Producing other raw materials and fuels
- Purchased electricity and heat
- Transport: excluding transport to final customers, which is calculated on a case-by-case basis

Carbon stored in forest products (biogenic carbon) is separately reported to the Norwegian Environment Agency. Norske Skog has set forth ambitious goals to reduce our carbon footprint. In 2021, we reached a level of 466 kg CO<sub>2</sub>/tonne of paper – a slight reduction from 2021. Our greenhouse gas emissions were at the same level in 2021 as in 2020. In 2022, Norske Skog Bruck will during the year reduce the use of fossile gas and substitute the gas with energy from the waste-to-energy plant.

In 2021, the Norske Skog Boyer mill and Norske

Skog Bruck mill encompass for about 80% of the CO<sub>2</sub> emission; whereas, the two Norwegian mills had around 3% of the total CO<sub>2</sub> emission in the Group. Through the partnerships with Ocean GeoLoop at Norske Skog Skogn and Borg CO<sub>2</sub> at Norske Skog Saugbrugs, Norske Skog aims to pursue the opportunity to become CO<sub>2</sub> net negative, and to explore economically viable models for utilisation of biogenic CO<sub>2</sub>.

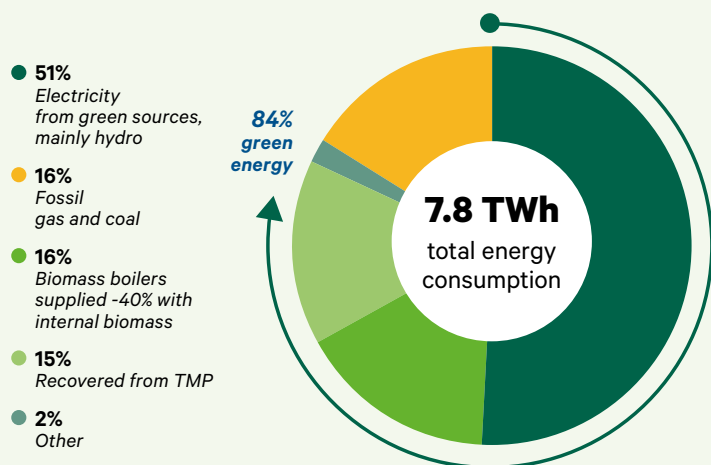
Some of our mills are located in areas where access to water and/or flooding might become a risk with climate change. In 2021, Norske Skog reviewed these climate risks related to our mills.

Please refer to SDG 7 to read more about energy consumption and production.



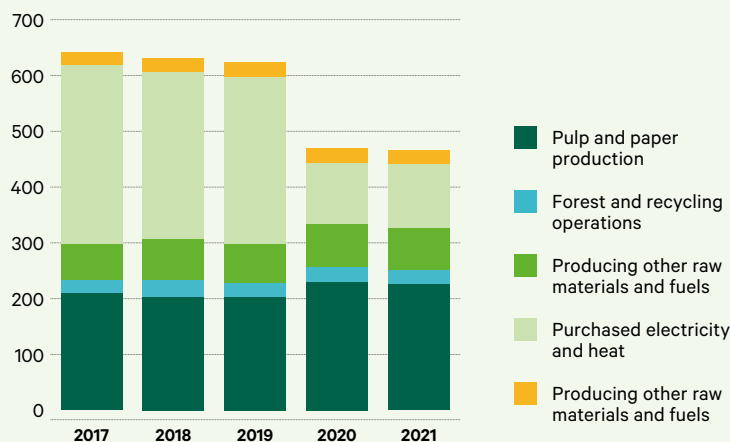
Photo: Erik Sandersen

**80% GREEN ENERGY FOR CURRENT PAPER CAPACITY**



**CARBON FOOTPRINT DEVELOPMENT**

*Kg CO<sub>2</sub>/tonne of paper*



**NORSKE SKOG GREENHOUSE GAS EMISSIONS**

|   | CO <sub>2</sub>     | CH <sub>4</sub> | N <sub>2</sub> O | CO <sub>2</sub> -equiv |
|---|---------------------|-----------------|------------------|------------------------|
| <b>Direct (Scope 1) Emissions</b>                               | <b>1 000 tonnes</b> | <b>tonnes</b>   | <b>tonnes</b>    | <b>1 000 tonnes</b>    |
| Direct emissions from stationary fuel combustion                | 422                 | 19              | 3                | 423                    |
| Direct emissions from transportation and mobile sources         | 4                   | 0               | 1                | 4                      |
| Total direct emissions  | 426                 | 19              | 3                | 427                    |
| <b>Indirect (Scope 2) Emissions</b>                             |                     |                 |                  |                        |
| Indirect emissions from steam and power imports                 | 218                 | 0               | 0                | 218                    |
| Total Fossil Fuel Based Emissions (Direct & Indirect)           | 644                 | 19              | 3                | 644                    |
| <b>Direct &amp; Indirect</b>                                    |                     |                 |                  |                        |
| Biogenic CO <sub>2</sub> emissions from combustion of biomass * | 483                 | 0               | 0                | 0                      |

\* Wood and bark residues only

Nick  
Bäuml

SKOGEN, NORWAY



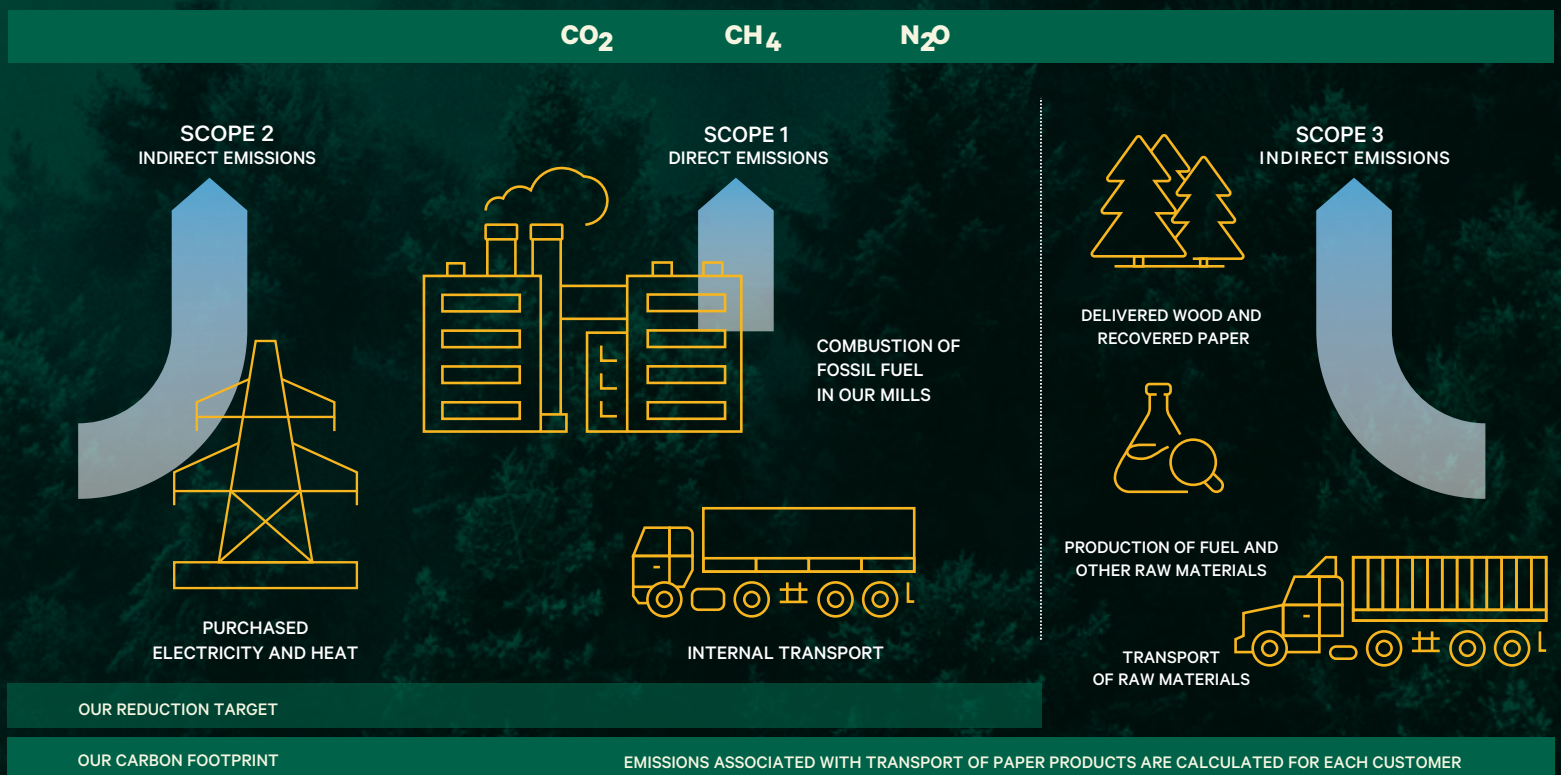
Nick Bäuml started his career as an apprentice at Norske Skog after two years of studying Chemical process engineering at Levanger College. He wanted to work in the process industry and saw Norske Skog as a large and interesting employer with advanced control systems.

*"I get many exciting and varied work tasks and new challenges. I enjoy the learning experience."*

Bäuml thinks Norske Skog's future looks good. Keeping environment and sustainability in mind, he believes wood fibre is the green future.

*"We also need to find new products based on wood fibre in addition to the publication paper we produce today. I really believe in the future of Norske Skog and know that I want to learn more and develop. I want to continue my education at Norske Skog whilst I work here."*

## SOURCES OF GREENHOUSE GAS EMISSIONS



## Our response to the TCFD recommendations (Task Force on Climate-related Financial Disclosures)

| 1. Governance  | Disclose the organisation's governance around climate-related risks and opportunities.   |
|--|--|
| <p><b>A.</b><br/>Describe the board's oversight of climate-related risks and opportunities.</p>  | <ul style="list-style-type: none"> <li>The board reviews the climate risks annually as part of the overall risk assessment for the group.</li> <li>The board reviews the long-term climate-related targets annually as an integral part of the business budget and strategy process. The business risks and opportunities are discussed and considered in defining the business plans. The targets are described under each relevant SDG, with the reduction of greenhouse gas emissions as a key part of our business strategy. The goal is to reduce energy consumption, change the sources of energy and to optimise the use of process chemicals and transport.</li> <li>In an annual SDG review process for the entire group, the board set ambitious SDG targets, especially for environmental and climate-related issues.</li> <li>The board closely follows up the 2030 and 2050 group climate goals specifically.</li> </ul>  |
| <p><b>B.</b><br/>Describe management's role in assessing and managing climate-related risks and opportunities.</p>   | <ul style="list-style-type: none"> <li>Corporate management assesses business risk and opportunities, strategies, corporate ambitions and targets for environmental aspects, including climate-related topics.</li> <li>The environmental data is sent monthly to corporate management.</li> <li>At each mill, the managing director is the main responsible for environmental issues. Each mill also has a responsible manager for environmental issues. Each mill has regular contact with national permit agencies and immediately reports any irregularities and deviances from the permits. Some mills have partnerships, memberships or collaboration with external environmental and certification NGOs, professional national trade organisations and Forest Owner Association.</li> <li>Each mill management team regularly receives, usually on a monthly basis, internal environmental reports regarding emission data. Environmental reporting is part of the agenda at mill management meetings. Specific environmental incidents receive specific attention.</li> </ul>  |
| 2. Strategy  | Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.  |
| <p><b>A.</b><br/>Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.</p>                               | <ul style="list-style-type: none"> <li>The transformation to a larger, more diversified product portfolio with new products will reduce the dependency on one publication paper and thus reduce the business risk. The planned packaging production will be based on renewable resources. One of the new legs in Norske Skog's main strategy is to exploit opportunities within the circular economy utilising fibre and energy to create new non-fossil products. Today, pilot plants utilise fibre to produce nanocellulose-based products, biochemicals and biocomposites. This will in the long run contribute to green growth when commercialised.</li> <li>The goal is to reduce energy consumption in production, change the sources of energy and to optimise the use of process chemicals and transport. After start-up of the new energy boiler at Bruck in 2022, all the European mills will be among the top performers regarding scope 1 and scope 2 emissions in the industry.</li> <li>In and outbound logistics will be prioritised in the long-term horizon to minimise transport distances and costs, and for environmental considerations.</li> <li>Temperature risk: Some of our mills are located in areas where drought/access to water and/or flooding might become a risk with a changed climate.</li> <li>Regulatory risks: The EU has introduced a comprehensive green energy plan including various common and state programs within technology development, energy efficiency and energy consumption to fulfil ambitious zero greenhouse gas goals by 2050. If some countries lag in the implementation and financing process, this may cause a competitive (dis)advantage.</li> </ul>   |
| <p><b>B.</b><br/>Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.</p>                        | <ul style="list-style-type: none"> <li>Strategic development: In 2020, Norske Skog had an extensive revision of its business strategy, emphasising the need for a profitable, robust and sustainable business plan. The climate goal for the new product portfolio is to attain a recyclable, low CO<sub>2</sub> footprint and be environmentally and financially sustainable.</li> <li>Business opportunities include several early-phase research projects in biochemical and fibre products: <ul style="list-style-type: none"> <li>CEBINA, a natural fibre product that adds rheology control in fluids and armouring in solid materials.</li> <li>CEBICO, a biocomposite product developed at Saugbrugs.</li> <li>Cyrene, developed at a pilot plant in partnership between Boyer and Circa Group, could represent the first biochemical solvent for use in the pharmaceutical industry to replace petrochemical products.</li> </ul> </li> <li>Business risk: Norske Skog has included a reduction of greenhouse gas emissions as a key part of our business strategy. The goal is to reduce energy consumption, change the sources of energy and to optimise the use of process chemicals and transport. It is important for Norske Skog to reuse production waste, which has a significant impact on CO<sub>2</sub> emissions. The biogas plants tied to our production at Golbey, Skogn and Saugbrugs utilise waste to produce energy. In addition, an energy plant is under construction at Bruck, which will utilise production process waste and fuels derived from refuse.</li> <li>Temperature risk: Climate change with increased pan-European temperatures may change the growth potential for fibre, and the large focus on utilising biomass in new product areas will in the long-term impact the demand side and, thus, the price of virgin fibre, offering risks and opportunities in fulfilling the transition to a low-carbon economy.</li> <li>Governmental support risk: Some national governments prioritise and fund low value biomass utilisation projects, which may displace projects that under normal market conditions would have been preferred. The limited biomass resources should be used where they provide the highest value creation, and preferably also where the finished products can be recycled. The authorities should therefore refrain from subsidising biomass projects solely used for energy purposes. The authorities should be encouraged to provide support for energy projects where the purpose is to utilise waste from wood processes.</li> <li>Business partner dependency risk: The speed of implementing greenhouse gas emission (scope 3) initiatives will depend on the ability of our suppliers to transform their business into carbon neutrality and of authorities' ability to design effective political tools.</li> </ul> |
| <p><b>C.</b><br/>Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p> | <ul style="list-style-type: none"> <li>Each mill management regularly reviews the physical, legal, technological and market risks and opportunities, which will create the basis for the overall long-term business plan and strategy for the corporate management and the board.</li> <li>If the global political vision of limiting global warming to 1.5C is not achieved, this may have a negative effect on water and energy supply.</li> <li>Water availability: our mills are dependent on water availability and would be severely affected by water restriction plans, although climate change could potentially increase the water supply for some mills.</li> <li>Sufficient energy supply: the phasing out of fossil and nuclear energy sources may without any alternative energy substitution and with a general increase in public energy consumption cause an increase in demand and thus a general increase in energy prices. That could threaten the profitability of the business.</li> <li>Business risk: Norske Skog has adopted a strategy and production process to develop existing and new products in congruence with the vision of a maximum 1.5C temperature increase.</li> <li>Norske Skog is committed to the EU GHG targets of carbon neutrality by 2050 with an intermediate target of a 55% reduction in GHG emissions by 2030 based on 2015 figures.</li> </ul>  |



## Our response to the TCFD recommendations (Task Force on Climate-related Financial Disclosures)

| 3. Risk management  | Disclose how the organisation identifies, assesses, and manages climate-related risks.  |
|---|---|
| <p><b>A.</b><br/>Describe the organisation's processes for identifying and assessing climate-related risks.</p>   | <ul style="list-style-type: none"> <li>Annually, the board, corporate and business unit management make an extensive and systematic risk and opportunity evaluation as described in the SDG report.</li> <li>Legal factors may constitute a business risk, especially if climate-related regulatory requirements are not evenly implemented among peer countries.</li> <li>Politically imposed grid tariffs, especially tariffs not based on cost and efficiency as in Norway, will be a competitive disadvantage and thus constitute a severe business risk.</li> <li>Policy related to energy, energy transmission and other regulatory energy issues may increase energy market prices, with a negative impact on Norske Skog. Energy constitutes about 15-20% of the mill gate cash costs.</li> </ul>   |
| <p><b>B.</b><br/>Describe the organisation's processes for managing climate-related risks.</p>  | <ul style="list-style-type: none"> <li>Norske Skog handles business risks by securing delivery of energy and fibre through long-term contracts.</li> <li>Norske Skog representatives participate in national organisations to influence and monitor political developments.</li> </ul>  |
| <p><b>C.</b><br/>Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.</p>  | <ul style="list-style-type: none"> <li>In 2021, the group reviewed the business climate risks and opportunities and used these findings to define ambitions, set targets for the prioritised SDGs and relate these to the already determined strategic choices of the group. The purpose of the assignment was to align the corporate strategy with a selection of the most relevant of the 17 UN Sustainable Development Goals.</li> <li>In the process, the corporate management and key employees were involved in prioritising, and setting new ambitions and specific targets for each of the 17 UN SDGs after an extensive evaluation of climate-related risks.</li> </ul>  |
| 4. Metrics and targets  | Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.   |
| <p><b>A.</b><br/>Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</p> | <ul style="list-style-type: none"> <li>In the materiality analysis, a set of factors related to energy, raw material, emissions, water and legal issues are given specific risk assessments, and their potential financial and operational impact on the business.</li> <li>Production and environmental data: A large set of key figures are reported at the end of the sustainability report.</li> <li>There are no specific established targets to measure climate-related threats and opportunities. However, each mill reviews the most imminent risks and business opportunities in relation to the annual revision of the materiality and risk analysis.</li> <li>In the budget process, there are assessments of the long-term financial effects of changes in the forward energy prices in each market. Energy constitute on average about 15-20% of the mill gate cash cost for the group. The high energy prices seen during 2021 and into 2022 in Europe are not sustainable. There needs to be a political commitment to maintain a competitive long-term industrial energy regime in Europe to ensure Europe's competitiveness on a global scale in parallel with the transition to a low-carbon economy. The licence and permits to operate are reviewed and discussed both internally but also with relevant governmental agencies.</li> <li>Today, the revenues derived from fossil resource-substitution activities and the low-carbon economy represent about 10% of the total revenue. In 2030, the group revenues from such activities will constitute about 50%.</li> </ul> |
| <p><b>B.</b><br/>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks</p>  | <p>Our carbon footprint, based on the CEPI carbon footprint tool, covers emissions from several elements of our value chain:</p> <ul style="list-style-type: none"> <li>Pulp and paper production</li> <li>Forest and recycling operations</li> <li>Production of other raw materials and fuels</li> <li>Purchased electricity and heat</li> <li>Transport, excluding transport to final customer which is calculated on a case-by-case basis</li> <li>Carbon stored in forest products (biogenic carbon) is reported separately</li> </ul> <p>Performance 2021:</p> <ul style="list-style-type: none"> <li>Scope 1: 326 kg/tonne of produced paper</li> <li>Scope 2: 113 kg/tonne of produced paper</li> <li>Scope 3: 26 kg/tonne of produced paper</li> <li>Key figures are reported in the back of the sustainability report.</li> </ul>   |
| <p><b>C.</b><br/>Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</p>                       | <ul style="list-style-type: none"> <li>The group and the mills have set E-index targets for 2021 for the parameters included in the E-index, as well as the results achieved during the last five years. The EU Commission finalised the BAT conclusions under the Industrial Emissions Directive 2010/75EU in September 2014. Norske Skog has since 2015 used revised BAT levels in the environmental index.</li> <li>In 2020, through an extensive involvement and anchoring process throughout the entire organisation, new GHG-emission targets were set along with new SDG targets and planned activities. Norske Skog's targets for CO<sub>2</sub> emissions with baseline 2015: <ul style="list-style-type: none"> <li>A 55% reduction in CO<sub>2</sub> emissions by 2030</li> <li>A zero CO<sub>2</sub> emission target by 2050</li> </ul> </li> <li>The ambitions are in line with the target set by the EU.</li> <li>The ambitious targets will be fulfilled through the newly established strategy converting newsprint into packaging and innovation of low carbon footprint products based on recycled materials and fresh fibre resources, and renewable energy sources. Under each relevant SDG section, a set of realistic targets and subgoals are defined.</li> </ul>  |

**Séverine  
Buthier**  
GOLBEY, FRANCE



Director of Human resources at Golbey, Séverine Buthier, has worked 20 years in the steel industry before joining Norske Skog in 2011.

*"Norske Skog attracted me because I wanted to work for an ambitious company."*

One of Buthier's main missions is to develop the appeal of the company to attract and retain the best talents for all jobs.

*"I see Norske Skog as a market leader in containerboard production, a profitable company with a reputation for being a great place to work, and innovative in terms of social responsibility."*



# HOW NORSKE SKOG RELATES TO THE OTHER SDGS

Martin  
Simmler

BRUCK, AUSTRIA



Martin Simmler went straight from university to Norske Skog and has stayed with the company ever since. He holds a Master of Science in Environmental Engineering and a Master of Science in Engineering Management. For the past 14 years, he has been heading the Energy & Environment Department at Bruck.

*"Norske Skog Bruck offered a wide field of interesting work in engineering and environmental topics. The high importance of safety and environment is a clear signal and sets Norske Skog apart from other companies."*

Simmler enjoys working with a company that has great ambitions on the sustainability agenda. He sees the coming years as crucial in reaching the climate goals.

*"The energy sector will have to change a lot to reach the goal of being climate neutral. It is great to be part of the change in the energy sector in general and in Norske Skog in particular"*



End poverty in all its forms everywhere

**OVERALL AMBITION:**

To maximise the group’s value through reliable, responsible and sustainable conduct throughout our operations.

**PERFORMANCE:**

We safeguarded employment for our workers. Our mills are delivering products to more than 85 countries. The mills are contributing with employment and taxes in the countries they operate. Our business units are often cornerstones of local communities. These facilities work closely with the local communities through open dialogue.



End hunger, achieve food security and improved nutrition and promote sustainable agriculture

**OVERALL AMBITION:**

To have a neutral impact on sustainable agriculture.

**PERFORMANCE:**

We do not have a significant impact on food systems or agriculture nor are we operating in societies with high poverty.

We deliver organic materials from production waste to agriculture for re-use.



Achieve gender equality and empower all women and girls

**OVERALL AMBITION:**

- To promote diversity and inclusion by providing equal employment and career opportunities.
- To treat all employees fairly and with respect.
- To consider competence as the key for both the company and the individual.

**DESCRIPTION OF ACTIVITIES:**

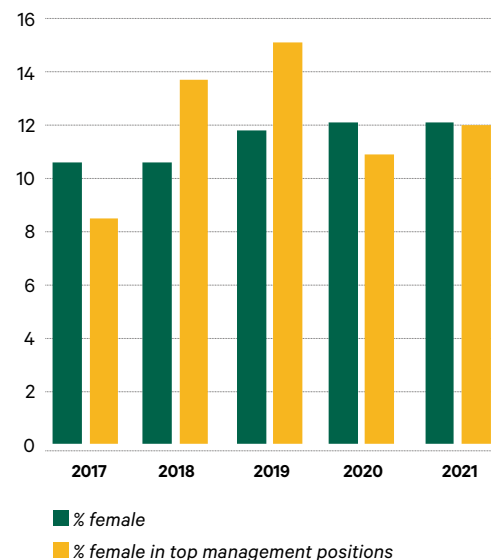
In 2022, Norske Skog will conduct an analysis of certain aspects of equality and diversity, including data on equal pay and parental leave. Based on the outcome of this analysis, Norske Skog will further develop its targets and initiatives.

**PERFORMANCE:**

The paper industry has traditionally attracted few female employees. At Norske Skog the share of female employee has been around 10% for many years. In 2021, the female share of the total workforce was 12%. Our female share in top management positions is 12%, representing the top level in group management at the headquarter, the management teams at the business units and the Managing Directors at the sales offices. Our female share in other leadership positions is 13%. We are committed to search for female talents for a wider range of roles in our company.

Norske Skog recognises that further improvement is needed, and we believe that our new strategic growth Initiatives will be instrumental in terms of diversity.

**PROPORTION OF FEMALE (%)**



## Ensure availability and sustainable management of water and sanitation for all



### OVERALL AMBITION:

- To improve water quality through effluent treatment.
- To improve water efficiency through reducing, reusing, recovering, recycling and replenishing usage of water.

### DESCRIPTION OF ACTIVITIES:

Norske Skog is committed to maintain a sustainable environment and responsible use of natural resources. We are committed to foster innovation and implement continuous improvement activities in order to have no or only minimal adverse impact on the environment.

Water shall generally be used and recovered multiple times through the pulp and papermaking processes before finally being discharged to a number of treatment stages. These treatments remove solid particles as well as dissolved organic material, making the water suitable for safe return to the natural environment. Norske Skog is committed to follow the ambitious water permit

goals given by the local authorities.

Norske Skog Environmental Index (E-index) forms part of the regular reporting by the mills to corporate management and the board.

Mill performance is measured in the index against a standard, which should be attainable with the use of Best Available Technology (BAT) or best practice, as described in the European Union IPPC reference document. An index value of 1 or less indicates that the mill has an environmental standard, which satisfies the ambitious levels that can be attained with BAT or best practice. The environmental index for the whole group is calculated as an average of each mill's index score weighted by production volumes.

### PERFORMANCE:

The water usage in 2021 is shown in the illustration. 99% of the water taken into the mills is returned to the waterways after treatment to fulfil the local quality requirements for water

discharges. Permit breaches are reported and managed according to standard procedures. Any permit breaches will be continuously monitored and discussed with supervisory authorities.

Norske Skog does not use bleaching chemicals containing chlorine in any mills. Chlorinated organic compounds are therefore not created and AOX is not included in our emission reporting.

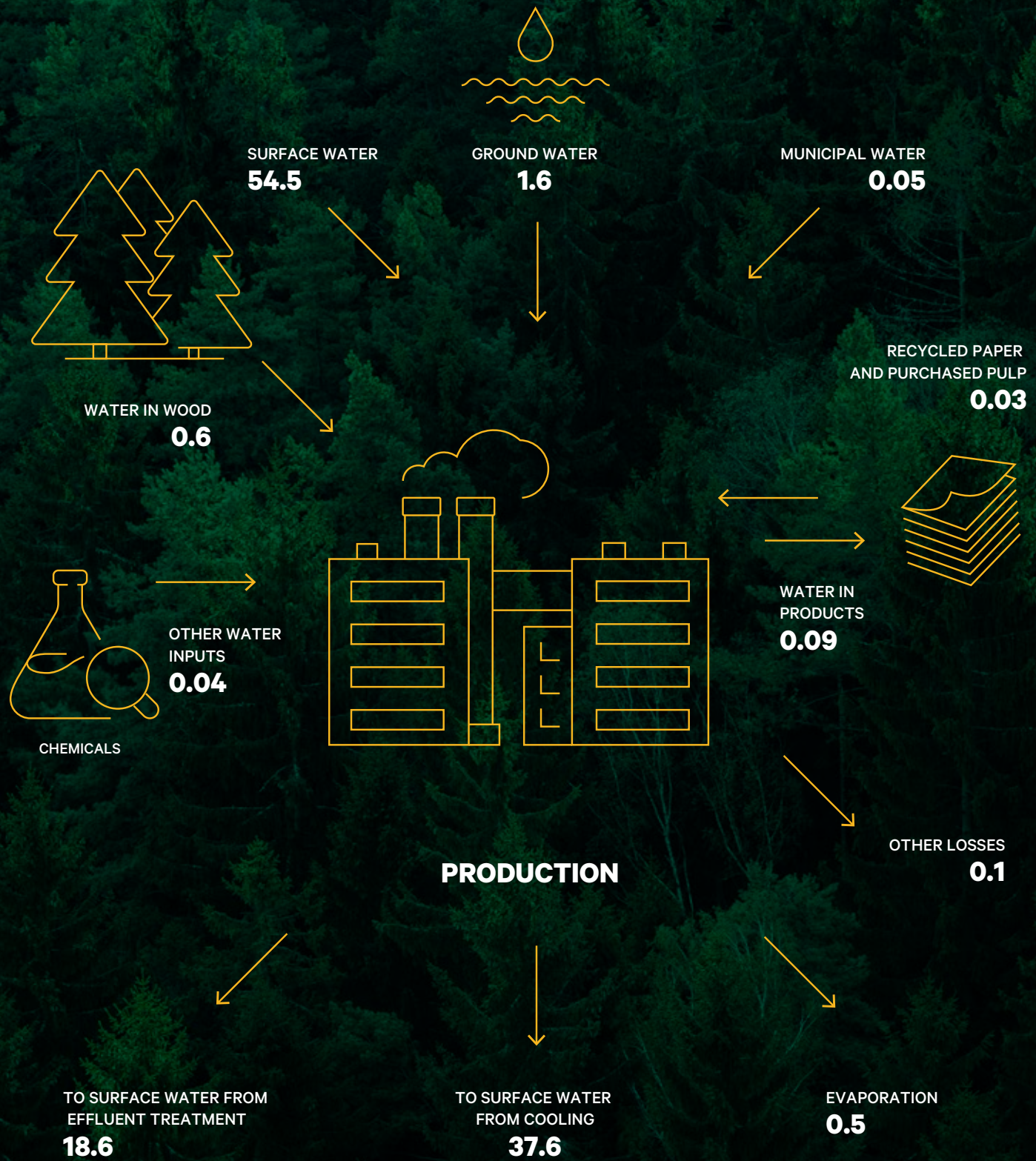
The table below shows the targets for 2020 and 2021 for the parameters included in the E-index, as well as the results achieved during the last five years. The EU Commission finalised the BAT conclusions under the Industrial Emissions Directive 2010/75EU in September 2014. Norske Skog has since 2015 used revised BAT-levels in the environmental index.

Please refer to SDG 14 to read more about discharges of water into the natural environment.

| ENVIRONMENTAL INDEX              |                       | Achieved 2017 | Achieved 2018 | Achieved 2019 | Achieved 2020 | Achieved 2021 | Target 2022 |
|----------------------------------|-----------------------|---------------|---------------|---------------|---------------|---------------|-------------|
| Discharged process water         | m <sup>3</sup> /tonne | 17.2          | 17.7          | 20.4          | 22.0          | 18.6          | 19.1        |
| Discharges of organic substances | kg/tonne              | 5.1           | 4.3           | 4.3           | 4.6           | 4.7           | 4.3         |
| Suspended solids                 | kg/tonne              | 0.89          | 0.61          | 0.59          | 0.68          | 0.91          | 0.55        |
| Nitrogen oxides                  | g/GJ                  | 93.2          | 89.2          | 102.4         | 86.0          | 73.9          | 94          |
| Waste to landfill                | kg/tonne              | 22.7          | 25.5          | 25.5          | 24.8          | 17.2          | 24.2        |
| Total energy consumption         | GJ/tonne              | 12.4          | 12.0          | 14.7          | 13.1          | 12.5          | 12.0        |
| <b>Environmental index</b>       |                       | <b>1.29</b>   | <b>1.18</b>   | <b>1.18</b>   | <b>1.25</b>   | <b>1.05</b>   | <b>1.17</b> |

# NORSKE SKOG GLOBAL AVERAGE WATER USE AND DISCHARGE

m<sup>3</sup>/tonne of paper





## Ensure access to affordable, reliable, sustainable and modern energy for all

**OVERALL AMBITION:**

- To achieve energy efficiency
- To utilise renewable sources for energy use
- To increase production of bioenergy

**DESCRIPTION OF ACTIVITIES:**

The production of paper is an energy-intensive process. Energy is consumed mainly for two purposes:

- To separate, process and transport fibre and water (electrical energy)
- To provide process heat and to dry the paper (thermal energy)

The major use of electrical energy in mills which process fresh fibre is the process which mechanically converts wood chips into fibres. This process is called the thermomechanical pulping (TMP) process. Paper production based on recovered paper consumes less energy because the fibres from recovered paper are more easily separated than those within wood.

Thermal energy is used for the heating and drying of paper. In contrast with electrical energy, thermal

energy is mostly generated within the mill. The sources of this energy include recovered heat from the thermomechanical pulping or effluent treatment processes, combustion of mill residues, purchased biofuel, oil, gas or coal. In some cases, the thermal energy is supplied by external third parties or in the form of geothermal energy.

Norske Skog has comprehensive programmes in place to continuously reduce energy consumption and to become more environmentally friendly by changing the sources of energy. Norske Skog is utilising the mill effluent to produce biogas with its own biogas plants at Saugbrugs and Golbey. Effluent from Skogn is delivered to an external biogas plant adjacent to the mill. Norske Skog will continue to explore projects within bioenergy that support and develop the business. At Bruck in Austria, the group will open a new 50MW wide range energy boiler, utilising refuse derived fuels and paper production residuals in April 2022.

In France, the Green Valley Energie (GVE) project, supported by a partnership between Norske Skog Golbey (NSG) and Véolia Industries Global

Solutions (Véolia), involves the design and construction of a new biomass cogeneration plant, which will produce 200 GWh of electricity and more than 500 GWh of steam.

**PERFORMANCE:**

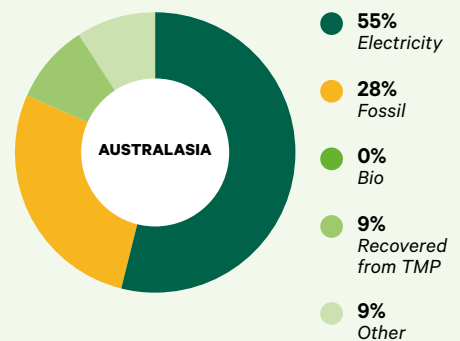
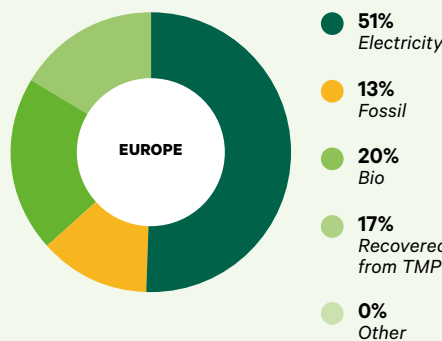
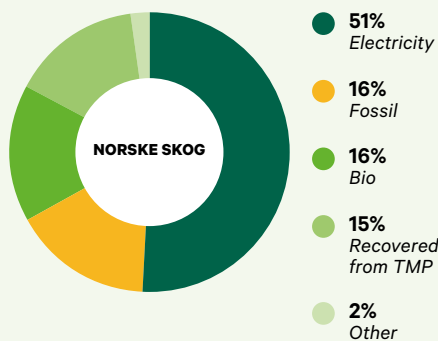
Thermal energy, mostly heat recovery from the thermomechanical pulping (TMP) or effluent treatment processes or from combustion of mill residues (biofuel), is used for the heating and drying of paper. This accounts for in total about 31%, in addition, electricity covers about 51% and fossil sources 16% of the total energy consumption in 2021.

85% of the production-related waste generated at the site is used to generate thermal energy.

Biogas facilities at the Golbey and Saugbrugs paper mills, provide energy for the mills' operations and opportunity for energy sales to external customers. The biogas plants employ biowaste from paper production as fuel, contributing to a reduced carbon footprint and an improved environmental profile for the group.

**NORSKE SKOG ENERGY CONSUMPTION (TOTAL AND BY REGION)**

Total 7 843 GWh, 4.09 MWh/tonne of paper




The waste-to-energy facility at the Bruck mill is estimated to provide new revenue from waste handling as well as cost savings in the publication paper production. The project is progressing according to plan. Bruck delivers enough heat to the local district heating system to supply 1 500 households (30 GWh). Minimisation of transport distances and costs make up important economic and environmental considerations.

The wood pellets plant in New Zealand had an annual capacity of approximately 90 000 tonnes. The additional production capacity was aimed at producing industrial grade pellet fuels for both the domestic New Zealand commercial and industrial market. The Nature's Flame plant was sold in the beginning of 2021.

Please refer to SDG 12 to read more about waste handling.

## Tristan Delahousse

**GOLBEY, FRANCE**

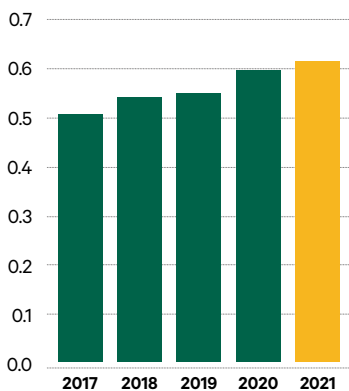


Engineer Tristan Delahousse joined Norske Skog one and a half years ago. He was attracted by the ambitious transformation going on in the company. Today, he is an onsite deputy project manager, reporting to the senior vice president Strategic Projects.

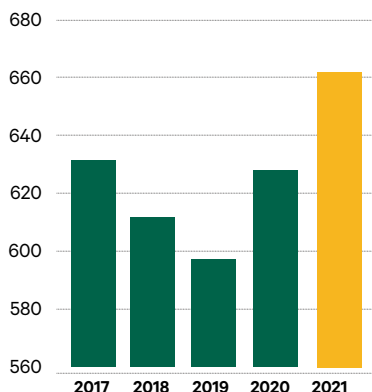
*"Norske Skog will be a different company in the future, with Golbey as our flagship in the containerboard market. I am confident there will be exciting opportunities for our employees."*

Delahousse says he is proud to be part of the journey that will secure the future of Norske Skog.

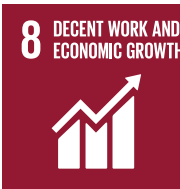
**CONSUMPTION OF FOSSIL FUEL PER TONNE PAPER**  
KWh/tonne



**CONSUMPTION OF RECOVERED HEAT FROM THERMO-MECHANICAL PRODUCTION**  
MWh/tonne







## Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

### OVERALL AMBITION:

- To promote decent and transparent working conditions, which are necessary to nurture the productivity, growth, and sustainability of our business.
- To comply with employment legislation in the countries where we operate and have close cooperation with unions.

### DESCRIPTION OF ACTIVITIES:

Norske Skog is committed to promote diversity and inclusion by providing equal employment opportunities and treating all employees fairly and with respect. All employees and others acting on behalf of Norske Skog are expected to conduct business in an ethical manner and must always comply with applicable laws and regulations.

Norske Skog fully complies with all laws regulating collective bargaining and recognises freedom of association. Our commitment to respect the freedom of association is embodied in the Global Framework Agreement on the Development of Good Working Relations, concluded by Norske Skog and the IndustriALL Global Union.

Norske Skog respects and supports the human rights of all individuals potentially affected by our

operations and subscribes to the United Nations Global Compact principles.

Norske Skog Australia signed the first Modern Slavery and Trafficking Statement, as required under the Australian Federal Modern Slavery Act of 2018. The purpose is to outline our approach and commitment to ensuring that the group has robust frameworks and processes in place to establish zero tolerance level for modern slavery and human trafficking in our business and value chain. Norske Skog is obliged to operate responsibly and adhere to the highest ethical standards across business units.

### TRANSPARENCY ACT:

The Norwegian Parliament passed in June 2021 the Transparency Act (In Norwegian: "Åpenhetsloven") with the purpose to promote companies' respect for fundamental human rights and decent working conditions in connection with the production of goods and services, and to ensure the general public access to information on how companies handle negative consequences on fundamental human rights and decent working conditions.

The Act applies to large enterprises that are domiciled in Norway and that offer goods and

services inside or outside Norway. The Act enters into force on 1 July 2022. Norske Skog will comply with the obligations under the scope of this Act.

### PERFORMANCE:

As of 31 December 2021, Norske Skog employed 2 092 people in Europe and Australasia, which is a reduction from last year due to the shut-down of Norske Skog Tasman mill. The turnover of people, including retirement, was close to 10%. Our employment levels are not subject to seasonal variations, and the share of temporary employment is around 4% of the total.

In 2021, unions represented 87% of our employees for collective bargaining purposes. There have been no reported incidents of child labour, forced or compulsory labour during the reporting period. Nor has there been any reported incidents of discrimination in respect of employment or occupation. The risk of such incidents in the supply chain is considered low, and a high-level risk assessment of suppliers has not provided information or indications of any violation by our suppliers.



Photo: Carsten Dybevig

## Reduce inequality within and among countries



**OVERALL AMBITION:**

- To commit to an inclusive work culture, which appreciates and recognises that all people are unique and valuable and should be respected for their individual abilities and views.
- To encourage the Norwegian Discrimination Act’s objectives within our business.
- To promote gender equality, ensure equal opportunities and rights.

- To prevent discrimination due to ethnicity, national origin, descent, skin colour, language, religion and faith.

**DESCRIPTION OF ACTIVITIES:**

Norske Skog shall promote diversity and inclusion by providing equal employment opportunities and treat all employees fairly and with respect. We shall also show commitment to developing programs

and actions to encourage a diverse organisation based on the principle of equal opportunities.

**PERFORMANCE:**

During 2022, we will further examine the risk of discrimination and other barriers to equality in our organisation. We follow the principle of equal pay for equal work and will examine further the actual status related to this principle during 2022.

## Make cities and human settlements inclusive, safe, resilient and sustainable



| E/S/G & E* | Ambition/ Area  | Targets   | Planned activities  |
|------------|---|---|---|
| S          | Understand the actual and potential impacts our operations have on local communities, and to understand their expectations and needs.                                   | Report the significant social, environmental, safety and economic impacts our operations have on the local communities.   | - Cooperate with local community organization and being open and honest about environment, safety and economic issues with relevant community bodies. |
| E          | Report the extent of development of significant infrastructure investments and services supported, both current or expected impacts on communities and local economies. | Report examples of significant identified indirect economic impacts of the organization also in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas. | - Cooperate and communicate openly with the local community about company strategy and investment plans as early as possible.                         |

\* E/S/G&E: Environment / Social / Governance and Economy

**OVERALL AMBITION:**

- To understand the actual and potential impacts our operations have on local communities, and to understand their expectations and needs.
- To report the extent of development of significant infrastructure investments and services supported, both current or expected impacts on communities and local economies.

**DESCRIPTION OF ACTIVITIES**

Several business units are located in immediate proximity to a local town. Norske Skog aims to be a strong and solid contributor for these communities. To manage this relationship we have established a target to report the significant social, environmental, safety and economic impacts our operations have on the local communities. This is

achieved by working with the community in various ways, both authorities and private partners and through open and honest dialogue about environment, safety and economic issues.

Our activities affect employees, suppliers, customers and partners in many countries, regions, towns, and villages. Our decisions and activities, production and sales have an impact on a multitude of individuals, groups, and companies, both financially and otherwise. We recognise our impact and consider this when making decisions. This is why we aim to cooperate and communication openly with local communities about company strategies and investment plans as early as possible.

**PERFORMANCE:**

To improve and maintain our role in society and as an important employer in local communities, our business units are encouraged to be active and open in their communication and contact with local stakeholders. Examples include reports to neighbours and other local stakeholders, open days for the public to inform about our business, engagement in nature protection projects, support to local museums, involvement in sports and cultural initiatives, support to charitable organisations, as well as integration of immigrants and disabled persons through vocational training. We encourage employees to take part in local community work as many of them do.

## Conserve and sustainably use the oceans, seas and marine resources for sustainable development



### OVERALL AMBITION:

- To improve water quality through effluent treatment.

### DESCRIPTION OF ACTIVITIES:

Water discharges from production processes are treated in a number of stages to remove solid particles and dissolved organic material. Nutrients such as nitrogen and phosphorus are added during this effluent treatment. The addition of nutrients should be at a minimum.

Norske Skog's objective is to prevent and reduce pollution of all kinds. We are committed to follow

the EU Water Framework Directive and the ambitious water permit goals given by the local authorities. Our objective is to minimise our effect on the surrounding ecosystems.

### PERFORMANCE:

Two mills (Norske Skog Boyer and Norske Skog Golbey) reported minor non-compliance issues to the respective local authorities in 2021. None of the instances have resulted in any further actions from the authorities.

The discharges of dissolved organic material and suspended matters per tonne of paper were

respectively both up by 8% and 38% compared to 2020 due to more frequent halt in production than normal. The discharge of nitrogen increased by 3% and discharge of phosphorus per tonne of paper increased by 2% compared to 2020. The difference in results from one year to the next is the result of many factors, including process improvements, utilisation of equipment, production-related issues and product changes.

Please refer to SDG 6 about water usage, treatment of water discharge and Norske Skog E-index.



Photo: Shane Coetzee

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss



**OVERALL AMBITION:**

- To promote sustainable forest management.
- To ensure that all purchased fresh fibre and recycled have third party chain of custody certification.

**DESCRIPTION OF ACTIVITIES:**

Forestry and use of forest products play an important role in the combat of climate change. For the forest value chain to be a part of the climate change solution, the forests must be managed sustainably. Norske Skog has systems and processes to make sure that all wood used in Norske Skog's products comes from sustainably managed forests. All Norske Skog mills utilising fresh fibre have third-party verified Chain of

Custody (CoC) certification systems in place. Our goal is to have 100% certified wood in our products. The main global forest challenges are related to deforestation in developing countries and forest biodiversity degradation through the logging of high-conservation areas in many parts of the world. In order to meet these challenges, we need to ensure that more of the world's forest areas are managed on a sustainable basis. Forest certification is an important tool in this context.

**PERFORMANCE:**

Norske Skog is not a forest owner. The ability to increase the share of certified wood therefore depends largely on decisions made by forest owners.

The roundwood component of our fresh fibre came from both forests (80%) and plantations (20%). In all countries where Norske Skog sources wood, forest areas are increasing. The average share of certified fresh fibre in 2021 was 89%. In 2021, Norske Skog consumed 3 12 million m<sup>3</sup> of fresh fibre and 0.65 million tonnes of recovered paper.

Roundwood accounted for 72% of our consumption of fresh fibres in 2021. Sawmill chips, a by-product from the sawmill industry, accounted for the remaining 28%.

Please refer to SDG 12 to read about sustainable sourcing and recycling of paper.

**Bjørn-Einar Ugedal**  
SKOGN, NORWAY

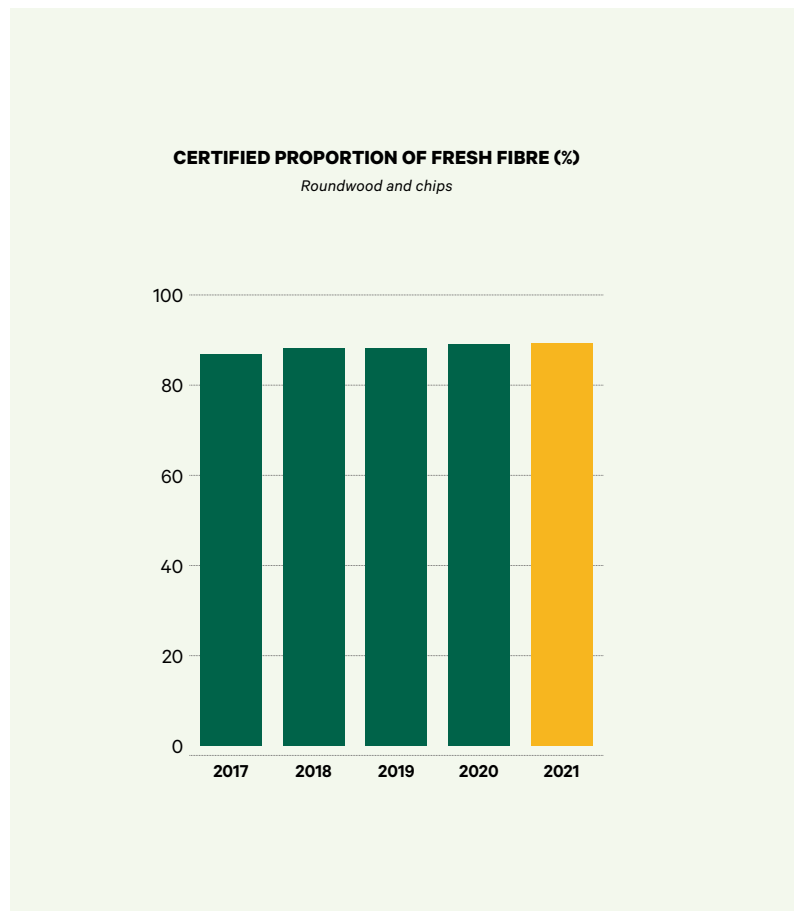


Bjørn-Einar Ugedal is managing director at Norske Skog Skogn and has high ambitions for the future of the mill site at Skogn.

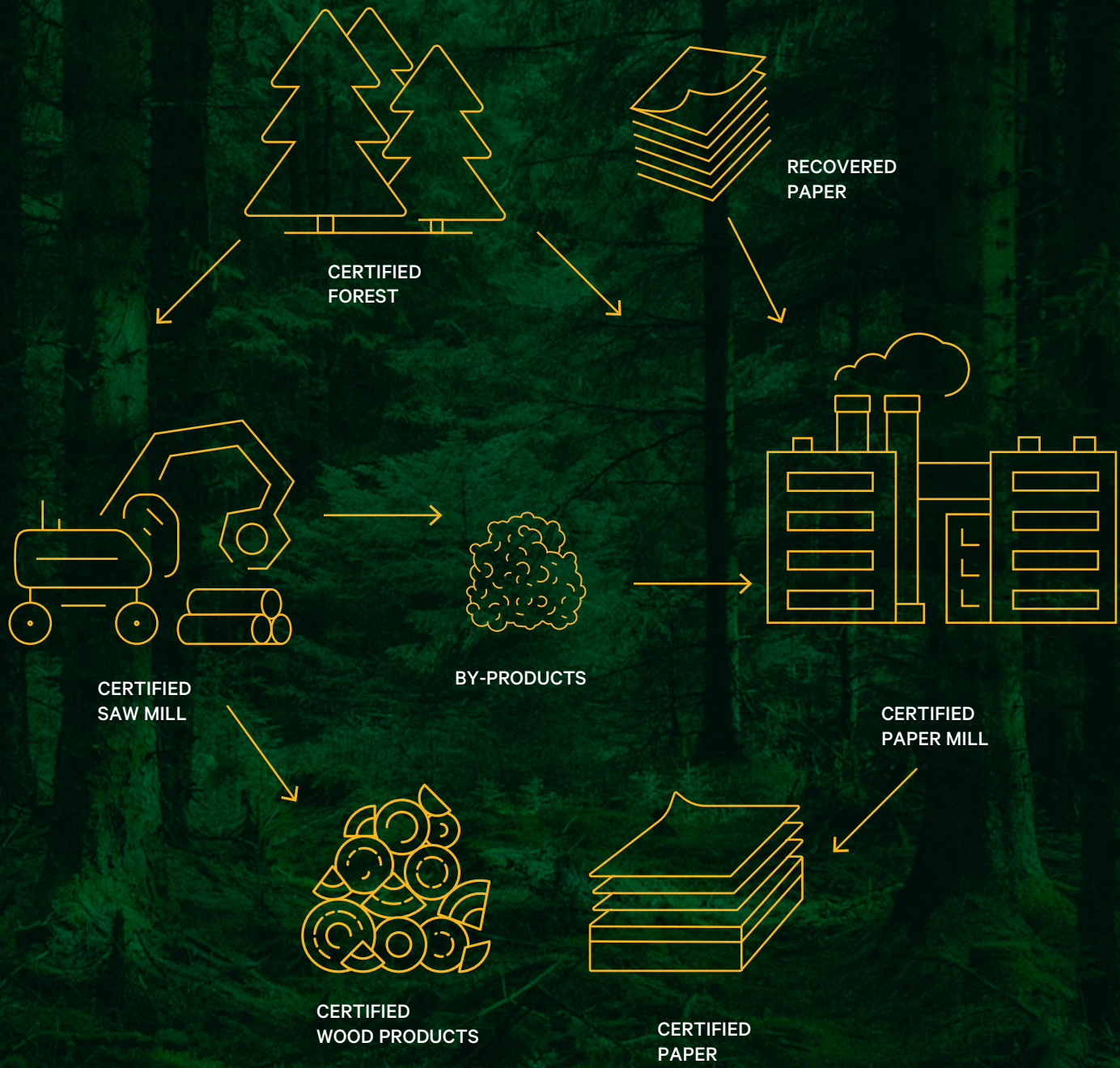
*"We are very dedicated to looking into future plans for our mill at Skogn, including possible new products and new initiatives that can have synergies with current operations."*

Going forward, Ugedal has his eyes set on expanding the collaboration with other companies that have similar goals and values as Norske Skog.

*"We are putting significant efforts into development activities, working with various technology providers to map possible future options and synergies with other related and sustainable industries. And further work towards developing the mill site into a modern industrial cluster consisting of "green" and sustainable companies with operational synergies."*



## FLOW OF SUSTAINABLE RAW MATERIALS



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



| E/S/G & E* | Ambition/ Area   | Targets   | Planned activities  |
|------------|--|---|---|
| G          | Abstain from financial and in-kind political contributions.  | Report which political topics and influence channel the group has used.   | - Be involved in political tasks through the Norwegian Federation of Trade and Industry, the Norwegian pulp and paper organization, CEPI, and through other relevant partnerships.  |
| S          | Ensure our customers healthy and safe working environment.   | Report percentage of significant product and service categories for which health and safety impacts are assessed for improvement.   | - Perform reviews of relevant health and safety hazards our products expose to our customers.   |
| G          | Abstain from anti-competitive behaviour and adhere to relevant competitive legislation.  | Report the number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant. Report the main outcomes of completed legal actions, including any decisions or judgments.  | - Perform annual reviews with relevant personell and agents on relevant anti-competitive legislation and Norske Skog steering guidelines.   |
| S          | Have zero tolerance for discrimination on grounds of race, color, sex, religion, political opinion, national extraction, or social origin as defined by the ILO, or other relevant forms of discrimination involving internal and/or external stakeholders.  | Report the total number of incidents of discrimination during the reporting period.   | - Identify through formal process(es) instance(s) of non-compliance to relevant non-discriminatory steering document procedures, including management system audits, formal monitoring programs or grievance mechanisms (whistleblower channels). |
| G          | Have no tolerance for practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering; the offer or receipt of gifts, loans, fees, rewards, or other advantages as an inducement to do something that is dishonest, illegal, or represents a breach of trust. This also include practices such as embezzlement, trading in influence, abuse of function, illicit enrichment, concealment, and obstructing justice. | Report the total number and percentage of operations assessed for risks related to corruption, and the significant risks related to corruption identified through the risk assessment. Report the total number and nature of confirmed incidents of corruption: in which employees were dismissed or disciplined, when contracts with business partners were terminated or not renewed, public legal cases against the organization or its employees. | - Review the steering guidelines annually.<br>- Perform mandatory compliance review and training for relevant personell and business partners and others relevant to our business periodically or when needed.                                    |
|            | Prohibit the use of child labor within our operations and avoid contributing to the use of child labor suppliers and customers.  | <b>Report operations and suppliers considered to have significant risk for incidents of:</b><br>- child labor and young workers exposed to hazardous work,<br>- child labor either in terms of type of operation (such as manufacturing plant) and supplier; or<br>- countries or geographic areas with operations and suppliers considered at risk.  | - Review the steering guidelines and code of conduct annually.<br>- Perform mandatory compliance review and training for relevant personell and business partners and others relevant to our business periodically or when needed.                |

\* E/S/G&E: Environment / Social / Governance and Economy

**OVERALL AMBITION:**

- To abstain from financial and in-kind political contributions
- To ensure our customers healthy and safe working environment
- To abstain from ant-competitive behaviour and adhere to relevant competitive legislation
- To have no tolerance for discrimination on grounds of race, color, sex, religion, political opinion, national extraction, or social origin as defined by the ILO, or other relevant forms of discrimination involving internal and/or external stakeholders.
- To have no tolerance for practices such as bribery, facilitation payments, fraud, extortion,

collusion, and money laundering; the offer or receipt of gifts, loans, fees, rewards, or other advantages as an inducement to do something that is dishonest, illegal, or represents a breach of trust. This also include practices such as embezzlement, trading in influence, abuse of function, illicit enrichment, concealment, and obstructing justice.

- To prohibit the use of child labor within our operations and avoid contributing to the use of child labor suppliers and customers.

**DESCRIPTION OF ACTIVITIES:**

Norske Skog's goal is to create competitive shareholder values aligned with our strategic

goals. Important instruments for achieving this objective include good principles for corporate governance and a clearly defined division of responsibilities and roles between Norske Skog's governing bodies. Norske Skog adheres to the Norwegian Code of Practice for Corporate Governance (the "Code", see www.nues.no).

All employees and others acting on behalf of Norske Skog must act in compliance with applicable laws and regulations and ethical guidelines at all times. Norske Skog has a zero-tolerance policy for non-compliant behaviour and will take necessary actions in order to respond to any breaches that may occur.

**PERFORMANCE:**

To meet future sustainability expectations, we conduct our business mandates and activities according to internally developed Steering Guidelines, Power of Attorney structures and Operating Models. These provide the basic framework for our mandates and activities.

Norske Skog's business units have a high degree of independence and accountability. Local

managers are responsible and accountable for decisions and results within their unit. Norske Skog has common standards of conduct for all business units and employees through our Steering Guidelines. We apply a uniform basis for our operations across countries and cultures with regard to HESQ (health, environment, safety and quality), people development, financial reporting and legal compliance. In these areas, our conduct must be based on the same sustainable principles

to promote the shared interests of Norske Skog and our stakeholders.

Norske Skog has for a number of years maintained a reporting (whistle-blowing) channel, where employees and other stakeholders can report on possible unethical and/or unlawful behaviour, and be assured confidential and serious treatment of their reports. Any confirmed non-compliance will be followed-up with fair consequences.

## Strengthen the means of implementation and revitalize the global partnership for sustainable development

**OVERALL AMBITION:**

- To contribute to a sustainable development in close cooperation with our main stakeholders.

**DESCRIPTION OF ACTIVITIES:**

We were the first international paper manufacturer to sign an agreement with the IndustriAll Global Union (the former International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) and the Norwegian United

Federation of Trade Unions concerning employee rights on a global basis.

Our group has been a pioneer in setting a global standard for social responsibility and labour-management relations. We were also an early adopter of the 10 principles in the UN Global Compact.

**PERFORMANCE:**

Norske Skog's research and development work is performed at the individual business units and in cooperation with external research institutions. The work is coordinated centrally, with the aim of leveraging synergies and best practices throughout the group. There is a continued focus on the evolution of paper products and new innovative green alternatives to existing resources.

Per Ivar Berg

SAUGBRUGS, NORWAY



Per Ivar Berg looks back on December of last year as a huge milestone for Norske Skog, as the commissioning of the CEBICO demonstration plant was finalised and started up.

"Several years of development work led to a grant of NOK 15 million from Innovation Norway for the investment in this new technology. With a capacity of 300 tonnes per year, the demonstration plant will verify the scaled-up production process and provide larger product volumes for customer testing in new applications."

The CEBICO product is a wood fibre and thermoplastics composite material that can be used for standard injection moulding and pipe extrusion to produce for instance furniture, transportation boxes, automotive parts and drainpipes.

Berg points to the importance of being cost-effective as well as investing in an improvement programme as key factors for success in the future.

"At the same time, we must continue the commercialisation of CEBINA and CEBICO and succeed in growing the sales. Framework conditions are also crucial for future success and especially the CO<sub>2</sub>-compensation scheme."

# KEY FIGURES

## KEY FIGURES – EMPLOYEES

| Business Unit                  | Number of employees (FTE)<br>31 December 2021 |           |             |           |              | Female share in %     |                         | % of employees<br>covered by<br>collective<br>agreements |
|--------------------------------|---|-----------|-------------|-----------|--------------|-----------------------|-------------------------|--|
|                                | Ordinary                                      | Temporary | Apprentices | Other     | Total        | Top mngt<br>positions | Other mngt<br>positions | End 2020 <sup>1</sup>                                    |
|                                |   |           |             |           |              | End 2021              | End 2021                |  |
| Norske Skog Saugbrugs          | 413   | 7         | 35          | 1         | 456          | 14                    | 10                      | 89   |
| Norske Skog Skogn              | 362   | 15        | 20          | 4         | 401          | 0                     | 10                      | 91   |
| Corporate Headquarter          | 30  | 0         | 0           | 0         | 30           | 0                     | 0                       | 7  |
| <b>Norway total</b>            | <b>805</b>                                    | <b>22</b> | <b>55</b>   | <b>5</b>  | <b>887</b>   | <b>5</b>              | <b>10</b>               | <b>87</b>  |
| Norske Skog Bruck              | 345   | 30        | 37          | 2         | 414          | 0                     | 25                      | 100  |
| Norske Skog Papier Recycling   | 28  | 0         | 0           | 0         | 28           | 0                     | 0                       | 100  |
| Norske Skog Golbey             | 346   | 10        | 26          | 0         | 382          | 29                    | 8                       | 100  |
| Sales offices in Europe        | 49  | 1         | 1           | 0         | 51           | 20                    | 15                      | 31   |
| <b>Europe total</b>            | <b>768</b>                                    | <b>41</b> | <b>64</b>   | <b>2</b>  | <b>875</b>   | <b>17</b>             | <b>12</b>               | <b>96</b>  |
| Norske Skog Boyer              | 242   | 7         | 15          | 6         | 270          | 0                     | 20                      | 75   |
| Norske Skog Tasman             | 12  | 7         | 0           | 0         | 19           | 100                   | 0                       | 67   |
| Nature's Flame                 | 17  | 0         | 0           | 0         | 17           | 0                     | 0                       | 0  |
| Australasia Shared Services    | 24  | 0         | 0           | 0         | 24           | 33                    | 33                      | 0  |
| <b>Australasia total</b>       | <b>295</b>                                    | <b>14</b> | <b>15</b>   | <b>6</b>  | <b>330</b>   | <b>20</b>             | <b>20</b>               | <b>64</b>  |
| <b>Norske Skog group total</b> | <b>1 868</b>                                  | <b>77</b> | <b>134</b>  | <b>13</b> | <b>2 092</b> | <b>12</b>             | <b>13</b>               | <b>87</b>  |

|   | 2017      | 2018  | 2019  | 2020  | 2021  |
|---|-----------|-------|-------|-------|-------|
| <b>Health &amp; Safety</b>                          |           |       |       |       |       |
| H1 <sup>1)</sup>                                    | 1.0       | 0.9   | 0.5   | 0.8   | 1.9   |
| H2 <sup>2)</sup>                                    | 7.3       | 7.4   | 9.8   | 6.6   | 5.9   |
| Absence due to illness                              | % 3.5     | 3.8   | 3.7   | 4.2   | 4.2   |
| <b>People</b>                                       |           |       |       |       |       |
| Total employees                                     | FTE 2 414 | 2 444 | 2 359 | 2 332 | 2 092 |
| Temporary employees                                 | FTE 66    | 77    | 73    | 56    | 77    |
| Apprentices   | FTE 130   | 135   | 137   | 146   | 134   |
| Average age of employees                            | FTE 47.0  | 47.3  | 47.1  | 46.6  | 44.9  |
| Female employees                                    | % 10.6    | 10.6  | 11.8  | 12.1  | 12.1  |
| Female in top management position                   | % 8.5     | 13.7  | 15.1  | 10.9  | 12.0  |
| Female in management position                       | % 8.5     | 10.1  | 10.2  | 12.1  | 12.7  |
| Turnover of people (incl. demanning and retirement) | % 8.6     | 11.2  | 8.9   | 7.7   | 10.1  |
| Employees w/ collective agreements                  | % 84.3    | 84.1  | 83.3  | 86.5  | 86.9  |

1) Number of personal injuries with absence x 1 000 000/number of worked hours.

2) Number of personal injuries with medical treatment x 1 000 000/number of worked hours.



## KEY FIGURES OPERATIONS

|                                       |                     | 2017      | 2018      | 2019      | 2020      | 2021      |
|---------------------------------------|---------------------|-----------|-----------|-----------|-----------|-----------|
| <b>Production</b>                     |                     |           |           |           |           |           |
| Paper                                 | tonnes              | 2 495 000 | 2 494 000 | 2 308 000 | 1 799 020 | 1 919 574 |
| <b>Consumption of raw materials</b>   |                     |           |           |           |           |           |
| Roundwood                             | m <sup>3</sup>      | 2 810 000 | 2 785 000 | 2 586 000 | 1 930 000 | 2 241 800 |
| Sawmill chips                         | m <sup>3</sup>      | 1 018 000 | 1 031 000 | 1 093 000 | 917 000   | 870 324   |
| Recovered paper                       | tonnes              | 814 000   | 871 000   | 777 000   | 608 000   | 645 686   |
| Purchased pulp                        | tonnes              | 50 000    | 43 000    | 31 000    | 27 000    | 29 215    |
| Inorganic fillers                     | tonnes              | 320 000   | 308 000   | 282 000   | 215 000   | 223 321   |
| <b>Energy consumption</b>             |                     |           |           |           |           |           |
| Electricity                           | GWh                 | 5 571     | 5 526     | 5 316     | 4 203     | 4 365     |
| Heat                                  | GWh                 | 4 325     | 4 161     | 4 127     | 3 425     | 3 478     |
| <b>Discharges to water</b>            |                     |           |           |           |           |           |
| Discharged process water              | mill m <sup>3</sup> | 46        | 48        | 46        | 41        | 36        |
| Discharges of organic substances      | tonnes              | 12 831    | 10 623    | 9 226     | 8 283     | 8 958     |
| Suspended Solid (SS)                  | tonnes              | 2 227     | 1 529     | 1 329     | 1 259     | 1 746     |
| Phosphorus (Tot-P)                    | tonnes              | 41        | 31        | 37        | 29        | 30        |
| Nitrogen (Tot-N)                      | tonnes              | 302       | 280       | 303       | 262       | 268       |
| <b>Emission to air</b>                |                     |           |           |           |           |           |
| CO <sub>2</sub> -equivalents (direct) | tonnes              | 514 000   | 500 000   | 466 000   | 410 000   | 427 294   |
| SO <sub>2</sub>                       | tonnes              | 198       | 175       | 162       | 297       | 401       |
| NOX                                   | tonnes              | 908       | 772       | 786       | 701       | 879       |
| <b>Production waste</b>               |                     |           |           |           |           |           |
| Sludge (dry)                          | tonnes              | 246 000   | 249 000   | 246 000   | 186 000   | 198 892   |
| Bark                                  | tonnes              | 98 000    | 128 000   | 133 000   | 93 700    | 106 958   |
| Other                                 | tonnes              | 14 000    | 25 500    | 18 000    | 17 400    | 19 992    |

## PRODUCTION CAPACITY

in tonnes

| Business Unit                        | Newsprint (including improved NP) | Packaging paper | SC (magazine paper) | LWC (magazine paper) | Total capacity   |
|--------------------------------------|-----------------------------------|-----------------|---------------------|----------------------|------------------|
| Norske Skog Bruck                    | 122 000                           | -               | -                   | 260 000              | 382 000          |
| Norske Skog Golbey                   | 558 000                           | -               | -                   | -                    | 558 000          |
| Norske Skog Saugbrugs                | -                                 | -               | 320 000             | -                    | 320 000          |
| Norske Skog Skogn                    | 465 000                           | 15 000          | -                   | -                    | 480 000          |
| <b>Total Europe</b>                  | <b>1 145 000</b>                  | <b>15 000</b>   | <b>320 000</b>      | <b>260 000</b>       | <b>1 740 000</b> |
| Norske Skog Boyer                    | 141 000                           | -               | -                   | 120 000              | 261 000          |
| <b>Total Norske Skog Australasia</b> | <b>141 000</b>                    | <b>-</b>        | <b>-</b>            | <b>120 000</b>       | <b>261 000</b>   |
| <b>Total Norske Skog group</b>       | <b>1 286 000</b>                  | <b>15 000</b>   | <b>320 000</b>      | <b>380 000</b>       | <b>2 001 000</b> |

# GRI STANDARDS INDEX 2021

Norske Skog is reporting in accordance with the Global Reporting Initiative GRI Standards: Core option.

Following the materiality analysis - the table below covers aspects that are considered to be the most material ones to our stakeholders and/or the company. For more information on GRI Standards and on the individual disclosures, see GRI's homepages, [www.globalreporting.org](http://www.globalreporting.org)

The index refers to where information about each GRI disclosure can be found in the Norske Skog – Annual Report 2021, regardless of whether they are fully or partly reported relative to GRI.

AR = Annual Report 2021

SR = Sustainability Report 2021, part of Annual Report 2021

| General disclosures – Organisational profile |  | Reference and/or response   |
|--|--|---|
| 102-1  | Name of the organisation                                     | Norske Skog ASA   |
| 102-2  | Activities, brands, products, and services                   | AR – Key figures<br>SR – About Norske Skog's operations   |
| 102-3  | Location of headquarters                                     | Oslo, Norway  |
| 102-4  | Location of operations                                       | AR – Key figures  |
| 102-5  | Ownership and legal form                                     | AR – Corporate governance   |
| 102-6  | Markets served   | AR – Key figures<br>SR – About Norske Skog's operations   |
| 102-7  | Scale of the organisation                                    | AR – Key figures  |
| 102-8  | Information on employees and other workers                   | SR – Key figures employees; Key figures operations  |
| 102-9  | Supply chain   | SR – SDG 12   |
| 102-10                                       | Significant changes to the organisation and its supply chain | AR – Green transformation to a bright future  |
| 102-11                                       | Precautionary principle or approach                          | SR – About the sustainability report; SDG 17 Embedded in the UN Global Compact principles                         |
| 102-12                                       | External initiatives   | SR – SDG 3; SDG 17  |
| 102-13                                       | Membership of associations                                   | SR – SDG 8; SDG 17  |
| General disclosures – Strategy               |  | SR – SDG 3; SDG 17  |
| 102-14                                       | Statement from senior decision-maker                         | AR – CEO's comments; Report of the Board of Directors   |
| General disclosures – Ethics and integrity   |  | Reference and/or response   |
| 102-16                                       | Values, principles, standards, and norms of behaviour        | AR – Corporate Governance<br>SR – Compliance; SDG 17  |
| General disclosures – Governance             |  | Reference and/or response   |
| 102-18                                       | Governance structure   | AR – Corporate Governance   |
| General disclosures – Stakeholder engagement |  | Reference and/or response   |
| 102-40                                       | List of stakeholder groups                                   | SR – Stakeholder and materiality analysis   |
| 102-41                                       | Collective bargaining agreements                             | SR – SDG 8; Key figures - employees   |
| 102-42                                       | Identifying and selecting stakeholders                       | SR – Stakeholder and materiality analysis   |
| 102-43                                       | Approach to stakeholder engagement                           | SR – Stakeholder and materiality analysis   |
| 102-44                                       | Key topics and concerns raised                               | SR – Stakeholder and materiality analysis   |
| General disclosures – Reporting practice     |  | Reference and/or response   |
| 102-45                                       | Entities included in the consolidated financial statements   | SR – Consolidated financial statements, Note 16   |
| 102-46                                       | Defining report content and topic boundaries                 | SR – Stakeholder and materiality analysis; About the sustainability report;                                       |
| 102-47                                       | List of material topics                                      | SR – Stakeholder and materiality analysis; The sustainable development goals are an integral part of our strategy |
| 102-48                                       | Restatements of information                                  | No significant restatements   |
| 102-49                                       | Changes in reporting   | No significant changes  |
| 102-50                                       | Reporting period   | 2021  |
| 102-51                                       | Date of most recent report                                   | 23 March 2021   |
| 102-52                                       | Reporting cycle  | Annual  |
| 102-53                                       | Contact point for questions regarding the report             | <a href="mailto:info@norskeskog.com">info@norskeskog.com</a>  |
| 102-54                                       | Claims of reporting in accordance with the GRI Standards     | SR – About the sustainability report; GRI Standards Index 2021  |
| 102-55                                       | GRI content index  | SR – GRI Standards Index 2021   |
| 102-56                                       | External assurance   | SR – Independent auditor's assurance report   |

| Main category: Economy                  |  | Reference and/or response   |
|---|--|---|
| 103 1-3                                 | Management approach for economic standards and disclosures                       | AR – Corporate governance; Report of the Board of Directors<br>SR – Compliance; About the sustainability report; SDG 16 |
| GRI Standard: Economic performance      |  | Reference and/or response   |
| 201-1                                   | Direct economic value generated and distributed                                  | SR – Key figures; Consolidated financial statement, Income statement and notes  |
| 201-2                                   | Financial implications and other risks and opportunities due to climate change   | SR – SDG 13; Our response to the TCFD recommendations   |
| 201-3                                   | Defined benefit plan obligations and other retirement plans                      | SR – Consolidated financial statements, Note 20   |
| GRI Standard: Anti-corruption           |  | Reference and/or response   |
| 205-3                                   | Confirmed incidents of corruption and actions taken                              | No confirmed incidents in 2021  |
| GRI Standard: Anti-competitive behavior |  | Reference and/or response   |
| 206-1                                   | Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices | No such legal actions in 2021   |

| Main category: Environment             |   | Reference and/or response  |
|--|---|--|
| 103 1-3                                | Management approach for social standards and disclosures                        | AR – Corporate governance; Report of the Board of Directors<br>SR – Compliance; About the sustainability report; SDG 9; SDG 11; SDG 12; SDG 13; SDG 16; SDG 17 |
| GRI Standard: Materials                |   | Reference and/or response  |
| 301-1                                  | Materials used by weight or volume  | SR – SDG 12; SDG 15; Key figures operations  |
| 301-2                                  | Recycled input materials used   | SR – SDG 15; Key figures operations  |
| GRI Standard: Energy                   |   | Reference and/or response  |
| 302-1                                  | Energy consumption within the organisation                                      | SR – SDG 7; Key figures operations   |
| 302-3                                  | Energy intensity  | SR – SDG 7   |
| 302-4                                  | Reduction of energy consumption   | SR – SDG 7   |
| GRI Standard: Water                    |   | Reference and/or response  |
| 303-3                                  | Water withdrawal  | SR – SDG 6   |
| 303-4                                  | Water discharge   | SR – SDG 6; Key figures operations   |
| 303-5                                  | Water consumption   | SR – SDG 6   |
| GRI Standard: Emissions                |   | Reference and/or response  |
| 305-1                                  | Direct (Scope 1) GHG emissions  | SR – SDG 13; Key figures operations  |
| 305-2                                  | Energy indirect (Scope 2) GHG emissions   | SR – SDG 13  |
| 305-3                                  | Other indirect (Scope 3) GHG emissions  | SR – SDG 13  |
| 305-4                                  | GHG emissions intensity   | SR – SDG 13  |
| 305-5                                  | Reduction of GHG emissions  | SR – SDG 7; SDG 13   |
| 305-7                                  | Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions | SR – Key figures operations  |
| GRI Standard: Waste                    |   | Reference and/or response  |
| 306-3                                  | Waste generated   | SR – SDG 12; Key figures operations  |
| 306-4                                  | Waste diverted from disposal  | SR – SDG 12  |
| 306-5                                  | Waste directed to disposal  | SR – SDG 12  |
| GRI Standard: Environmental compliance |   | Reference and/or response  |
| 307-1                                  | Non-compliance with environmental laws and regulations                          | SR – SD14  |

| Main category: Social   |  | Reference and/or response   |
|---|--|---|
| 103 1-3   | Management approach for social standards and disclosures   | AR – Corporate governance; Report of the Board of Directors<br>SR – Compliance; About the sustainability report; SDG 3; SDG 4; SDG 5; SDG 8; SDG 10; SDG 16; SDG 17 |
| GRI Standard: Employment  |  | Reference and/or response   |
| 401-1   | New employee hires and employee turnover   | SR – SDG 4, SDG 8; key figures operations   |
| GRI Standard: Labor/Management relations                        |  | Reference and/or response   |
| 402-1   | Minimum notice periods regarding operational changes   | Follow national laws and practice   |
| GRI Standard: Occupational health and safety                    |  | Reference and/or response   |
| 403-8   | Workers covered by an occupational health and safety management system   | SR – SDG 3; All workers covered   |
| 403-9   | Work-related injuries  | SR – SDG 3; Key figures operations  |
| GRI Standard: Diversity and equal opportunity                   |  | Reference and/or response   |
| 405-1   | Diversity of governance bodies and employees   | AR – Board of Directors; Corporate management<br>SR – SDG 4, SDG 5; Key figures employees   |
| GRI Standard: Non-discrimination                                |  | Reference and/or response   |
| 406-1   | Incidents of discrimination and corrective actions taken   | SR – SDG 8, SDG 10  |
| GRI Standard: Freedom of associations and collective bargaining |  | Reference and/or response   |
| 407-1   | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | SR – SDG 8  |
| GRI Standard: Child labour                                      |  | Reference and/or response   |
| 408-1   | Operations and suppliers at significant risk for incidents of child labor                                      | SR – SDG 8  |
| GRI Standard: Forced or compulsory labour                       |  | Reference and/or response   |
| 409-1   | Operations and suppliers at significant risk for incidents of forced or compulsory labor                       | SR – SDG 8  |



## Independent Auditor's Report

### To the board of directors in Norske Skog

We have been engaged by the Management of Norske Skog ASA to provide limited assurance in respect of the information presented in the Sustainable Report section ("the Report") included in the Norske Skog - Annual Report 2021.

#### Conclusion

Based on our work, nothing has come to our attention causing us not to believe that:

- Norske Skog applies a reporting practice for its sustainability reporting aligned with the Global Reporting Initiative (GRI) Standards reporting principles and the reporting fulfils level Core according to the GRI Standards.
- Norske Skog's GRI index presented in the Report appropriately reflects where information on each of the disclosures of the GRI Standards is to be found within the Norske Skog - Annual Report 2021.
- Sustainability information presented for 2021 is consistent with data accumulated and appropriately presented in the Report.

#### Management's Responsibilities

Management of Norske Skog is responsible for the preparation and presentation of the Report and that it has been prepared in accordance with the reporting criteria described in the Report, including the GRI Standards. Management is also responsible for establishing such internal control management determine is necessary to ensure that the information is free from material misstatement, whether due to fraud or error.

#### Our independence and quality control

We are independent of the Company as required by laws and regulations and the International Ethics Standards Board for Accountants' Code of International Ethics for Professional Accountants (including International Independence Standards - IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion on the information in the Report. We have conducted our work in accordance with ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board.

Considering the risk of material misstatement, our procedures included, among others:

- Meetings with central and local management (Norske Skog Saugbrugs and Norske Skog Bruck) to discuss issues, risks, important sustainability topics and procedures for collecting and reporting relevant data
- Analytical review of development and changes from prior reporting periods
- Review of evidence supporting the information in the report on a sample basis



We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for a conclusion with a limited level of assurance on the subject matters.

Oslo, 29 March 2022

A handwritten signature in blue ink, appearing to read 'Terje Tvedt'.

BDO AS

Terje Tvedt  
State Authorised Public Accountant

# CORPORATE GOVERNANCE

Norske Skog ASA is a Norwegian based paper manufacturer with production and sales operations in Europe and Australasia. Norske Skog's goal is to increase shareholder value, through profitable and sustainable production of publication and packaging paper as well as other fibre and energy related business. Norske Skog ASA is a Norwegian registered public limited liability company listed on the Oslo Børs and is subject to Norwegian law, including Norwegian and EU securities legislation and stock exchange regulations.

The board of directors of Norske Skog has a strong focus on ensuring compliance with applicable corporate governance standards. Norske Skog is subject to reporting requirements for corporate governance pursuant to Section 3-3b the Norwegian Accounting Act, and complies with the Norwegian Code of Practice for Corporate Governance (the "Code", see [www.nues.no](http://www.nues.no), English pages).

Corporate governance principles as referred to in this statement define roles and responsibilities, powers and processes, between and within governing bodies, such as the general meeting, the board of directors and the corporate management. For further information on corporate bodies and corporate governance matters, please visit Norske Skog's website [www.norskeskog.com](http://www.norskeskog.com).

Corporate governance is continuously addressed by the board of directors, and the board of directors has approved this corporate governance statement. There are no material amendments to the corporate governance statement compared to the corporate governance statement included in the annual report for 2020, other than as prompted by the amendments to the Code in the most recent revision dated 14 October 2021.

## 1. Implementation and reporting on corporate governance

This corporate governance statement follows the structure of the Code published on 14 October 2021. Deviations from the Code are explained where relevant in this statement, and the deviations may be summarised as follows:

| Section of the Code  | Deviations  |
|----------------------|---|
| 6 – General meetings | <ul style="list-style-type: none"> <li>The Code recommends that the board of directors ensure that the members of the board of directors attend the general meeting. Norske Skog does not require the entire board of directors' presence at general meetings. However, the chair of the board will attend, and historically a number of additional board members have attended general meetings.</li> <li>The Code recommends that the board of directors ensure that the general meeting is able to elect an independent chair of the general meeting. Norske Skog does not require an independent chair of its general meetings. The board of directors has historically recommended that the chair of the board of directors or, in the event that the chair of the board of directors is not a Norwegian speaking person, another board member who can chair the general meeting in Norwegian, is elected to chair general meetings.</li> <li>The Code recommends that shareholders are able to vote on each individual candidate nominated for election. Historically, Norske Skog's general meeting is invited to elect the board members collectively to promote the board of directors as a qualified team and in accordance with legal requirements for gender representation and qualifications for participation in the audit committee.</li> </ul> |

The corporate governance principles adopted by Norske Skog are set out in the company's Corporate Governance Policy, and are fundamental for the company's corporate governance and value creation. Norske Skog's Corporate Governance Policy is based on the Code and, as such, it is designed to establish a basis for good corporate governance and to support achievement of the company's core objectives on behalf of its shareholders, including the achievement of profitability for the shareholders of Norske Skog in a sustainable manner. The manner in which Norske Skog is governed is vital to the development of its value over time.

Norske Skog believes that good corporate governance involves openness, honesty and cooperation between all parties involved in and with the group: the shareholders, the board of directors and executive management, employees, customers, suppliers, public authorities and the society in general.

By pursuing the principles set out in the Corporate Governance Policy, the board of directors and management shall contribute to achieving the following objectives:

- Openness and honesty. Communication with the interest groups of Norske Skog shall be based on openness and honesty on issues relevant for the evaluation of the development and position of the company.
- Independence. The relationship between the board of directors, the management and the shareholders shall be based on independence. Independence shall ensure that decisions are made on an unbiased and neutral basis.
- Equal treatment. One of Norske Skog's primary objectives is equal treatment and equal rights for all shareholders.
- Control and management. Good control and corporate governance mechanisms shall contribute to predictability and reduce the level of risks for shareholders and other interest groups.

The development of, and improvements in, the company's Corporate Governance Policy are ongoing and important processes that the board of directors and management have continuous focus on.

Deviations from the Code: None.

## 2. Business

Norske Skog's business purpose is set out in the Articles of Association, article 2: "The company's objective is to conduct wood processing industry, investing activities and activities related to this, as well as providing headquarter services for the group, including raise of external loans and conducting group financing arrangements." The Articles of Association are available on the company's website. The business of the company is conducted in accordance with the targets, strategies and risk profile determined by the board of directors, within the scope of the company's business purpose, in order to realise value creation for the shareholders in a sustainable manner. The board of directors considers the targets, strategies and risk profile of the company on a continuous basis.

The company has established guidelines and principles which are used to integrate considerations to human rights, employee rights and social matters, the external environment and anti-corruption efforts in its business strategies, its day-to-day operations and in relation to its stakeholders. This includes, but is not limited to the Norske Skog Steering Guidelines and the Code of Conduct.

Compliance with the Steering Guidelines and the Code of Conduct is mandatory for all employees in the group and others acting on the group's behalf, and similar conduct and ethical standards are expected in partnerships, joint ventures and partially owned subsidiaries. The Steering Guidelines and the Code of Conduct can be found on the company's website.

Sustainability and corporate social responsibility are integrated parts of the group's business. The group's sustainability report is included in the sustainability report section of the annual report.

Deviations from the Code: None.

## 3. Equity and dividends

### SHARE CAPITAL

The share capital of Norske Skog is set out in the Articles of Association, article 4. The company's share capital at year end 2021 was NOK 377 058 820 million, divided into 94 264 705 shares, each with a nominal value of NOK 4.00.

### EQUITY

The board of directors is responsible for ensuring that the group is adequately capitalised relative to the risk and scope of operations and that the capital requirements set forth in laws and regulations are met. The company shall have an equity capital at a level appropriate to its objectives, strategy and risk profile. The board of directors shall continuously monitor the group's capital situation and shall immediately take adequate steps if the company's equity or liquidity is less than adequate.

Norske Skog's consolidated total equity as at 31 December 2021 was NOK 3 133 million, which is equivalent to 34.3% of total assets (for Norske Skog ASA, the total equity was NOK 3 408 million, which is equivalent to 54.1% of total assets).

### DIVIDEND POLICY

It follows from Norske Skog's Corporate Governance Policy that the company shall, at all times, have a clear and predictable dividend policy established by the board of directors. The dividend policy forms the basis for the board of directors' proposals on dividend payments to the company's general meeting.

The company's dividend policy has historically been to pay dividends reflecting the underlying earnings and cash flow while ensuring efficient capital allocation in the group. When deciding the dividend level, the board of directors will among other things take into consideration capital expenditure plans, financing requirements and maintaining the appropriate strategic flexibility of the group. The group's financing arrangements for the ongoing projects at the Bruck and Golbey mills to convert a newsprint paper machine at each of the mills to a recycled containerboard paper machine include restrictions on dividend distribution in the period up to July 2025. The company's dividend policy has therefore been suspended until such restrictions do no longer apply.

For the financial year 2021, the board of directors has accordingly not proposed that the annual general meeting approves payment of dividend.

### PURCHASE OF TREASURY SHARES

The general meeting in 2021 authorised the board of directors to purchase

treasury shares up to a nominal value of NOK 37 705 882, equivalent to 10% of the company's share capital at the time. The authorisation was granted for the period up to the annual general meeting in 2021. As of the date hereof, the authorisation has not been used.

Deviations from the Code: None.

#### 4. Equal treatment of shareholders

The company has only one class of shares. Each share in the company carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

In the event of an increase in share capital through issuance of new shares, a decision to deviate from existing shareholders' pre-emptive rights to subscribe for shares shall be justified. Where the board of directors resolves to issue shares and deviate from the pre-emptive rights of existing shareholders pursuant to an authorisation granted to the board of directors by the general meeting, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the share issuance.

Any transactions in treasury shares carried out by the company shall be carried out on the Oslo Børs, and in any case at the prevailing stock exchange price. In the event that there is limited liquidity in the company's shares, the company will consider other ways to ensure equal treatment of shareholders. Any transaction in treasury shares by the company is subject to notification requirements, and shall be publicly disclosed in a stock exchange announcement.

Deviations from the Code: None.

#### 5. Shares and negotiability

The shares of the company are freely negotiable and there are no limitations on any party's ability to own or vote for shares in the company.

Deviations from the Code: None.

#### 6. General meetings

The general meeting is the shareholders' forum and the supreme governing body of the company. The Articles of Association do not limit the shareholders' rights as provided by the Public Limited Liability Companies Act. The board of directors sets the agenda for the general meeting. The minutes from the general meeting are published externally and on the company's website, in accordance with applicable laws and deadlines.

The board of directors shall ensure that as many of the company's shareholders as possible are able to exercise their voting rights at the company's general meetings, and that the general meeting is an effective forum for shareholders and the board of directors, which shall be facilitated through the following:

- the resolutions and any supporting documentation shall be sufficiently

detailed, comprehensive and specific allowing shareholders to understand and form a view on all matters to be considered at the general meeting;

- deadlines for shareholders to give notice of their attendance at the general meeting shall be set as close to the date of the general meeting as practically possible. The time limit may not expire earlier than five days before the meeting;
- the chair of the general meeting shall if determined by the general meeting provide for that the shareholders are able to vote separately on each candidate nominated for election to Norske Skog's Board of Directors and other corporate bodies (if applicable);
- the chair of the board of directors and the chair of the nomination committee shall be present at general meetings, while other members of the board of directors, the nomination committee, the audit committee and the remuneration committee, as well as the auditor shall be present at general meetings where matters of relevance for such committees/persons are on the agenda; and
- the board of directors shall make arrangements to ensure that an independent chair for the general meeting is appointed.

Shareholders who are unable to be present at the general meeting shall be given the opportunity to be represented by proxy and to vote by proxy. The company shall in this respect:

- provide information on the procedure for attending by proxy;
- nominate a person who will be available to vote on behalf of shareholders as their proxy; and
- prepare a proxy form, which shall, to the extent this is possible, be set up so that it is possible to vote on each of the items on the agenda and the candidates nominated for election.

#### DEVIATIONS FROM THE CODE:

- The Code recommends that the board of directors ensure that the members of the board of directors attend the general meeting. Norske Skog does not require the entire board of directors' presence at general meetings. However, the chair of the board will attend, and historically a number of additional board members have attended general meetings.
- The Code recommends that the board of directors ensure that the general meeting is able to elect an independent chair of the general meeting. Norske Skog does not require an independent chair of its general meetings. The board of directors has historically recommended that the chair of the board of directors or, in the event that the chair of the board of directors is not a Norwegian speaking person, another board member who can chair the general meeting in Norwegian, is elected to chair general meetings.
- The Code recommends that shareholders are able to vote on each individual candidate nominated for election. Historically, Norske Skog's general meeting is invited to elect the board members collectively to promote the board of directors as a qualified team and in accordance with legal requirements for gender representation and qualifications for participation in the audit committee.

#### 7. Nomination committee

Pursuant to the Articles of Association, article 8, the company shall have a nomination committee consisting of between one and three members. The company's general meeting elects the members and the chair of the nomination committee and determines their remuneration. The majority of the members of



the nomination committee shall be independent from the company's board of directors and executive management. The members of the nomination committee shall not be members of the board of directors or the executive management, and not offer themselves for election to the board of directors. The composition of the nomination committee should be such that the interests of shareholders in general are represented. The nomination committee currently consists of two members, Matthew Joseph Turner, who serves as the chair of the committee and Yngve Nygaard. Mr Turner is an employee of Oceanwood Capital Management Ltd, an entity associated with funds managing the company's largest shareholder, NS Norway Holding AS. Due to internal guidelines in Oceanwood Capital Management Ltd, Mr Turner does not receive remuneration for his role as chair of the nomination committee.

The general meeting shall approve the instructions for the nomination committee. These instructions set out the objectives, responsibilities and functions of the nomination committee, and provide guidelines for rotation of its members. The company shall provide information regarding the composition of the nomination committee, the members of the nomination committee and any deadlines for submitting proposals to the nomination committee as part of its recommendations to the general meeting.

The nomination committee shall recommend candidates for the election of members and chair of the board of directors, candidates for the election of members and chair of the nomination committee, and remuneration of the members of the board of directors, its board committees and the nomination committee.

The nomination committee shall have contact with shareholders, the board of directors on an individual basis and the company's executive personnel as part of its work on proposing candidates for election to the board.

The nomination committee's recommendation of candidates to the nomination committee shall ensure that they represent a broad group of the company's shareholders. The nomination committee's recommendation of candidates to the board of directors shall ensure that the board of directors is composed to comply with legal requirements and principles of corporate governance. The nomination committee shall justify why it is proposing each candidate separately. The proposals from the nomination committee shall include a reasoning for its proposal, as well as a statement on how it has carried out its work. The nomination committee's proposal shall include information about the candidates, and shall be made available at the latest in accordance with the 21 days' notice rule to call for a general meeting. Shareholders shall be given the opportunity to submit proposals to the nomination committee for candidates for election to the board of directors and other appointments in a simple and practical manner. Any date for when such proposals must be submitted to be considered by the nomination committee shall be

communicated. The nomination committee of Norske Skog are, however, generally available to receive proposals for candidates or other input from shareholders at any time throughout the year.

Deviations from the Code: None.

## 8. The board of directors' composition and independence

According to the Articles of Association, the board of directors of Norske Skog shall have between three and eight board members. The current number of board members is three, and in addition there are two observers to the board of directors being union representatives from each of the two Norwegian mills. The composition of the board of directors should ensure that the board of directors has the expertise, capacity and diversity needed to achieve the company's goals, handle its main challenges and promote the common interests of all shareholders. Each board member should have sufficient time available to devote to his or her appointment as a board member. The number of board members should be determined on this basis. Furthermore, individuals of the board of directors shall be willing and able to work as a team, resulting in the board of directors working effectively as a collegial body.

The board of directors shall be composed so that it can act independently of any special interests. A majority of the shareholder-elected members of the board of directors shall be independent of the executive management and material business connections of the company. At least two of the members of the board of directors shall be independent of shareholders that owns or controls 10% or more of the company's shares or votes, and meaning that there are no circumstances or relations that may be expected to be able to influence the independence of the board members' assessments.

The members of the board of directors and the chair of the board of directors shall be elected by the company's general meeting. No member of the company's executive management shall be members of the board of directors. At least half of the members of the board of directors shall reside in Norway or another EEA country. Both genders shall be represented on the board of directors in compliance with the gender representation requirements set out in section 6-11a of the Norwegian Public Limited Liability Companies Act. The term of office for the board members shall not be longer than two years at a time. Members of the board of directors may be re-elected. The election of the members of the board of directors should be phased so that the entire board of directors is not replaced at the same time.

The following table summarises the roles of the members of the board of directors and meeting attendance at board meetings held in 2021:

| Name (*)          | Residence    | Role         | Committee memberships                      | Board meetings attended | Board member since | End of term |
|-------------------|--------------|--------------|--|-------------------------|--------------------|-------------|
| John Chiang       | London, UK   | Chair        | Audit committee and remuneration committee | 12/12                   | 2018               | 2023        |
| Arvid Grundekjøn  | Oslo, Norway | Board member | Audit committee and remuneration committee | 12/12                   | 2018               | 2023        |
| Trine-Marie Hagen | Oslo, Norway | Board member | Audit committee                            | 12/12                   | 2019               | 2023        |

(\*) Please refer to the description in the board of directors section of the annual report for further information on the expertise, experience and independence of the members of the board of directors, as well as the board members' respective shareholdings in the company. The board members have a statistic attendance at board meetings of 100%.

Members of the board of directors are encouraged to own shares in the company. However, caution should be taken not to let this encourage a short-term approach, which is not in the best interests of the company and its shareholders in the longer term.

The nomination committee's proposal to the general meeting (as further described in item 7 above) shall include detailed information on candidates for the board of directors (both appointments and re-elections), and shall be made available at the latest in accordance with the 21 days' notice rule to call for a general meeting.

Deviations from the Code: None.

## 9. The work of the board of directors

The board of directors' main tasks comprise the overall responsibility for the management of the company, and overseeing the daily administration and operations of the company. The work of the board of directors is carried out in accordance with the rules and standards applicable to the group, as described in the company's Corporate Governance Policy's instructions to the board of directors. The instructions to the board of directors include detailed description of duties and responsibilities of the board members, as well as working and meeting procedures. The Corporate Governance Policy's instructions to the board of directors and the instructions to the CEO include procedures for how the board of directors and executive management shall handle agreements with related parties, including whether an independent valuation must be obtained. Agreements with related parties are described in Note 24 (Related parties) in the consolidated financial statements.

The board of directors prepares an annual plan for its work, clearly setting out strategic, financial, operational and organisational matters for discussion and resolution. In addition to addressing the matters on such plan, the board of directors continuously addresses matters and processes which require the board of directors' involvement from time to time. Throughout 2021 and into 2022, the board of directors has in addition to recurring matters concentrated a significant amount of time on strategic development and financing and capital markets matters related thereto. One of the most important strategic development goals addressed by the board of directors in 2021 has been the group's conversion of newsprint paper machines to recycled containerboard paper machines, with one machine at the Golbey mill in France and one machine at the Bruck mill in Austria, including the financing of these conversions. Furthermore, efforts and results within the areas of health, environment and safety are annually reported comprehensively to the board of directors, and the CEO reports on health, environment and safety, operations and market developments in every board meeting. The board of directors actively manages the resources of the board of directors and its committees in accordance with the relative strategic and commercial importance of matters.

The board of directors has two sub-committees, an audit committee, as required by the Public Limited Liability Companies Act, and a remuneration committee. The members of the audit committee are Arvid Grundekjøn (chair), John Chiang and Trine-Marie Hagen. The members of the remuneration committee are John Chiang (chair) and Arvid Grundekjøn. The company's Corporate Governance Policy includes a set of instructions for each of the committees, describing defined areas of responsibility. The committees undertake preparatory discussions and submit their recommendations to the board of directors.

The audit committee focused on the company's financial reporting and internal control function in 2021. The remuneration committee focussed on salary and other remuneration to executive personnel in 2021. The external auditor and the CFO attend the meetings of the audit committee. The CEO attends the meetings of the remuneration committee, except if excused for discussions on the CEO's remuneration.

The following table summarises the meeting attendance of the board members at board and committee meetings held in 2021:

| Name (*)          | Committee memberships                      | Board meetings attended | Audit committee meetings attended | Remuneration committee meetings attended |
|-------------------|--|-------------------------|-----------------------------------|--|
| John Chiang       | Audit committee and remuneration committee | 12/12                   | 6/6                               | 3/3                                      |
| Arvid Grundekjøn  | Audit committee and remuneration committee | 12/12                   | 6/6                               | 3/3                                      |
| Trine-Marie Hagen | Audit committee                            | 12/12                   | 6/6                               | N/A                                      |

(\*) Please refer to the description in the board of directors section of the annual report for further information on the expertise, experience and independence of the members of the board of directors, as well as the board members' respective shareholdings in the company. The board members have a statistic attendance at board and committee meetings of 100%.

In 2021, the board of directors held twelve meetings and eight matters were resolved by written resolutions. The audit committee held six meetings in 2021 and the remuneration committee held three meetings in 2021. Due to the circumstances around COVID-19, the meetings of the board of directors and its committees were to a large extent held by video conference throughout 2021. Representation at meetings of the board of directors and committee meetings is at 100%

The board of directors shall annually evaluate its performance and expertise for the previous year. This evaluation shall include the composition of the board of directors and the manner in which its members functions, both individually and as a group, in relation to the objectives set out for its work. The report shall be made available to the nomination committee. Due to the circumstances around COVID-19 and the effects these have had on the meetings of the board of directors, the annual evaluation in 2021 was postponed to 2022, and the evaluation by the board members instead provided directly to the nomination committee as part of the nomination committee's work, as further described in item 7 above (Nomination committee).

Deviations from the Code: None.

## 10. Risk management and internal control

The board of directors is responsible for ensuring that the company has sound and appropriate internal control systems and systems for risk management, and that these systems are proportionate to and reflect the extent and nature of the company's activities. Having effective internal control systems and systems for risk management in place are important to prevent the group from situations that can damage its reputation and financial standing. Furthermore, effective and proper internal control and risk management are important factors when building and maintaining trust, to reach the company's objectives, and ultimately create value. Having in place an effective internal control system means that the company is better suited to manage commercial risk, operational risk, the risk of breaching legislation and regulations as well as other forms of risk that may be material to the company. As such, there is a correlation between the company's internal control systems and effective risk management. The internal control system shall also address the organisation and execution of the company's financial reporting, as well as cover the company's guidelines for how it integrates considerations related to stakeholders into its creation of value. Norske Skog shall comply with all laws and regulations that apply to the group's business activities.

Norske Skog's enterprise risk management processes are based on COSO's Enterprise Risk Management framework, and cover financial, operational, market and organisational risks. By this delineation of risk control, all sustainability and responsibility areas covered by Norske Skog's Steering Guidelines are also covered by its enterprise risk management processes and is reported to the board of directors. The system is based on the management teams in each business unit and in key corporate functions annually reporting

potential risk factors to the company's risk management function, which in turn provide a basis for the agenda of the corporate management meetings and adequate follow-up measures. In addition, Norske Skog annually reviews and reports on sustainability in accordance with GRI's Sustainability Reporting Standards. The annual review is carried out by an independent and internationally recognised audit firm. Further information on the group's sustainability reporting is provided in the group's sustainability report included in the sustainability report section of the annual report.

The internal control systems within the finance organisation primarily cover the financial reporting structure and processes. Routines for internal control over financial reporting are defined in Norske Skog's internal control documentation (Financial Reporting Manual, Financial Closing Manual and Financial Closing Checklist). Responsibilities are clearly defined in terms of execution, documentation and control. As part of the continuous focus on compliance, regular reviews of business processes, investments or other issues are carried out. These compliance processes are carried out on the basis of risk assessments, and support the business in improving internal control and achieving the set goals. The group also has a power of attorney structure which describes and regulates financial empowerment to individual positions.

In addition, Norske Skog has implemented internal routines to ensure continuous attention and efforts on maintaining high compliance standards throughout the group. These internal routines are set out in Norske Skog's Continuous Compliance Program, and include a number of compliance related activities that shall be carried out over the course of a calendar year.

Norske Skog has clearly established channels and procedures for reporting and handling instances of possible serious misconduct (whistle blowing). Such channels are described on our website, intranet and in the Steering Guidelines.

It is the opinion of the board of directors that Norske Skog's internal control and systems for risk management are adequate and proportionate to the nature and complexity of the company's operations and financial situation.

Deviations from the Code: None.

## 11. Remuneration of the board of directors

The remuneration of the board of directors is decided by the annual general meeting on the basis of the nomination committee's proposal. The committee considers the level of responsibility, complexity and time consumption, as well as the required expertise, for the board members. Proposals for annual adjustments of the remuneration of the board of directors are based on considerations to ensure that Norske Skog remains attractive and competitive on the market for governing bodies' competencies.

No board member has carried out specific tasks or commissions for the company in addition to the directorship, and Norske Skog has not paid other remuneration to any board member than the ordinary board remuneration.

Separate remuneration is set for the chair and members of the board of directors and respective committees under the board of directors. The current remuneration amounts are as follows:

1. The remuneration for the chair of the board is NOK 0 (zero) per year. (\*)
2. The remuneration for the other members of the board is NOK 300 000 per year.
4. The remuneration for the chair of the audit committee is NOK 130 000 per year.
5. The remuneration for other members of the audit committee is NOK 50 000 per year. (\*)
4. The remuneration for the chair of the remuneration committee is NOK 0 (zero) per year. (\*)
5. The remuneration for other members of the remuneration committee is NOK 20 000 per year.
6. Travel expenses in connection with board and committee meetings are paid in accordance with the Norwegian Government's Travel Allowance Regulation.

(\*) John Chiang, chair of the board, chair of the remuneration committee and member of the audit committee, is a partner of Oceanwood Capital Management LLP, an entity associated with funds managing the company's largest shareholder, NS Norway Holding AS. Due to internal guidelines in Oceanwood Capital Management LLP, Mr Chiang does not receive remuneration for his role as chair of the board, chair of the remuneration committee and member of the audit committee.

The total remuneration for the board of directors in 2021, including committee work, was NOK 1 060 004. For further information, please refer to the report on salary and other remuneration to leading personnel, which is available on the company's website, [www.norskeskog.com](http://www.norskeskog.com).

Deviations from the Code: None.

## 12. Remuneration of executive personnel

The board of directors has adopted guidelines for determining salary and other remuneration to leading personnel in accordance with Section 6-16 a of the Public Limited Liability Companies Act and the Regulation on guidelines and reporting on remuneration for leading personnel. In the preparation of the guidelines and in any subsequent amendments to these, the focus of the board of directors is to provide for that the guidelines are clear and easily understandable, and that they contribute to the company's commercial strategy, long-term interests and financial viability. Furthermore, the company's arrangements in respect of salary and other remuneration shall be simple and contribute to aligning the interests of leading personnel and shareholders, with an absolute limit on performance-related remuneration. The guidelines are presented for approval by the general meeting if significant changes are made, and at least every fourth year. The current version of the guidelines was approved by annual general meeting in 2021 and are available on the company's website, [www.norskeskog.com](http://www.norskeskog.com).

The CEO's remuneration terms are reviewed and decided annually by the board of directors following preparatory discussions in the board of directors' remuneration committee. The remuneration consists of base salary, annual performance bonus, pension and other benefits. The decision on the CEO's remuneration takes into consideration the overall performance of the CEO and the company, and the market development for CEO remuneration in companies of similar complexity, size and industries. The remuneration of other leading personnel is determined by the CEO, and the performance related remuneration consist of the same elements as for the CEO.

Performance based elements are calculated on the basis of quantifiable objective targets as well as on quantifiable targets falling within areas over which the respective executives have a reasonable influence.

In addition, Norske Skog has established a long-term incentive program based on synthetic stock options. The program mirrors the financial outcome of an actual stock option with an initial "exercise price" (which corresponds to the price per share set at the time of award of the options and a mechanic to fix a "fair market value" in the future when the options are exercised (3-5 years following award of the options). The long-term incentive program is described in the guidelines for determining salary and other remuneration to leading personnel, which are available on the company's website, [www.norskeskog.com](http://www.norskeskog.com).

The board of directors shall for each financial year provide for the preparation of a report on salary and other remuneration to leading personnel in accordance with Section 6-16 b of the Public Limited Liability Companies Act and the Regulation on guidelines and reporting on remuneration for leading personnel. The report is subject to an advisory vote by the annual general meeting and is published on the company's website, [www.norskeskog.com](http://www.norskeskog.com), following the annual general meeting. In addition, information about remuneration of leading personnel is available in the financial statements, in Note 7 (Employee benefit expenses) in the consolidated financial statements.

Deviations from the Code: None.

## 13. Information and communications

The company has established guidelines for its reporting of financial and other information based on openness and taking into account the requirement of equal treatment in the securities market. These guidelines are set out in the company's Communication Policy and the Investor Relations Policy.

The company provides on a continuous basis its shareholders, the Oslo Børs and the securities market and the financial market in general with timely and precise information about the company and its operations. Such information is published through the Oslo Børs' information system and the company's website. Information is typically given in the form of annual reports, half-year reports, quarterly reports, press releases, notices to the stock exchange and through published investor presentations in accordance with what is deemed appropriate and required at any given time. Financial reporting follows International Financial Reporting Standards, and through open and proactive communication with investors and financial markets, including through regular presentations, Norske Skog ensures transparency and equality to facilitate our stakeholders' assessment of the company. The company furthermore regularly provides information on its long-term potential, including strategies, value drivers and risk factors. Information to Norske Skog's investors will also be published simultaneously through the Oslo Børs' information system and/or the company's website.

The company publishes an annual, electronic financial calendar with an overview of dates for important events, such as the annual general meeting, interim financial reports, public presentations and payment of dividends, if applicable. The information is made available in English and Norwegian.

Unless there are applicable exemptions that is appropriate to utilise in the specific situation, Norske Skog promptly discloses all inside information (as defined in article 7 of the EU Market Abuse Regulation). In addition, Norske Skog provides information about certain events, e.g. by the board of directors and the general meeting concerning dividends, mergers/demergers or changes to the share capital, the issuing of subscription rights, convertible loans and all agreements of major importance that are entered into by Norske Skog and related parties.

Separate guidelines have been implemented regarding handling of inside information, and these follow from the instructions for handling of inside information and the instructions for primary insiders. The rules of procedure for the board of directors set out who in the board of directors is entitled to publicly speak on behalf of the company, and the Communication Policy defines the responsibility of communications on behalf of the company in various matters.

Deviations from the Code: None.

## 14. Take-overs

The board of directors has established clear principles in the Corporate Governance Policy for how it will act in the event of a take-over bid, including that it will act in accordance with the Code and Norwegian law. The principles emphasise the importance of equal treatment of existing shareholders. They further warrant that the board of directors will ensure sufficient information in time and content for the shareholders to assess a possible bid, including issuing a statement to the shareholders with the board of directors' assessment of such bid, together with a valuation prepared by an independent expert. A sale of a significant part of the company will require approval by the general meeting. The board of directors will not without decision by the general meeting attempt to hinder a take-over bid for the company.

Deviations from the Code: None.

## 15. Auditor

The auditor presents an annual audit plan, describing the auditor's understanding of the industry and significant risks, as well as the audit approach to be applied. The auditor participates in audit committee meetings when discussing the financial statements and other audit related matters. The auditor furthermore attends board meetings at which the annual accounts are on the agenda and as otherwise requested. At such meetings, the auditor are requested to report on any material changes in the company's accounting principles and key aspects of the audit, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the company. The auditor annually confirms its independence in writing. During 2021 and 2022, the auditor has participated in discussions with the audit committee. Furthermore, the auditor has met with the board of directors without the corporate management being present, and reviewed the company's internal control procedures. The company has effective guidelines for the ability of the auditor to perform non-audit services for the company upon approval by the audit committee. The company informs the general meeting about the auditor's fees for audit and non-audit services.

The board of directors regularly assesses the quality and efficiency of the work of the auditor.

Deviations from the Code: None.

**Hugo Harstad**  
SAUGBRUGS, NORWAY



Hugo Harstad is Business Development Director at Norske Skog. He has been working with international business development and technology development over the past 20 years and joined Norske Skog in 2019.

*"The main reason why I started at Norske is the opportunity to work with the development of the new sustainable materials CEBINA and CEBICO. At Norske Skog we have a great culture for industrial innovation and knowledge sharing."*

Harstad's main task is commercializing nano cellulose and bio composites. He believes Norske Skog is heading for a perfect storm introducing new bio-based materials.

*"We have started the green transformation and look forward to the business growth into new arenas."*

# REPORT OF THE BOARD OF DIRECTORS

Norske Skog is one of the leading producers of publication paper in the world, with an annual production capacity of 2.1 million tonnes. The group has production sites in Europe and Australasia. In Europe, the group has four production sites, two in Norway, one in France and one in Austria. The European segment is the largest with 1.8 million tonnes of capacity, of which 1.2 million tonnes is newsprint and 0.6 million tonnes is magazine paper. In Australasia, the group has one production site in Australia. The production capacity in the Australasian segment is 0.2 million tonnes newsprint and 0.1 million tonnes magazine paper located in Tasmania at Norske Skog Boyer. Norske Skog Boyer is the only domestic producer of publication paper in Australia.

## NORSKE SKOG IN 2021

The year 2021 was once again an eventful year for Norske Skog and the world in general. The COVID-19 pandemic continued to impact the business and the life of our employees. The numerous and continuously changing restrictions imposed in all markets Norske Skog operates have impacted the demand for the group's products although to a lesser extent than last year.

The European operations experienced a very challenging operating environment during 2021 particularly in the second half. Despite demand stabilizing, prices remained low for the first half of 2021 impacting profitability. Prices increased into the second half but the extraordinary and surging prices, particularly for energy led to continuous pressure on margins. Because of this further price increases were implemented in fourth quarter improving the profitability towards the end of the year, but the overall profitability for the year was at an unsustainable level.

In Australia and New Zealand, the demand declines experienced in 2020 resulted in overcapacity in the region and as a consequence of this Norske Skog Tasman ceased production of newsprint at the end of June 2021. The Norske Skog Tasman mill was an important contributor to the regional economy in New Zealand for 66 years, producing more than 15 million tonnes of publication paper over its lifetime. Norske Skog Boyer is now the sole producer of publication paper in the region serving Australia and New Zealand. 2021 also marked an important milestone for Norske Skog through the entrance into growing markets for packaging paper with final investment decisions being made for conversions at Norske Skog Bruck and Norske Skog Golbey. The financing of both projects was completed during the year at attractive terms and both projects are underway with Norske Skog Bruck to start production of recycled containerboard in fourth quarter of 2022 and Norske Skog Golbey in fourth quarter of 2023.

In February 2021 the company issued 11 764 705 new shares raising approximately NOK 400 million in new equity. In March, the company issued a EUR 150 million senior secured bond with maturity in 2026 to refinance the outstanding EUR 125 million senior secured bond. The net proceeds from these transactions and the maturity profile provided the group with a strong foundation to develop its business and to execute its strategic investments into the recycled containerboard market.

During 2021 Oceanwood has reduced its ownership from 63.2% to 28.5% through two private placements of shares, the first in January consisting of 11 764 705 shares and the second in December consisting of 13 500 000 shares.

## INCOME STATEMENT AND CASH FLOW

Norske Skog's operating income was NOK 10.3 billion in 2021 (NOK 9.6 billion). The increase was mainly due to price increases realized in the second half of 2021 but also due to higher volumes compared to 2020 in Europe. In Australasia volumes decrease following the cessation of production at Norske Skog Tasman.

Distribution costs of NOK 1.2 billion (NOK 1.2 billion) were in line with previous year. Costs of materials of NOK 6.1 billion (NOK 5.1 billion) increased due to higher production volumes, but in particular due to energy prices which surged in the second half of 2021 while recovered paper remained at high levels throughout the year.

Employee benefit expenses of NOK 1.7 billion (NOK 1.8 billion) decreased slightly year-on-year. EBITDA decreased to NOK 662 million in 2021 (NOK 736 million), mostly impacted by the negative operating environment in Europe and Australasia in the first 9 months while the fourth quarter saw some improvement. Restructuring expenses in 2021 amounted to NOK 192 million (NOK 75 million) and is mainly related to the closure of Norske Skog Tasman in June 2021. Depreciation was NOK 433 million in 2021 (NOK 438 million). Derivatives and other fair value adjustments in 2021 ended at NOK -218 million (NOK -1 112 million) reflecting the impact of the change in fair value of energy contracts in Norway.

Operating earnings ended at NOK -160 million in 2021 (NOK -1 339 million). The change reflects the challenging market conditions in all regions and the change in fair value of the energy contracts in Norway.

Net financial items in 2021 were NOK -118 million (NOK -349 million). Net interest expenses of NOK 113 million in 2021 (NOK 113 million) was in line with previous year. Currency gain of NOK 78 million (NOK 185 million) is due to the stronger NOK during 2021 as most debt is denominated in other currencies, primarily Euro. Income taxes for 2021 amounted to NOK 68 million (NOK 186 million) reflecting the lower tax payable due to weaker results as well as taxes for previous years related to the Italian sales office. Loss for the period was NOK 363 million in 2021 (NOK -1.9 billion).

Net cash flow from operating activities ended at NOK 191 million in 2021 (NOK 549 million). Cash from operations was NOK 439 million (NOK 831 million) reflecting the challenging operating environment in 2021. Net interest payments were NOK 103 million (NOK 104 million), in line with the previous years. Taxes paid was NOK 106 million in 2021 (NOK 102 million). Taxes paid in 2021 are related to Norske Skog Golbey, Norske Skog Bruck and in part payment of tax for previous years in Italy.

## BALANCE SHEET

Total assets were NOK 9.1 billion at 31 December 2021 (NOK 7.8 billion). Total non-current assets were NOK 4.5 billion at 31 December 2021 (NOK 4.1 billion). The increase is mainly related to the investment in the waste-to-energy boiler at Norske Skog Bruck as well as investments related to the conversion to recycled containerboard at Norske Skog Bruck and Norske Skog Golbey. Investments in property, plant and equipment amounted to NOK 172 million in 2021 (NOK 264 million).

Total current assets were NOK 4.6 billion at 31 December 2021 (NOK 3.7 billion), with cash and cash equivalents of NOK 1 489 million at 31 December 2021 (NOK 980 million). The increase in current assets is mainly related to an increase in trade receivables due to higher sales and increase in cash and cash equivalents.

Total non-current liabilities were NOK 3.4 billion at 31 December 2021 (NOK 2.5 billion). Non-current liabilities increased due to refinancing and upscaling of the EUR bond debt as well as loans related to the waste-to-energy boiler. Total current liabilities were NOK 2.6 billion (NOK 2.1 billion). Net interest-bearing debt at 31 December 2021 was NOK 1 054 million (NOK 725 million). Equity was NOK 3.1 billion at 31 December 2021 (NOK 3.2 billion). The decrease reflects loss for 2021.

## RISK MANAGEMENT

The main risk exposures for the group are linked to continued negative demand development in key sectors within publication papers not matched by capacity management by the suppliers. Accordingly, prices could come under pressure and become highly volatile. The group is also exposed to movements in the prices of key input factors such as energy, recovered paper, wood and chemicals. Thus, efforts to continue to improve efficiencies and develop purchasing strategies are key to mitigate these risk factors. The group's revenues and costs are partly hedged operationally from a currency point of view; providing some risk reduction but significant movements, particularly in the NOK, pose a financial risk for the group. Norske Skog's operations are predominantly production of publication paper in Europe and Australasia. The demand for publication paper will likely continue to decrease and the market balance is over time dependent on future closures of production capacity either permanently or through conversions to other paper grades. Exposure to both newsprint and magazine paper grades give some product diversification, while the conversion to recycled containerboard at Norske Skog Bruck and Norske Skog Golbey as well as new fibre based and bio-related products will provide further diversification and reduced exposure to publication paper. Business segments located on opposite sides of the world provide some geographical diversification. Norske Skog is not vertically integrated back into forest resources and therefore must source wood from third parties. The supply of wood is to a certain extent covered by medium to long-term contracts which reduce cost exposure and increase supply certainty. For the remaining part the price development of wood is linked to the activity in the pulp and paper sector with lower activity and pricing giving lower cost and opposite when activity is high.

Financial risk management includes currency and liquidity planning. Currency volatility is to a certain extent mitigated by natural hedging where income and expenses are matched in the same currency. Norske Skog has loans predominantly denominated in EUR, replicating cash flows from the EUR based European market. Liquidity is ensured by maintaining sufficient cash balances and open credit lines linked to trade receivables facilities and a revolving credit facility. Norske Skog continuously assesses the most competitive funding sources for the group. Norske Skog performs credit

evaluations of counterparties. The group's insurance program is managed centrally through a well-established insurance program.

Norske Skog ASA has a directors and officers liability insurance for the group and its subsidiaries. The insurance covers defence costs and potential legal liability for directors and officers arising out of claims made against them while serving on a board of directors and or as an officer. The insurance renews annually, and the sum insured was USD 50 million at 31 December 2021.

Risk factors are further discussed in Note 4 Financial risk in the consolidated financial statements.

## CORPORATE GOVERNANCE

Norske Skog considers good corporate governance to be a prerequisite for value creation, trustworthiness, and access to capital. Norske Skog believes that good corporate governance involves openness, honesty and cooperation between all parties involved in and with the group: the shareholders, the board of directors and executive management, employees, customers, suppliers, public authorities, and the society in general.

To secure strong corporate governance and value creation in a sustainable manner, it is important that Norske Skog ensures good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations across the group.

Norske Skog has governance documents setting out principles for how business shall be conducted. These apply to all group entities. The Norske Skog governance regime is approved by the board of directors of Norske Skog. Further details are described in the corporate governance section in the annual report and on [www.norskeskog.com](http://www.norskeskog.com).

## SUSTAINABILITY

Norske Skog is committed to contribute to sustainable development and supports the ten principles in the UN Global Compact and support the work to develop a global standard for reporting of sustainable development. We therefore use the Global Reporting Initiative's (GRI) Standards for reporting relating to sustainability as a tool in our work to report environmental and corporate responsibility. Our reporting practice is, in our view, for all practical purposes in line with the GRI Standards reporting principles.

The UN Sustainable Development Goals (SDG) are an integral part of our business strategy. Norske Skog supports all 17 SDGs but realize that some are more relevant to our business than others. In 2021, the group reviewed the business climate risks and opportunities. The findings were used to define ambitions, target settings for the prioritized SDGs and relate these to the already determined strategic choices of the group. The purpose of the assignment was to align the corporate strategy with a selection of the most relevant of the 17 SDGs. In the process, the entire organisation was involved in prioritizing and setting new ambitions and specific targets for each of the 17 SDGs. Our assessment included input from workshops with representatives from all our mills focusing on which of the SDGs that are the most relevant ones for our operations. We have summarized what the prioritized SDGs mean to us in one sentence: Norske Skog shall create value for people and society in a responsible way, while maintaining a sustainable environment and use of natural resources.

Our attitude and ability to be entrepreneurial, empower each other and behave consistently, define our results in changing and challenging markets. Through reliable, responsible, and sustainable conduct, we will win the trust and

confidence of our stakeholders, both within and outside of Norske Skog. We monitor activities to achieve sustainable products and processes throughout the entire value chain. We continuously strive to maintain our status as the most attractive industry partner for suppliers and customers. The corporate strategy consists of three elements and gives us a well-defined foundation for our work related to the prioritized SDGs:

- Improve and optimise publication paper cash flows
- Become a leading producer of renewable packaging
- Diversify and innovate within fibre and energy

These strategic goals are communicated extensively throughout the organisation, and are well known to external stakeholders, especially the press and investors. To make the new SDG targets relevant for the board, management and the rest of the group, the intention was to align and integrate the 5 prioritized sustainable development goals to the resolved strategic goals already effectuated by the board of directors. The following five sustainable development goals that were selected to be most relevant to the existing strategy:

- **SDG 3:** Good health and well-being
- **SDG 4:** Quality education
- **SDG 9:** Industry innovation and infrastructure
- **SDG 12:** Responsible consumption and production
- **SDG 13:** Climate action

Details of environmental impact of the operations, environmental responsibility and corporate social responsibility are described in the Sustainability report section in the annual report and on [www.norskeskog.com](http://www.norskeskog.com).

## HEALTH AND SAFETY

Norske Skog aims to have zero injuries among employees. All near misses and injuries are reported in our global Health Safety and Environment system. Experiences from every single incident are shared within the entire organisation. Lost-time injuries per million working hours, was 1.9 in 2021 (0.8). Norske Skog had an absence rate due to sickness of 4.2% in 2021 (4.3%).

## EMPLOYEES, GENDER EQUALITY, GENDER BALANCE AND DIVERSITY

The Norske Skog group had 2 092 employees at year end 2021 (2 332). The paper industry has traditionally had few female employees. At Norske Skog, the share of female employees, around 12%, is a slight increase from the 10% level it has been for many years. Given the low share of female employees, particularly at the mills, there is high focus when recruiting to increase the number of female operators. The board of directors consists of three members, two men and one woman. Norske Skog is working to encourage the Norwegian Discrimination Act's objective within our business. This includes activities to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin color, language, religion and faith.

## RESEARCH AND DEVELOPMENT

Norske Skog's research and development work is performed at the individual business units and in cooperation with other external companies and/or external research institutions. There is a continued focus on evolution of paper products and new innovative green alternatives to replace existing materials and substances that in many cases are based on petrochemical products. Investments into projects for alternative use of fibre and development of bio-chemicals are being made in the form of pilot or demonstration plants that, if successful, can contribute to growth when commercialised.

Norske Skog has developed bio-based products at the Norske Skog Saugbrugs in Halden since 2005, with particular focus on both nanocellulose (CEBINA) and bio composites (CEBICO). Significant progress has been made for both products over the last year and Norske Skog have realised commercial sales and proof-of-concept for its CEBINA product.

High testing activities for CEBINA, with customers and partners, have shown promising results for new applications in water-based paint, composites and epoxy systems.

CEBINA is suitable in most water-and solvent free applications like adhesives, flooring and putties, and provides advantages in efficiency and health. In epoxy systems, demonstrations in putty and spray filler have shown great potential in tests with customers.

Norske Skog Saugbrugs has in 2021 carried out an investment study for a new demonstration plant to upscale production of CEBINA for epoxy and coating systems.

In December 2021 a new milestone at Norske Skog Saugbrugs was achieved when the commissioning of the CEBICO demonstration plant was finalised and the plant was started up. Several years of development work lead to a grant support of 15 million NOK from Innovation Norway for the investment in this new technology.

With a capacity of 300 tonnes per year, the demonstration plant will verify the up-scaled production process and provide larger product volumes for customer testing in new applications.

The CEBICO product is a wood fibre and thermoplastics ("plastics") composite material and can be based on recycled, virgin and biobased plastics. The wood fibre is thermomechanical pulp ("TMP"), produced at Norske Skog Saugbrugs. CEBICO can be used for standard injection moulding and pipe extrusion to produce furniture, transportation boxes, automotive parts, drainpipes etc.

## GOING CONCERN

In accordance with the provisions in the Norwegian Accounting Act, the board of directors has assessed the going concern assumption as basis for preparing and presenting the financial statements. At 31 December 2021 the equity of the company is NOK 3.1 billion, giving an equity ratio of approximately 34%. Based on the results for the company and group for 2021, the solidity and available liquidity, the board of directors confirms that the assumption applies and that the financial statements have been prepared on a going concern basis.

## OUTLOOK FOR 2022

Although the publication market and demand have levelled out in 2021 it is expected that there will be a structural decline in the coming years. However, in the near to medium term, due to the significant capacity closures completed and the further closures that have been announced, the market is expected to remain balanced.

Energy and raw material markets remain highly volatile and uncertain into 2022. The unprecedented increases for the largest input factors, particularly energy, do not show signs of being alleviated any time soon. The continued high prices for energy, recovered paper and other input costs into 2022 have resulted in further necessary publication paper price increases for all grades in Europe.



The significant capacity closures and conversion to packaging paper in the industry have positively impacted the market balance for publication paper. Additional capacity closures have been announced for 2022 and 2023. Operating rates are expected to remain high for the industry well into 2022.

The waste-to-energy facility at Norske Skog Bruck is in the commissioning phase and is expected to reach full operations in the second quarter of 2022. Once fully operational, the facility will substantially reduce gas consumption and thus CO<sub>2</sub> emissions for the Norske Skog Bruck site.

Preparatory groundwork for converting two newsprint machines into recycled container board production at both Norske Skog Bruck and Norske Skog Golbey is underway and will progress during 2022. Production of packaging paper is expected to start at Norske Skog Bruck in the fourth quarter of 2022, and at Norske Skog Golbey in the fourth quarter of 2023.

Norske Skog will continue its strategic review of the operations in Australia following the closure of the Norske Skog Tasman mill and the sale of the Nature's Flame pellets facility in New Zealand. Norske Skog Boyer is the only publication paper producer in the region. Further opportunities to realise values related to the Norske Skog Boyer industrial site will be reviewed.

Norske Skog will continue to develop business opportunities for CEBINA and CEBICO. This includes to evaluate a potential capacity increase for CEBICO beyond the existing 300 tonnes annual pilot-scale capacity. The pilot facility will enable production and delivery of larger test volumes.

In February 2022 Norske Skog Saugbrugs, together with its research and industry partners, was granted NOK 60 million in research funding from the Research Council of Norway and Innovation Norway under the Green Platform Program. The portfolio of products to be developed aims to remove or greatly reduce the use of petroleum-based raw materials and harmful materials, as well as to contribute to increased recycling of plastics.

The invasion of Ukraine by Russia at the end of February has created further uncertainty in the markets and particularly energy market which is important for Norske Skog. Norske Skog has no operations or sales to the impacted regions but there is an inherent uncertainty on any impact on operations during 2022.

#### **NORSKE SKOG ASA (THE PARENT COMPANY)**

The parent company, Norske Skog ASA, is incorporated in Norway and has its head office at Skøyen in Oslo. The activities of Norske Skog ASA consist of

holding shares in the operating companies and conducting the head office functions of the Norske Skog group. At 31 December 2021 the company had 30 employees.

Operating revenue NOK 95 million (NOK 91 million) is primarily from the services provided within the group. Employee benefit expenses NOK 82 million (NOK 87 million) and other operating expenses NOK 50 million (NOK 58 million) are related to the head office functions. Net financial items amounted to NOK -11 million (NOK -630 million) reflecting unrealised currency gain offsetting net financial items. The loss for the year for Norske Skog ASA was NOK 80 million in 2021 (NOK -697 million).

Net cash flow from operating activities was NOK -77 million (NOK -153 million). Total assets were NOK 6.3 billion at 31 December 2021 (NOK 5.4 billion) the increase mainly due to increase in cash and cash equivalents.

Total non-current assets were NOK 4.8 billion at 31 December 2021 (NOK 4.4 billion). Total non-current liabilities were NOK 1.5 billion at 31 December 2021 (NOK 1.3 billion) while current liabilities increased to NOK 1.4 billion from NOK 1.0 billion. Equity was NOK 3.4 billion at 31 December 2021 (NOK 3.1 billion). The increase is due to new paid-in capital of approximately NOK 400 million during the year.

Lost-time injuries per million working hours, was 0 in 2021 (0) in Norske Skog ASA. The company had an absence rate due to sickness of 0.8% in 2021 (2.0%).

The risk factors described for the group are also relevant for the parent company. Furthermore, Norske Skog ASA is also exposed to the risks of funding from the cash generating operations not being available for the company when required, whether by way of intragroup loans or other capital transactions such as dividend payments.

The total number of shareholders was 7 615 at 31 December 2021 (5 322).

#### **PROFIT/LOSS ALLOCATION**

The loss for the year for Norske Skog ASA (the parent company) in 2021 was NOK 80 million (loss of NOK 697 million). The loss for the year was allocated to retained earnings.

#### **DIVIDEND PROPOSAL**

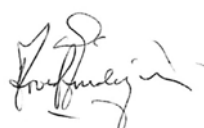
For the financial year 2021, the board of directors has not proposed that the annual general meeting approves payment of dividend.

SKØYEN, 29 MARCH 2022

THE BOARD OF DIRECTORS OF NORSKE SKOG ASA



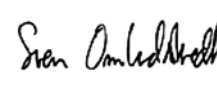
John Chiang  
Chair



Arvid Grundekjøn  
Board member



Trine-Marie Hagen  
Board member



Sven Ombudstvedt  
CEO



Photo: Carsten Dybevig

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED FINANCIAL STATEMENTS

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## CONSOLIDATED INCOME STATEMENT

| NOK MILLION                                  | NOTE | 2021          | 2020          |
|--|------|---------------|---------------|
| Operating revenue                            | 5    | 9 848         | 9 173         |
| Other operating income                       | 6    | 466           | 439           |
| <b>Total operating income</b>                |      | <b>10 315</b> | <b>9 612</b>  |
| Distribution costs                           |      | -1 187        | -1 159        |
| Cost of materials                            |      | -6 055        | -5 093        |
| Employee benefit expenses                    | 7    | -1 723        | -1 760        |
| Other operating expenses                     | 8    | -687          | -865          |
| Restructuring expenses                       | 21   | -192          | -75           |
| Depreciation                                 | 14   | -433          | -438          |
| Impairments                                  | 14   | 22            | -451          |
| Derivatives and other fair value adjustments | 9    | -218          | -1 112        |
| <b>Total operating expenses</b>              |      | <b>10 474</b> | <b>10 952</b> |
| <b>Operating earnings</b>                    | 5    | <b>-160</b>   | <b>-1 339</b> |
| Share of profit in associated companies      | 10   | -18           | -10           |
| Financial income                             | 11   | 5             | 6             |
| Financial expenses                           | 11   | -200          | -170          |
| Gains/(losses) on foreign currency           | 11   | 78            | -185          |
| <b>Profit/(loss) before income taxes</b>     |      | <b>-295</b>   | <b>-1 698</b> |
| Income taxes                                 | 12   | -68           | -186          |
| <b>Profit/(loss) after tax</b>               |      | <b>-363</b>   | <b>-1 884</b> |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| NOK MILLION  | NOTE | 2021        | 2020          |
|--|------|-------------|---------------|
| <b>Profit/(loss) after taxes</b>   |      | <b>-363</b> | <b>-1 884</b> |
| <b>Items that may be reclassified subsequently to profit or loss</b>       |      |             |               |
| Currency translation differences   |      | -122        | 183           |
| Reclassified translation differences upon divestment of foreign operations |      | 0           | -62           |
| Tax expense on translation differences                                     |      | 0           | -4            |
| <b>Total</b>   |      | <b>-122</b> | <b>117</b>    |
| <b>Items that will not be reclassified subsequently to profit or loss</b>  |      |             |               |
| Remeasurements of post employment benefit obligations                      |      | 14          | 11            |
| Tax effect on remeasurements of post employment benefit obligations        |      | -2          | -2            |
| <b>Total</b>   |      | <b>12</b>   | <b>9</b>      |
| <b>Other comprehensive income</b>  |      | <b>-110</b> | <b>126</b>    |
| <b>Total comprehensive income</b>  |      | <b>-473</b> | <b>-1 758</b> |
| Basic earnings per share (NOK)   | 13   | -3.90       | -22.84        |
| Diluted earnings per share (NOK)   | 13   | -3.90       | -22.84        |

## CONSOLIDATED BALANCE SHEET

| NOK MILLION                              | NOTE   | 31.12.2021   | 31.12.2020   |
|--|--------|--------------|--------------|
| <b>Assets</b>                            |        |              |              |
| Intangible assets                        | 14     | 21           | 55           |
| Property, plant and equipment            | 5, 14  | 4 103        | 3 586        |
| Investment in associated companies       | 10     | 108          | 43           |
| Other non-current assets                 | 19, 23 | 305          | 401          |
| <b>Total non-current assets</b>          |        | <b>4 538</b> | <b>4 084</b> |
| Inventories                              | 5, 23  | 1 203        | 1 194        |
| Trade and other receivables              | 5, 19  | 1 411        | 1 288        |
| Other current assets                     | 23     | 484          | 241          |
| Cash and cash equivalents                | 4      | 1 489        | 980          |
| <b>Total current assets</b>              |        | <b>4 587</b> | <b>3 703</b> |
| <b>Total assets</b>                      |        | <b>9 125</b> | <b>7 787</b> |
| <b>Equity and liabilities</b>            |        |              |              |
| Paid-in equity                           |        | 8 898        | 8 510        |
| Retained earnings and other reserves     |        | -5 765       | -5 292       |
| <b>Total equity</b>                      |        | <b>3 133</b> | <b>3 219</b> |
| Employee benefit obligations             | 20     | 312          | 297          |
| Deferred tax liability                   | 12     | 260          | 308          |
| Interest-bearing non-current liabilities | 22, 23 | 2 356        | 1 613        |
| Other non-current liabilities            | 23     | 463          | 277          |
| <b>Total non-current liabilities</b>     |        | <b>3 391</b> | <b>2 496</b> |
| Trade and other payables                 | 23     | 1 941        | 1 728        |
| Tax payable                              | 12     | 50           | 54           |
| Interest-bearing current liabilities     | 22, 23 | 187          | 92           |
| Other current liabilities                | 23     | 422          | 199          |
| Total current liabilities                |        | 2 600        | 2 073        |
| <b>Total liabilities</b>                 |        | <b>5 991</b> | <b>4 568</b> |
| <b>Total equity and liabilities</b>      |        | <b>9 125</b> | <b>7 787</b> |

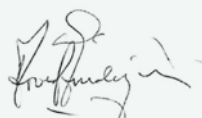
SKØYEN, 29 MARCH 2022

THE BOARD OF DIRECTORS OF NORSKE SKOG ASA



John Chiang

Chair



Arvid Grundekjøn

Board member



Trine-Marie Hagen

Board member



Sven Ombudstvedt

CEO

**CONSOLIDATED STATEMENT OF CASH FLOWS**

| NOK MILLION  | NOTE     | 2021         | 2020        |
|--|----------|--------------|-------------|
| Cash generated from operations   | 5        | 10 003       | 9 617       |
| Cash used in operations  |          | -9 564       | -8 786      |
| Cash flow from currency hedges and financial items                                       |          | -39          | -77         |
| Interest payments received   | 11       | 4            | 5           |
| Interest payments made   | 11       | -107         | -109        |
| Taxes paid   |          | -106         | -102        |
| <b>Net cash flow from operating activities <sup>2)</sup></b>                             | <b>5</b> | <b>191</b>   | <b>549</b>  |
| Purchases of property, plant and equipment and intangible assets                         | 5, 14    | -1 021       | -632        |
| Sales of property, plant and equipment and intangible assets                             | 14       | 17           | 933         |
| Purchase of shares in companies and other financial payments                             |          | -95          | -79         |
| Sales of shares in companies and other financial instruments                             |          | 207          | 80          |
| <b>Net cash flow from investing activities</b>   |          | <b>-891</b>  | <b>302</b>  |
| New loans raised   | 22       | 1 202        | 472         |
| Repayments of loans  | 22       | -383         | -811        |
| Dividends paid   |          | 0            | -516        |
| New paid-in equity   |          | 388          | 0           |
| <b>Net cash flow from financing activities</b>   |          | <b>1 207</b> | <b>-855</b> |
| Foreign currency effects on cash and cash equivalents                                    |          | 2            | 16          |
| <b>Total change in cash and cash equivalents</b>   |          | <b>509</b>   | <b>11</b>   |
| Cash and cash equivalents at start of period   |          | 980          | 970         |
| Cash and cash equivalents at end of period   |          | 1 489        | 980         |
| <b><sup>2)</sup> Reconciliation of net cash flow from operating activities</b>           |          |              |             |
| Profit/(loss) before income taxes  |          | -295         | -1 698      |
| Change in working capital  |          | 57           | 393         |
| Change in restructuring provisions   | 21       | -28          | 6           |
| Depreciation and impairments   | 14       | 411          | 888         |
| Derivatives and other fair value adjustments   | 9        | 223          | 1 055       |
| Gain and losses from divestment of business activities and property, plant and equipment |          | -16          | -153        |
| Net financial items without cash effect  |          | -7           | 179         |
| Taxes paid   |          | -106         | -102        |
| Change in pension obligations and other employee benefits                                |          | -13          | -7          |
| Adjustment for other items   |          | -37          | -12         |
| <b>Net cash flow from operating activities</b>   |          | <b>191</b>   | <b>549</b>  |

**CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY**

| NOK MILLION                            | PAID-IN-EQUITY <sup>1)</sup> | OTHER PAID-IN EQUITY <sup>2)</sup> | RETAINED EARNINGS | TOTAL EQUITY |
|--|------------------------------|------------------------------------|-------------------|--------------|
| <b>Equity 1 January 2020</b>           | <b>6 261</b>                 | <b>2 249</b>                       | <b>-3 018</b>     | <b>5 493</b> |
| Profit/(loss) after tax                | 0                            | 0                                  | -1 884            | -1 884       |
| Other comprehensive income             | 0                            | 0                                  | 126               | 126          |
| Dividends paid                         | 0                            | 0                                  | -516              | -516         |
| <b>Equity 31 December 2020</b>         | <b>6 261</b>                 | <b>2 249</b>                       | <b>-5 292</b>     | <b>3 219</b> |
| Change in paid-in equity <sup>3)</sup> | 388                          | 0                                  | 0                 | 388          |
| Profit/(loss) after tax                | 0                            | 0                                  | -363              | -363         |
| Other comprehensive income             | 0                            | 0                                  | -110              | -110         |
| <b>Equity 31 December 2021</b>         | <b>6 649</b>                 | <b>2 249</b>                       | <b>-5 765</b>     | <b>3 133</b> |

<sup>1)</sup> Paid-in equity consist of share capital NOK 377 million (94 264 705 shares with a nominal value of NOK 4.00) and share premium of NOK 6 272 million.

<sup>2)</sup> Other paid-in equity arises from a de-recognition of debt in 2018.

<sup>3)</sup> Increase of paid-in-equity in February 2021 by issuing 11 764 705 new shares. The increase consisted of increase in share capital of NOK 47 million and increase in share premium of NOK 341 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. General information

Norske Skog ASA (“the company”) and its subsidiaries (“the group”) is a world leading producer of publication paper with strong market positions in Europe and Australasia. Publication paper includes newsprint and magazine paper. Norske Skog operates five mills in four countries. Norske Skog has an annual publication paper production capacity of 2.1 million tonnes. Four of the mills are in Europe and one in Australia. Newsprint and magazine paper are sold through sales offices and agents to over 80 countries. The group has approximately 2 100 employees. Of the four mills in Europe two will also produce recycled containerboard following conversion projects. In addition to the traditional publication paper business, Norske Skog aims to further diversify its operations and continue its transformation into a growing and high margin business through a range of exciting fibre projects.

The parent company, Norske Skog ASA, is incorporated in Norway and has its head office at Skøyen in Oslo. The company is listed on Oslo Stock Exchange with the ticker NSKOG.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRIC), as adopted by the European Union (EU). The consolidated financial statements are presented in English only. All amounts are presented in NOK million unless otherwise stated. There may be some small differences in the summation of columns and rows due to rounding. The corresponding amounts for prior year in parenthesis. The consolidated financial statements were authorised for issue by the board of directors in Norske Skog ASA on 29 March 2022.

The table below shows the average monthly foreign exchange rates applied in the income statement and the closing exchange rates applied in the balance sheet for the most important currencies for the group.

|     | Income statement |       | Balance sheet |            |
|-----|------------------|-------|---------------|------------|
|     | 2021             | 2020  | 31.12.2021    | 31.12.2020 |
| AUD | 6.45             | 6.48  | 6.40          | 6.59       |
| EUR | 10.16            | 10.73 | 9.99          | 10.47      |
| GBP | 11.82            | 12.06 | 11.89         | 11.65      |
| NZD | 6.08             | 6.11  | 6.03          | 6.16       |
| USD | 8.59             | 9.41  | 8.82          | 8.53       |

## 2. Accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements of Norske Skog ASA are set out below. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of biological assets, available-for-sale financial assets and financial assets at fair value through profit or loss. The policies have been consistently applied to all periods presented, unless otherwise stated. They have been prepared under the assumption of going concern.

### CONSOLIDATION

#### a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Norske Skog ASA and its subsidiaries as at 31 December 2021. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if, and only if, the group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The group’s voting rights and potential voting rights

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the group gains control until the date the group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.



**b) Associates**

Associates are all entities over which the group exercises significant influence but not control, generally accompanying a shareholding of 20% to 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. The investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The group's share of post-acquisition profit or loss is recognised in the income statement as share of profit in associated companies and is assigned to the carrying value of the investment, together with the group's share of other comprehensive income in the associated company. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses resulting from transactions between the group and its associates are recognised in the consolidated financial statements only to the extent of unrelated investors' interests in the associates.

At each reporting date, the group determines whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the amount as share of profit in associated companies.

**SEGMENT REPORTING****Reportable segments**

The activities in the group are divided into two operating segments: publication paper Europe and publication paper Australasia. The segment structure is in line with the group's operating model. The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources, making strategic decisions and assessing performance of the group's mills, has been identified as corporate management. Activities that are not part of the operating segments are included in other activities.

**Accounting policies applied in the segment reporting**

Recognition, measurement and classification applied in the segment reporting are consistent with the accounting principles applied for the consolidated income statement and balance sheet and the internal management reporting.

**Performance measurement**

The group assesses the performance of the operating segments based on a measure of EBITDA. These items exclude the effects of expenditure not deemed to be part of the regular operating activities of the segment, such as restructuring expenses, impairments, changes in fair value of certain energy contracts, embedded derivatives in energy contracts and value change of biological assets. See Alternative Performance Measures (APM) for further information related to performance measurement other than financial measure defined or specific in the applicable financial reporting framework (IFRS).

**Intercompany transactions**

The revenue reported per operating segment includes both sales to external parties and sales to other segments. Intra-segment sales are eliminated in the consolidated financial statements. All sales transactions between operating segments are carried out at arm's length prices as if sold or transferred to independent third parties.

**FOREIGN CURRENCY TRANSLATION****a) Functional and presentational currency**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic location in which the entity operates (the "functional currency"). The consolidated financial

statements are presented in NOK, which is both the functional and presentational currency of the parent company.

**b) Transactions and balances**

Foreign currency transactions are translated into the entity's functional currency using the exchange rate prevailing on the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Exchange differences arising from the settlement of trade receivables/payables and unrealised gains/losses on the same positions are recognised in operating revenue/cost of materials respectively. Exchange differences arising from the settlement of other items are recognised within financial income/financial expenses.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within financial income/financial expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

**c) Group companies**

The results and financial position of all group entities which have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- ii. Income and expenses for each income statement are translated at average exchange rates on monthly basis,
- iii. All resulting exchange differences are booked to comprehensive income

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are booked as part of comprehensive income. When a foreign operation is derecognized, such exchange differences are booked out of comprehensive income and recognised in the income statement line other operating income.

Other operating expenses as part of the gain or loss of the transaction.

**PROPERTY, PLANT AND EQUIPMENT**

Land and buildings comprise mainly mills, machinery and office premises. All property, plant and equipment (PPE) is shown at historical cost less subsequent depreciation and impairments. Historical cost includes expenditure directly attributable to the acquisition of the items. The residual value of production equipment is defined as the realisable value after deduction of the estimated cost of dismantling and removal of the asset. If the estimated cost exceeds the estimated value, the net liability is added to the cost of the related asset, and a provision is recognised as a liability in the balance sheet.

Borrowing costs, which are directly related to qualifying assets, are recognised as part of the acquisition cost for the qualifying asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to the

income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives.

The residual value and useful life of property, plant and equipment are reviewed and adjusted. Review of impairment indicators are performed regularly, and if impairment indicators are identified an impairment test of property plant and equipment for the CGU in question is performed. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and is included in the income statement line other operating income/other operating expenses.

## INTANGIBLE ASSETS

### a) Patents and licenses

Patents and licenses have a finite useful life and are recognised at historical cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patents and licences over their estimated useful lives.

### b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire the specific software and bring it into use and amortised over their estimated useful lives. Costs associated with maintaining computer software are recognised as an expense as they are incurred. Costs which are directly associated with the development of identifiable and unique software products controlled by the group, and which are likely to generate economic benefits exceeding the costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development personnel and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives.

## IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets, which have an indefinite useful life, are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which cash flows are separately identifiable (cash-generating units). At each balance sheet date, the possibility of reversing impairment losses in prior periods is evaluated for non-financial assets other than goodwill.

## NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

## FINANCIAL ASSETS

The group classifies its financial assets in the following three categories: at fair value through profit or loss, at amortised cost, and at fair value through other comprehensive income. This classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The group has an expected credit loss model for trade receivables, whereby expected credit losses are recognized based on ageing categories of trade receivables that includes all receivables. Norske Skog has historically low levels of realised bad debts in trade receivables.

### a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if it was acquired principally for the purpose of short-term sale or if so designated by management. Derivatives are also categorised as held for trading unless designated as hedges. Assets in this category are classified as current assets if they either are held for trading or are expected to be realised within 12 months of the balance sheet date.

Non-financial commodity contracts where the relevant commodity is readily convertible to cash, and where the contracts are not for own use, fall within the scope of IFRS 9 and such contracts are treated as derivatives. Embedded derivatives are separated from the host contract and accounted for as a derivative if the economic characteristics are not closely related to the economic characteristics and risk of the host contract. See Notes 4, 17 and 18 for more information. Commodity contracts within the scope of IFRS 9 are classified as current assets, unless they are expected to be realised more than 12 months after the balance sheet date. In that case, they are classified as non-current assets.

### b) Amortised cost

Amortised cost includes cash, loans and receivables, and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Items classified as amortised cost are current items maturing less than 12 months after the balance sheet date and are presented as Trade and other receivables or Cash and cash equivalents in the balance sheet. Items maturing later than 12 months after the balance sheet date are presented within Other non-current assets.

### c) Fair value through other comprehensive income

Investments in other shares not held for trading purpose are classified as fair value through other comprehensive income. For the group's investments in other shares, there are no active market. Fair value for these investments is determined applying valuation techniques in according to level three in the valuation hierarchy.

## DERIVATIVES AND HEDGE ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of any of these derivative instruments are recognised in the income statement. The group has selected to not designate any financial instruments for hedge accounting.

The fair value of quoted investments is based on the current market price. If the market for a financial asset is not active, the group applies valuation techniques to establish the fair value. These include the use of recent arm's length transactions, reference to other instruments which are substantially the same, and discounted cash flow analyses defined to reflect the issuer's specific circumstances. Fair value includes the impact of credit risk and the adjustment for credit risk is dependent on whether the derivative is in the money (asset) or out of the money (liability). Credit value adjustment is

applied to assets positions based on credit risk associated with the counterparty. Debit value adjustment is applied to liability positions, based on the groups own credit risk.

#### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Drawn bank overdrafts are shown as Interest-bearing current liabilities in the balance sheet.

#### **TRADE RECEIVABLES**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are initially recognised at invoiced amount and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The impairment model for financial assets under IFRS 9 require recognition of doubtful receivables allowances based on expected credit losses. The group has an expected credit loss model for trade receivables, whereby expected credit losses are recognized based on ageing categories of trade receivables that includes all receivables.

#### **INVENTORY**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average cost. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### **TRADE PAYABLES**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **PROVISIONS**

Provisions for environmental restoration, dismantling costs, restructuring activities and legal claims are recognised when the group has a present legal or constructive obligation as a result of past events, an outflow of resources is more likely than not to be required to settle the obligation and the amount can be reliably estimated.

Restructuring costs are costs which are not related to the ongoing operations. This includes for example severance (redundancy) payments, early retirement or other arrangements for employees leaving the company, external costs to lawyers and legal advisors in relation to the restructuring process, lease termination costs and onerous contracts.

Salary which is earned while the employee contributes to the ongoing operations is not classified as restructuring costs. This includes for example salary in the notice period when the employee is working during the notice period, or bonuses earned whilst the employee contributes to the normal operations. These are booked as normal employee benefit expenses. Costs for projects related to improvements are generally ordinary operating costs.

Where a number of similar obligations exist, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the best estimate of the expenditure required to settle the present obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks

specific to the obligation. The increase in the provision due to passage of time is recognised within financial items.

#### **CURRENT AND DEFERRED INCOME TAX**

The group's income tax expense includes current tax based on taxable profit for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the carrying amount of assets and liabilities in the consolidated financial statements and their tax bases.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax assets are offset against deferred tax liabilities when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set-off current tax assets against current deferred tax liabilities.

#### **PENSION OBLIGATIONS, BONUS ARRANGEMENTS AND OTHER EMPLOYEE BENEFITS**

##### **a) Pension obligations**

Group companies operate various pension schemes. These are generally funded through payments to insurance companies, as determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds which are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating to the terms of the related pension liability, or alternatively a government bond interest rate if such bonds do not exist.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. These contributions are made to publicly- or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been made. These contributions are recognised as an employee benefit expense in the period the contribution is related to. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### **b) Other employee benefit obligations**

Group companies operate various other employee benefit schemes.

Other employee benefits are future benefits that the employees have earned in return for their service in current and prior periods.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The obligations are classified as non-current during the period they are being earned, and are for some of the plans reclassified to current when the employees have completed the required period of service and the group does not have an unconditional right to defer settlement for these obligations.

**c) Share-based remuneration**

Norske Skog has a long-term incentives programme (LTI) which falls within the scope of IFRS 2 Share-based payments. A share-based payment transaction is a transaction in which the company receives services from the employee of those services in a share-based payment arrangement. A cash-settled share-based payment transaction is a share-based payment transaction in which the entity acquires services by incurring a liability to transfer cash to the employee of those services for amounts that are based on the price of the shares in the company. IFRS 2 applies not only to awards of shares but also to awards of cash of a value equivalent to the value, or a movement in the value, of a particular number of shares, which is the case for the long-term incentive plan. The ultimate cost of a cash-settled share-based transaction is the actual cash paid to the counterparty, which will be the fair value at settlement date.

The periodic determination of this liability is at each reporting date between grant and settlement the fair value of the award. The fair value of the award is determined in accordance with the specific requirements in IFRS 2. During the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period. All changes in the liability are recognised in profit or loss for the period. The fair value of the liability is determined by applying an option pricing model, considering the terms and conditions on which the cash-settled transaction was granted, and the extent to which the employees have rendered services to date.

**d) Bonus arrangements**

The group accrues for bonus arrangements when there exists a contractual obligation, or past practice has created a constructive obligation.

**e) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

**BORROWINGS**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between fair value of proceeds (net of transaction costs) and redemption value is recognised in the income statement over the period of the borrowing, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity

services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities, unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Interest costs are recognised in profit or loss in the period in which they are incurred.

**DERECOGNITION**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as part of the gain or loss in the income statement.

**PAID-IN-EQUITY**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners as treasury shares until the shares are cancelled or reissued.

**REVENUE RECOGNITION**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services.

Revenues in the group consists almost exclusively of the sale of goods. In practical terms, the timing of revenue recognition is based on the delivery terms for the different markets and customers, and where revenue is recognised at point in time. It is important to make sure that all performance obligations are fulfilled, and the customer can benefit on its own. If the customer cannot obtain control of the good or service, the revenue cannot be recognised.

Norske Skog's terms of delivery are based on Incoterms 2010, which are the official rules for the interpretation of trade terms issued by the International Chamber of Commerce. The timing of revenue recognition is largely dependent on these delivery terms:

- D-terms, where the group delivers the goods to the purchaser at the agreed destination, usually the purchaser's premises. The point of sale is when the goods are delivered to the purchaser. If the customer is invoiced before delivery of the goods purchased, revenue is only recognized if the customer has taken over a significant part of the gain and loss potential relating to the goods.
- C-terms, where the group arranges and pays for the external transport of the goods, but the group no longer bears any responsibility for the goods once they have been handed over to the transporter in accordance with the terms of the contract. The point of sale is when the goods are handed over to the transporter contracted by the seller.
- F-terms, where the purchaser arranges and pays for the transport. The point of sale is when the goods are handed over to the transporter contracted by the purchaser.

Norske Skog may deliver a product to another party, such as a dealer or retailer, for sale to end customers. In these circumstances, the company is required to assess whether the other party has obtained control of the

product. If the other party has not obtained control, the product may be held in a consignment arrangement. In such case, the company does not recognise the revenue until the product is controlled by the end customer.

Variable considerations normally, include volume discounts, rebates, refunds, and similar items. Variable considerations are only included in the transaction price if it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

#### **DIVIDEND INCOME**

Dividend income is recognised when the right to receive payment is established, which is generally when the shareholders approve the dividend.

#### **INTEREST INCOME**

Interest income is recognised using the effective interest method. This is the interest rate that gives a net present value of the cash flows from the loan that is equal to carrying value.

#### **GOVERNMENT GRANTS**

Government grants are recognised as income or as a cost reduction, dependent on the basis for which the government grant has been awarded. Recognition will be on a systematic basis over the period they have been granted for, or on a systematic basis to the costs that they are intended to compensate for. CO<sub>2</sub> compensation is recognized as a reduction of energy cost as the element of energy cost it compensates is consumed and incurred. Government grants in the form of compensation for losses which have already been incurred, or in the form of direct financial support, which is not directly related to future costs, are recognised as income in the same period as they are awarded.

Government grants related to assets are presented in the balance sheet as deferred income or as a reduction of the cost price of the assets the grant relates to. The grant is then recognised in the income statement either through future periodic income recognition or as a future reduction in the depreciation charge.

#### **LEASES**

Norske Skog recognises a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). Exceptions for short term leases and low value leases have been adapted by the group. At initial recognition the right-of-use assets is measured at an amount equal to the lease liability. Norske Skog separately recognises the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease, if available, or the group's incremental borrowing rate. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. Other variable lease payments are expensed in the period to which they relate.

#### **NEW AND AMENDED INTERPRETATION AND STANDARDS ADOPTED BY THE GROUP**

##### **a) New standards effective from 1 January 2021**

Changes in standards and interpretations during 2021 has not had any material impact on Norske Skog's financial reporting.

##### **b) New standards, interpretations and amendments not yet effective**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early.

The group does not expect the standards issued, but not yet effective, to have a material impact on the group's financial reporting.

### **3. Accounting estimates and assumptions**

#### **IMPORTANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of consolidated financial statements in conformity with IFRS requires the use of accounting estimates and assumptions for the future. It also requires management to exercise its judgment in the process of applying the group's accounting policies. Estimates and assumptions, which represent a significant risk of a material adjustment in the carrying amount of assets and liabilities during the coming financial year, are discussed below.

##### **a) Fair value of derivatives and other financial instruments**

Norske Skog's portfolio of energy contracts consists mainly of physical energy contracts of which some contain embedded derivatives. The fair value of embedded derivatives in physical contracts is influenced by price index fluctuations.

Norske Skog has energy contracts in Norway that does not fulfil the criteria for use of the "own use exemption". Therefore, the contracts in whole are treated as financial derivatives in the scope of IFRS 9 and measured at fair value through profit or loss. The fair value of the contracts will vary in dependent on the market price for energy in Norway.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses its judgment to select methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. See Note 17 and Note 9 for more information.

##### **b) Recoverable amount of intangible assets and property, plant and equipment (PPE)**

The group performs impairment tests to assess whether there has been a decline in the value of intangible assets and PPE if there are impairment indicators present. These are written down to their recoverable amount when the recoverable amount is lower than the carrying value of the asset. The recoverable amount from assets or cash-generating units is determined by calculating the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Calculation of value in use requires use of estimates. See Note 14 for further information.

##### **c) Annual assessment of the remaining economic life of PPE**

The group conducts annual reviews of the remaining economic life of PPE. An increase or decrease in the remaining economic life will have an impact on future depreciation, as well as affect the cash flow horizon for calculating value in use. Economic life is estimated by considering the expected usage, physical wear and tear, as well as technical and commercial development. Assessment of future developments in demand in the markets Norske Skog's products are sold is central to the assessment of the economic life of the group's mills. Expected future demand, together with the competitiveness of Norske Skog's mills, is crucial for the determination of economic life. In addition, legal or other restrictions relating to usage could affect the economic life of the mills in the group.

### **4. Financial risk**

#### **FINANCIAL RISK MANAGEMENT**

The main risk exposures for the group are linked to uncertainty to price and volume developments for publication paper and the costs of key input factors such as energy and fibre. Weaker demand than expected for the group's products can affect profitability and associated cash flows in a negative way. The group operates in a multicurrency environment, where the main currencies

of importance for the business are EUR, GBP, USD, AUD and NZD. Currency movements between these currencies, as well as against NOK, may influence demand as well as prices and costs of key input factors. Liquidity is ensured by maintaining sufficient cash balances and open credit lines linked to accounts receivables facilities. Norske Skog continuously assess the most competitive funding sources for the group.

Uncertainty about future changes in the broader economic climate development and more adverse developments than expected may influence all of the above. The aforementioned risks may all affect future results. The factors are an inherent uncertainty when the board makes its assessments.

The group has one cash pool for the European entities and the cash pool is legally placed in Norske Skog ASA.

Norske Skog ASA and its subsidiaries is an international group that, through its ongoing business operations, will be exposed to financial risks related to litigation and claims from public authorities and contracting parties as well as assessments from public authorities in each country it operates.

**FINANCIAL RISK FACTORS**

The group is exposed to various financial risk factors through the group’s operating activities, including market risk (interest rate risk, currency risk and commodity risk), liquidity risk and credit risk. The group seeks to minimise losses and volatility on the group’s earnings caused by adverse market movements. Moreover, the group monitors and manages financial risk based on internal policies and standards set forth by corporate management and approved by the board of directors. These written policies provide principles for the overall risk management as well as standards for managing currency risk, interest rate risk, credit risk, liquidity risk and the use of financial derivatives and non-derivative financial instruments.

**MARKET RISK**

**a) Interest rate risk**

The goal of interest rate risk management is to secure the lowest possible interest rate payments over time within acceptable risk limits. This includes having a portfolio of loans in the group with both floating interest and fixed interest rates. The group may also use derivatives to manage the interest rate risk in the group.

| INTEREST-BEARING ASSETS AND LIABILITIES | 31.12.2021 |            |              | 31.12.2020 |            |            |
|---|------------|------------|--------------|------------|------------|------------|
|   | FLOATING   | FIXED      | TOTAL        | FLOATING   | FIXED      | TOTAL      |
| Interest-bearing liabilities            | 1 671      | 872        | 2 543        | 1 268      | 437        | 1 705      |
| Interest-bearing assets                 | -1 489     | 0          | -1 489       | -897       | 0          | -897       |
| <b>Net exposure</b>                     | <b>182</b> | <b>872</b> | <b>1 054</b> | <b>371</b> | <b>437</b> | <b>808</b> |

All amounts presented in the table are notional amounts. Total interest-bearing liabilities will therefore differ from booked amounts due to bond discounts/premiums. Floating rate exposure is calculated without accounting for potential future refinancing.

**Interest rate sensitivity analysis**

In accordance with IFRS 7 Financial instruments - disclosures, an interest rate sensitivity analysis is presented showing the effects of changes in market interest rates on interest costs and interest income, as well as equity where applicable. The analysis is based on the following assumptions:

Floating rate debt is exposed to changes in market interest rates, i.e. the interest costs or interest income associated with such instruments will

fluctuate based on changes in market rates. These changes are accounted for in the sensitivity analysis. The result is based on the assumption that all other factors are kept constant.

Changes in market rates on fixed rate debt will only affect the income statement if they are measured at fair value. Thus, fixed rate instruments recognised at amortised cost will not represent an interest rate risk as defined by IFRS 7. Such instruments will therefore not have any influence on the sensitivity analysis.

Results are presented net of tax, using the Norwegian statutory tax rate of 22%.

The interest rate sensitivity analysis is based on a parallel shift in the yield curve for each relevant currency to which Norske Skog is exposed.

| INTEREST RATE   | NET PROFIT AFTER TAX |      |
|---|----------------------|------|
|   | 2021                 | 2020 |
| 50 basis point downward parallel shift in the yield curve | -3                   | -1   |
| 50 basis point upward parallel shift in the yield curve   | 2                    | 0    |

With a 50 basis point upward change in interest the interest payments will increase with NOK 4 million. The upward change will have no effect on the values of derivatives carried at fair value through profit or loss.

**b) Currency risk**

**Transaction risk - economic hedge**

The group has revenues and expenses in various currencies. The major currencies are NOK, EUR, GBP, USD, AUD and NZD. Transaction risk arises because the group has a different currency split on income and expenses. In 2021 Norske Skog has economic hedged some of its cash flows in foreign currencies. The result of the hedging is included in Net unrealised/realised gains/losses on foreign currency in the income statement. The cash flow hedges resulted in a realised loss of NOK 4 million in 2021 (NOK -76 million). The remaining unrealised hedging contracts is recognised at fair value of NOK -1 million.

**Translation risk - net investment hedge**

The group does not have any net investment hedges.

**Foreign exchange - sensitivity analysis on financial instruments**

The following foreign exchange sensitivity analysis calculates the sensitivity of derivatives and non-derivative financial instruments on net profit and equity, based on a defined appreciation/depreciation of NOK against relevant currencies, keeping all other variables constant. The analysis is based on several assumptions, including:

- Norske Skog as a group comprises entities with different functional currencies. Derivative and non-derivative financial instruments of a monetary nature, denominated in currencies different from the functional currency of the entity, create foreign exchange rate exposure on the consolidated income statement.
- Financial instruments denominated in the functional currency of the entity have no currency risk and will therefore not be applicable to this analysis. Furthermore, the foreign currency exposure of translating financial accounts of subsidiaries into the group’s presentational currency is not part of this analysis.
- Sensitivity on commodity contracts and embedded derivatives is presented separately under “commodity risk”.

- Other currency derivatives that are recognised at fair value through profit and loss will affect the income statement. These effects come mainly from currency derivatives and financial liabilities managed as economic net investment hedges which do not qualify for hedge accounting according to IFRS 9.
- Other non-derivative financial instruments accounted for in the analysis comprise cash and cash equivalents, accounts payable, accounts receivable and borrowings denominated in currencies different from the functional currency of the entity.
- Correlation effects between currencies are not taken into account. Figures are presented net of tax.

| CURRENCIES AGAINST TO WHICH THE GROUP HAS SIGNIFICANT EXPOSURE | GAIN/LOSS FROM 10% APPRECIATION ON FOREIGN CURRENCY EXCHANGE RATES |            |
|--|--|------------|
|  | 31.12.2021   | 31.12.2020 |
| EUR  | -82  | -85        |
| GBP  | 17   | 7          |
| USD  | 14   | 15         |
| Other  | 0  | 0          |
| <b>TOTAL</b>   | <b>-51</b>   | <b>-63</b> |

The effect of the sensitivity analysis on the income statement is mainly caused by foreign exchange gains/losses on the translation of EUR denominated debt for which there is no hedge accounting.

#### c) Commodity risk

A part of the commodity demand is secured through long-term contracts limiting the exposure to changes in commodity prices. Some of the group purchases contracts are defined as financial instruments, or contain embedded derivatives, which fall within the scope of IFRS 9. These financial instruments and embedded derivatives are measured in the balance sheet at fair value with value changes recognised through profit or loss. The embedded derivatives are common in physical commodity contracts and comprise a wide variety of derivative characteristics.

Changes in fair value of commodity contracts reflect unrealised gains or losses and are calculated as the difference between market price and contract price, discounted to present value. Some commodity contracts are bilateral contracts or embedded derivatives in bilateral contracts, for which there exists no active market. Therefore, valuation techniques are used as much as possible, with the use of available market information. Techniques that reflect how the market could be expected to price instruments are used in non-observable markets. The fair value of embedded derivatives in physical contracts depends on currency fluctuations.

#### Sensitivity analysis for commodity contracts

Trading and hedging mandates have been established for energy activity. Financial trading and hedging activities are carried out bilaterally with banks and trading companies.

When calculating fair value of future and forward contracts, cash flows are by principle assumed to occur in the middle of the period. Currency effects arise when contract values nominated in foreign currencies are translated into the reporting currency. Net profit after tax is affected in a non-linear manner due to changes in the fair value of options.

| COMMODITY CONTRACTS WITHIN THE SCOPE OF IFRS 9 | FAIR VALUE | NET PROFIT | NET PROFIT |
|--|------------|------------|------------|
|  |            | AFTER TAX  | AFTER TAX  |
|  | 31.12.2021 | - INCREASE | - DECREASE |
| Energy price change 10%                        | -1         | 262        | -262       |
| Currency change 10%                            | -1         | 0          | 0          |
| Price index change 2.5%                        | -1         | 1          | -1         |

#### Sensitivity analysis for embedded derivatives

Embedded derivatives are common features in physical commodity contracts. The most common embedded derivatives are currency.

| EMBEDDED DERIVATIVES | FAIR VALUE | NET PROFIT | NET PROFIT |
|----------------------|------------|------------|------------|
|                      |            | AFTER TAX  | AFTER TAX  |
|                      | 31.12.2021 | - INCREASE | - DECREASE |
| Currency change 10%  | 0          | -9         | 9          |

#### LIQUIDITY RISK

The group is exposed to liquidity risk in a scenario when the group's cash flow from operating activities is not sufficient to cover payments of financial liabilities. In order to effectively mitigate liquidity risk, Norske Skog's liquidity risk management strategy focuses on maintaining sufficient cash, as well as securing available financing through committed credit facilities. Managing liquidity risk is centralised on a group level.

In order to uncover future liquidity risk, the group forecasts both short- and long-term cash flows. Cash flow forecasts include cash flows from operations, investments, financing activities and financial instruments. The group had cash and cash equivalents of NOK 1 489 million at 31 December 2021 (NOK 980 million). Restricted bank deposits amounted to NOK 85 million at 31 December 2021 (NOK 83 million).

Scheduled repayments in Note 22 shows the contractual maturities of non-derivative financial liabilities. All amounts disclosed in the table are undiscounted cash flows. Furthermore, amounts denominated in foreign currency are translated to NOK using closing rates at 31 December 2021. These amounts consist of trade payables and interest payments. Variable rate interest cash flows are calculated using the forward yield curve. Projected interest payments are based on the maturity schedule at 31 December 2021 without accounting for forecasted refinancing and/or other changes in the liability portfolio. All other cash flows are based on the group's positions held at 31 December 2021.

#### CREDIT RISK

The group makes a credit evaluation of all financial trading counterparties. Based on the evaluation, a limit on credit exposure is established for each counterparty. These limits are monitored continuously in relation to unrealised profit on financial instruments and placements. The maximum credit risk arising from financial instruments is represented by the carrying amount of financial assets in the balance sheet.

The group procedures for credit management of European trade receivables, and the authority to approve credit lines to customers of European business units, are regulated by a policy drafted and maintained by a centralised credit management function at the head office. The operational responsibility to act within the guidelines as set out by this policy lies with each business unit. For operations outside of Europe, customer credit management is handled locally.

## 5. Operating segments

### REPORTABLE SEGMENTS

Norske Skog group is a producer of publication paper. Publication paper includes newsprint and magazine paper. Newsprint encompasses standard newsprint and other paper qualities used in newspapers, inserts, catalogues, etc. These paper qualities, measured in grammes per square meter, will normally be in the range 40-52 g/m<sup>2</sup>. Magazine paper encompasses the paper qualities super calendared (SC) and lightweight coated (LWC). These paper qualities are used in magazines, periodicals, catalogues and brochures.

The activities of the group are focused on two business systems, publication paper Europe and publication paper Australasia. The segment structure is in line with how the group is managed internally. Norske Skog's chief operating decision maker is corporate management, who distribute resources and assess performance of the group's operating segments. Norske Skog has an integrated strategy in Europe and Australasia to maximize the profit in each region. The optimisation is carried out through coordinated sales and operational planning. The regional planning, in combination with structured sales and operational processes, ensures maximisation of profit.

#### Publication paper Europe

The publication paper Europe segment encompasses production and sale of newsprint and magazine paper in Europe. All the four European mills and the regional sales organisation are included in the operating segment publication paper Europe.

#### Publication paper Australasia

The publication paper Australasia segment encompasses production and sale of newsprint and magazine paper in Australasia. The mills in Australasia and the regional sales organisation are included in the operating segment publication paper Australasia. Norske Skog Tasman ceased production at 30 June 2021.

### Other activities

Activities in the group that do not fall into the operating segments publication paper Europe or publication paper Australasia are presented under other activities. This includes corporate functions, green energy, including the pellets operations in New Zealand, and other holding company activities. See Note 25.

Up to 2020 energy (commodity contracts and embedded derivatives in commodity contracts) were included in the segment other activities. From 2021 this is included together with the mill this relates to and is therefor included in segment publication paper Europe or publication paper Australia. The corresponding figures for 2020 has been changed in the table below.

### REVENUE FROM CONTRACTS WITH CUSTOMERS

Total revenues, cash flows and contract balances from contracts with customers has been disaggregated and presented in the segment tables below. Contract with customers are recognized upon satisfaction of a performance obligation by transferring the promised goods to a customer and measured at point in time for the sale of products to the customer. Sale of publication papers and other products are non-interest-bearing receivables, generally on terms of 20-60 days.

### REVENUES AND EXPENSES NOT ALLOCATED TO OPERATING SEGMENTS

Norske Skog manages non-current debt, taxes and cash positions on a group basis. Consequently, financial items and tax expenses are presented only for the group as a whole.

### MAJOR CUSTOMERS

No customer represents 10% or more of the operating revenue.

Norske Skog had a total sales volume of newsprint and magazine paper of 1 952 000 tonnes in 2021, of which sales to the group's largest customer constituted approximately 159 000 tonnes. Total sales volume in 2021 of newsprint and magazine paper to the five largest customers in Europe and Australasia amounted to approximately 294 000 and 218 000 tonnes respectively.



## OPERATING REVENUE AND EXPENSES PER OPERATING SEGMENT

| 2021   | PUBLICATION<br>PAPER EUROPE | PUBLICATION<br>PAPER<br>AUSTRALASIA | OTHER<br>ACTIVITIES | ELIMINATIONS | NORSKE SKOG<br>GROUP |
|--|-----------------------------|-------------------------------------|---------------------|--------------|----------------------|
| Operating revenue                                    | 7 990                       | 1 759                               | 214                 | -115         | 9 848                |
| Other operating income                               | 422                         | 33                                  | 13                  | -3           | 466                  |
| <b>Total operating income</b>                        | <b>8 412</b>                | <b>1 792</b>                        | <b>228</b>          | <b>-117</b>  | <b>10 315</b>        |
| Distribution costs                                   | -937                        | -226                                | -24                 | 0            | -1 187               |
| Cost of materials                                    | -4 986                      | -1 045                              | -51                 | 28           | -6 055               |
| Employee benefit expenses                            | -1 296                      | -340                                | -91                 | 3            | -1 723               |
| Other operating expenses                             | -565                        | -137                                | -72                 | 87           | -687                 |
| <b>EBITDA</b>  | <b>628</b>                  | <b>44</b>                           | <b>-11</b>          | <b>0</b>     | <b>662</b>           |
| Restructuring expenses                               | -16                         | -174                                | -3                  | 0            | -192                 |
| Depreciation   | -380                        | -40                                 | -13                 | 0            | -433                 |
| Impairments  | 8                           | 14                                  | 0                   | 0            | 22                   |
| Derivatives and other fair value adjustments         | -148                        | -69                                 | 0                   | 0            | -218                 |
| <b>Operating earnings</b>                            | <b>92</b>                   | <b>-225</b>                         | <b>-26</b>          | <b>0</b>     | <b>-160</b>          |
| Share of operating revenue from external parties (%) | 100                         | 100                                 | 62                  |              | 100                  |

| 2020   | PUBLICATION<br>PAPER EUROPE | PUBLICATION<br>PAPER<br>AUSTRALASIA | OTHER<br>ACTIVITIES | ELIMINATIONS | NORSKE SKOG<br>GROUP |
|--|-----------------------------|-------------------------------------|---------------------|--------------|----------------------|
| Operating revenue                                    | 7 153                       | 1 932                               | 199                 | -110         | 9 173                |
| Other operating income                               | 259                         | 175                                 | 5                   | 0            | 439                  |
| <b>Total operating income</b>                        | <b>7 412</b>                | <b>2 106</b>                        | <b>204</b>          | <b>-110</b>  | <b>9 612</b>         |
| Distribution costs                                   | -875                        | -260                                | -23                 | 0            | -1 159               |
| Cost of materials                                    | -3 870                      | -1 191                              | -45                 | 13           | -5 093               |
| Employee benefit expenses                            | -1 327                      | -342                                | -94                 | 3            | -1 760               |
| Other operating expenses                             | -681                        | -208                                | -70                 | 93           | -865                 |
| <b>EBITDA</b>  | <b>659</b>                  | <b>106</b>                          | <b>-29</b>          | <b>0</b>     | <b>736</b>           |
| Restructuring expenses                               | -47                         | -27                                 | -1                  | 0            | -75                  |
| Depreciation   | -371                        | -55                                 | -11                 | 0            | -438                 |
| Impairments  | -283                        | -167                                | 0                   | 0            | -451                 |
| Derivatives and other fair value adjustments         | -1 164                      | 53                                  | 0                   | 0            | -1 112               |
| <b>Operating earnings</b>                            | <b>-1 207</b>               | <b>-91</b>                          | <b>-42</b>          | <b>0</b>     | <b>-1 339</b>        |
| Share of operating revenue from external parties (%) | 100                         | 100                                 | 56                  |              | 100                  |

**OPERATING REVENUE PER GEOGRAPHICAL MARKET**

The allocation of operating revenue by market is based on customer location.

|                | <b>2021</b>  | <b>2020</b>  |
|----------------|--------------|--------------|
| Norway         | 218          | 204          |
| Rest of Europe | 6 905        | 6 081        |
| North America  | 316          | 234          |
| Australasia    | 1 777        | 1 902        |
| Asia           | 570          | 698          |
| Africa         | 62           | 54           |
| <b>Total</b>   | <b>9 848</b> | <b>9 173</b> |

**PROPERTY, PLANT AND EQUIPMENT PER GEOGRAPHICAL REGION**

The table below shows property, plant and equipment allocated to Norske Skog's country of domicile and other regions in which the

group holds assets. The allocation is based on the location of the production facilities.

|              | <b>31.12.2021</b> | <b>31.12.2020</b> |
|--------------|-------------------|-------------------|
| Europe       | 3 776             | 3 258             |
| Australasia  | 327               | 328               |
| <b>Total</b> | <b>4 103</b>      | <b>3 586</b>      |

**CASH FLOW FROM CONTRACTS WITH CUSTOMERS**

|                               | <b>2021</b>   | <b>2020</b>  |
|-------------------------------|---------------|--------------|
| Publication paper Europe      | 8 047         | 7 606        |
| Publication paper Australasia | 1 854         | 1 924        |
| Other activities              | 219           | 198          |
| Eliminations                  | -117          | -110         |
| <b>Total</b>                  | <b>10 003</b> | <b>9 617</b> |

**NET CASH FLOW FROM OPERATING ACTIVITIES**

|  | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
| Publication paper Europe                       | 589         | 956         |
| Publication paper Australasia                  | -139        | -69         |
| Other activities                               | -11         | -55         |
| <b>Total cash flow allocated to segments</b>   | <b>439</b>  | <b>831</b>  |
| Net financial items                            | -142        | -180        |
| Taxes paid                                     | -106        | -102        |
| <b>Net cash flow from operating activities</b> | <b>191</b>  | <b>549</b>  |

**PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

|                               | <b>2021</b>  | <b>2020</b> |
|-------------------------------|--------------|-------------|
| Publication paper Europe      | 990          | 569         |
| Publication paper Australasia | 26           | 53          |
| Other activities              | 5            | 10          |
| <b>Total</b>                  | <b>1 021</b> | <b>632</b>  |

**INVENTORIES**

Inventories include raw materials, work in progress, finished goods and other production materials.

|                               | <b>31.12.2021</b> | <b>31.12.2020</b> |
|-------------------------------|-------------------|-------------------|
| Publication paper Europe      | 966               | 911               |
| Publication paper Australasia | 208               | 257               |
| Other activities              | 29                | 26                |
| <b>Total</b>                  | <b>1 203</b>      | <b>1 194</b>      |

**TRADE RECEIVABLES**

|                               | <b>31.12.2021</b> | <b>31.12.2020</b> |
|-------------------------------|-------------------|-------------------|
| Publication paper Europe      | 484               | 249               |
| Publication paper Australasia | 153               | 252               |
| Other activities              | 50                | 49                |
| <b>Total</b>                  | <b>686</b>        | <b>551</b>        |

**6. Other operating income**

| <b>OTHER OPERATING INCOME</b>       | <b>2021</b> | <b>2020</b> |
|-------------------------------------|-------------|-------------|
| Gain on sales of non-current assets | 16          | 153         |
| Other                               | 450         | 285         |
| <b>Total</b>                        | <b>466</b>  | <b>439</b>  |

Gain on sale of non-current assets in 2021 consists of gain of sale of land at Norske Skog Skogn of NOK 7 million and at Norske Skog Tasman of NOK 9 million.

Gain on sale of non-current assets in 2020 consists of an extraordinary non-cash gain of NOK 62 million related to the Norske Skog Albury sale from recycling of translation differences through the income statement, and a gain on sale of Tasmanian forest assets at Norske Skog Boyer of NOK 86 million.

Other for both 2021 and 2020 consist mainly of gain on sale of emission rights, sale of energy steam, receipt of interruptibility compensation and COVID-19 financial support. The COVID-19 support in 2021 relates to Norske Skog Bruck and amounts to NOK 63 million. Approximately NOK 13 million has been received. There are no significant conditions attached to the remaining amount.

## 7. Employee benefit expenses

| EMPLOYEE BENEFIT EXPENSES                     | NOTE | 2021         | 2020         |
|---|------|--------------|--------------|
| Salaries including holiday pay                |      | 1 349        | 1 307        |
| Social security contributions                 |      | 293          | 339          |
| Pension and other long term employee benefits | 20   | 61           | 73           |
| Other employee benefit expenses               |      | 21           | 40           |
| <b>Total</b>                                  |      | <b>1 723</b> | <b>1 760</b> |

| NUMBER OF EMPLOYEES BY REGION | 2021         | 2020         |
|-------------------------------|--------------|--------------|
| Europe                        | 1 732        | 1 809        |
| Australasia                   | 330          | 487          |
| Corporate functions           | 30           | 36           |
| <b>Total</b>                  | <b>2 092</b> | <b>2 333</b> |

### REMUNERATION FOR MEMBERS OF CORPORATE MANAGEMENT

Pursuant to 6-16 (b) in the Public Limited Liability Companies Act, and associated regulations, Norske Skog publishes a separate management remuneration report disclosing detailed information on remuneration to corporate management and directors of the board. The remuneration report will be published immediately after the annual general meeting on 21 April 2022 and will include detailed information on management remuneration complementing the numbers presented below.

In accordance with the code of conduct for corporate governance recommended by the Oslo Stock Exchange, salary, benefits in kind and bonus for members of corporate management are specified below.

In relation to the long-term incentive program for corporate management NOK 8.1 million was expensed in 2021 and at 31 December 2021 the corresponding liability was NOK 18 million.

(in NOK 1 000)

| 2021                            | SALARY PAID   | BENEFITS IN KIND ETC. <sup>1)</sup> | BONUS EARNED <sup>2)</sup> | CONTRIBUTION TO DEFINED CONTRIBUTION SCHEMES | TOTAL REMUNERATION | AWARDED SYNTHETIC OPTIONS (NUMBER OF) |
|---------------------------------|---------------|-------------------------------------|----------------------------|--|--------------------|---------------------------------------|
| Sven Ombudstvedt (CEO)          | 4 778         | 137                                 | 1 544                      | 781  | <b>7 240</b>       | 582 000                               |
| Lars P. S. Sperre (SVP)         | 3 590         | 221                                 | 1 138                      | 531  | <b>5 480</b>       | 311 000                               |
| Rune Sollie (CFO)               | 2 193         | 201                                 | 705                        | 265  | <b>3 364</b>       | 311 000                               |
| Amund Saxrud (COO)              | 2 166         | 270                                 | 753                        | 261  | <b>3 450</b>       | 311 000                               |
| Tore Hansesætre (SVP)           | 2 138         | 196                                 | 735                        | 251  | <b>3 320</b>       | 311 000                               |
| Robert Wood (SVP) <sup>3)</sup> | 1 913         | 18                                  | 761                        | 242  | <b>2 934</b>       | 311 000                               |
| <b>Total</b>                    | <b>16 778</b> | <b>1 043</b>                        | <b>5 636</b>               | <b>2 331</b>                                 | <b>25 788</b>      | <b>2 137 000</b>                      |

| 2020                            | SALARY PAID   | BENEFITS IN KIND ETC. <sup>1)</sup> | BONUS EARNED <sup>2)</sup> | CONTRIBUTION TO DEFINED CONTRIBUTION SCHEMES | TOTAL REMUNERATION | AWARDED SYNTHETIC OPTIONS (NUMBER OF) |
|---------------------------------|---------------|-------------------------------------|----------------------------|--|--------------------|---------------------------------------|
| Sven Ombudstvedt (CEO)          | 4 778         | 137                                 | 1 544                      | 781  | <b>6 466</b>       | 582 000                               |
| Lars P. S. Sperre (SVP)         | 3 590         | 221                                 | 1 138                      | 531  | <b>5 088</b>       | 311 000                               |
| Rune Sollie (CFO)               | 2 193         | 201                                 | 705                        | 265  | <b>3 054</b>       | 311 000                               |
| Amund Saxrud (COO)              | 2 166         | 270                                 | 753                        | 261  | <b>3 136</b>       | 311 000                               |
| Tore Hansesætre (SVP)           | 2 138         | 196                                 | 735                        | 251  | <b>3 074</b>       | 311 000                               |
| Robert Wood (SVP) <sup>3)</sup> | 1 913         | 18                                  | 761                        | 242  | <b>2 490</b>       | 311 000                               |
| <b>Total</b>                    | <b>17 166</b> | <b>994</b>                          | <b>2 797</b>               | <b>2 351</b>                                 | <b>23 308</b>      | <b>2 006 000</b>                      |

<sup>1)</sup> Includes car allowance, insurance, free telephone, etc.

<sup>2)</sup> Based on results achieved in the financial year, paid in 2021 and in 2022.

<sup>3)</sup> Robert Wood is employed by Norske Skog (UK) Ltd. but works fully for Norske Skog ASA as SVP Commercial.

## 8. Other operating expenses and auditors fees

|  | NOTE | 2021       | 2020       |
|--|------|------------|------------|
| Maintenance materials and services   |      | 408        | 492        |
| Marketing expenses   |      | 21         | 8          |
| Variable lease, short term and low value lease expenses                          | 15   | 14         | 13         |
| Administration, insurance, travel expenses etc.                                  |      | 58         | 186        |
| Other expenses   |      | 186        | 166        |
| <b>Total</b>   |      | <b>687</b> | <b>865</b> |
| <b>Specification of losses on accounts receivable included in other expenses</b> |      |            |            |
| Receivables written off during the period  |      | 17         | 4          |
| Change in provision for bad debt   |      | -16        | 8          |
| <b>Total</b>   |      | <b>0</b>   | <b>12</b>  |

### AUDITORS FEES INCLUDED IN OTHER OPERATING EXPENSES

| in NOK 1 000, excluding VAT            | PARENT COMPANY | NORWEGIAN<br>SUBSIDIARIES AUDITED<br>BY THE GROUP |  |  | TOTAL        |
|--|----------------|---|--|--|--------------|
|  |                | COMPANY AUDITOR                                   | SUBSIDIARIES<br>AUDITED BY GROUP<br>AUDITORS | SUBSIDIARIES<br>AUDITED BY OTHER<br>AUDITORS |              |
| Audit fee                              | 1 206          | 899   | 3 034  | 654  | 5 793        |
| Audit-related assistance <sup>1)</sup> | 22             | 139   | 177  | 0  | 338          |
| Tax assistance                         | 0              | 0   | 0  | 899  | 899          |
| Other fees                             | 51             | 0   | 187  | 0  | 239          |
| <b>Total</b>                           | <b>1 279</b>   | <b>1 038</b>                                      | <b>3 399</b>                                 | <b>1 553</b>                                 | <b>7 269</b> |

<sup>1)</sup> Audit-related assistance includes services, which only auditors can provide, such as the review of interim financial statements, agreed upon control procedures etc.

## 9. Derivatives and other fair value adjustment

|  | 2021        | 2020          |
|--|-------------|---------------|
| Changes in value – commodity contracts <sup>1)</sup> | -223        | 228           |
| Changes in value – embedded derivatives              | 0           | -1 311        |
| Changes in value – biological assets                 | 0           | -6            |
| Other realised gains/(losses)                        | 5           | -23           |
| <b>Total</b>   | <b>-218</b> | <b>-1 112</b> |

<sup>1)</sup> Long-term financial contracts and commodity contracts that no longer meet the requirement in IFRS 9 related to own use are measured at fair value.

Norske Skog's portfolio of commodity contracts consists mainly of physical energy contracts. The fair value of commodity contracts is especially sensitive to future changes in energy prices. A sensitivity analysis of the impact on profit after tax of fluctuations in energy prices, currency and price indices is given in Note 4. The valuation techniques used are described in Note 17.

Total change in fair value recognized on the embedded derivatives in 2021 amount to NOK 0 million (NOK -1 311 million). The loss in 2020 was mainly due to change in accounting treatment of the two Norwegian energy contracts. Norske Skog held its energy contracts in Norway for own consumption and

used the "own use exemption" in IFRS 9 as the Norwegian paper mills have been expected to use the full volume. Norske Skog reassessed the expected power consumption over the period of the contracts and determined that the criteria for the "own use exemption" was no longer satisfied. Therefore, the contracts in whole are treated as financial derivatives in the scope of IFRS 9 and measured at fair value true profit or loss.

Other realised gains and losses primarily relates to financial hedging of energy.

## 10. Associated companies

Loss from associated companies are included in 2021 with NOK 18 million (NOK 10 million).

Investments in associated companies are accounted for in accordance with the equity method. The carrying value of associated companies are NOK 108 million at 31 December 2021 (NOK 43 million). The increase from 2020 relates to the restructuring of ownership and issue of new shares in Circa Group AS.

Circa Group AS is incorporated in Oslo, Norway, and is a holding company of Circa Group Pty Ltd. Circa Group Pty Ltd is incorporated in Melbourne, Australia, and is a biotechnology company with a vision to produce and sell unique and highly valueable biochemical at scale. At 31 December 2021 Norske Skog had a 26% share of Circa Group AS with a carrying value of NOK 94 million. Circa Group AS was listed on Euronext Growth on 2 March 2021. Norske Skog has 31 654 274 shares with a market value as of 31 December 2021 of NOK 275 million.

Porsnes Utvikling AS is incorporated in Halden, Norway, and is a real estate company. Norske Skog has a 50% share of the company with a carrying value of NOK 8 million at 31 December 2021.

SEM is incorporated in Golbey, France, and is a company serving other companies and projects for their establishment and development in the territory of Golbey. Norske Skog has a 22% share of the company with a carrying value of NOK 4 million at 31 December 2021.

Circa Group AS and Porsnes Utvikling AS are incorporated into the consolidated financial statement based on continuity and the carrying value will therefore deviate from the values shown in the accounts of the owner.

The table below summarises financial information for Circa Group AS. All amounts are on a 100 percent basis.

|                                   | 2021              | 2020              |
|-----------------------------------|-------------------|-------------------|
| Total revenue                     | 10                | 39                |
| Net profit/(loss)                 | -71               | -18               |
| Other comprehensive income        | -1                | -                 |
| <b>Total comprehensive income</b> | <b>-72</b>        | <b>-18</b>        |
|                                   | <b>31.12.2021</b> | <b>31.12.2020</b> |
| Non-current assets                | 12                | 1                 |
| Current assets                    | 460               | 68                |
| Non-current liabilities           | 3                 | 6                 |
| Current liabilities               | 52                | 66                |

The following table shows a summary of changes in carrying value for the associated companies.

|                               | Circa Group AS | Other     | Total      |
|-------------------------------|----------------|-----------|------------|
| <b>31 December 2020</b>       | <b>29</b>      | <b>14</b> | <b>43</b>  |
| Increased/decreased ownership | 84             | 0         | 84         |
| Share of net income/(loss)    | -18            | 0         | -18        |
| <b>31 December 2021</b>       | <b>94</b>      | <b>14</b> | <b>108</b> |

## 11. Financial items

| FINANCIAL ITEMS                           | 2021        | 2020        |
|---|-------------|-------------|
| <b>Financial income</b>                   |             |             |
| Dividends received                        | 0           | 1           |
| Interest income                           | 4           | 5           |
| Other financial income                    | 1           | 1           |
| <b>Total</b>                              | <b>5</b>    | <b>6</b>    |
| <b>Financial expenses</b>                 |             |             |
| Interest expense                          | -117        | -118        |
| Other financial expenses                  | -83         | -52         |
| <b>Total</b>                              | <b>-200</b> | <b>-170</b> |
| <b>Gains/(losses) on foreign currency</b> | <b>78</b>   | <b>-185</b> |
| <b>Financial items</b>                    | <b>-118</b> | <b>-349</b> |

Other financial expenses mainly consists of commitments fee and other financing expenses. Other financial cost in 2021 also includes loss of NOK 45 million due to early repayment of the EUR 125 million bond.

See Note 22. In 2020 other financial expenses also includes write-downs on other shares of NOK 12 million.



## 12. Income taxes

| TAX EXPENSE            | 2021       | 2020        |
|------------------------|------------|-------------|
| Current tax expense    | -104       | -84         |
| Change in deferred tax | 36         | -102        |
| <b>Total</b>           | <b>-68</b> | <b>-186</b> |

| RECONCILIATION OF THE GROUP TAX EXPENSE       | 2021        | 2020        |
|---|-------------|-------------|
| Profit/(loss) before income taxes             | -295        | -1 698      |
| Computed tax at nominal tax group rate of 22% | 65          | 374         |
| Differences due to different tax rates        | 16          | 6           |
| Non taxable income/non deductible expenses    | -118        | 97          |
| Adjustment previous years                     | -5          | 1           |
| Other items                                   | -17         | 58          |
| Change in tax rate                            | 0           | -7          |
| Deferred tax asset not recognised             | -9          | -714        |
| Total tax (expense)/income                    | -68         | -186        |
| <b>Effective tax rate</b>                     | <b>-23%</b> | <b>-11%</b> |

| CURRENT TAX LIABILITY | 31.12.2021 | 31.12.2020 |
|-----------------------|------------|------------|
| Norway                | 0          | 0          |
| Rest of Europe        | -50        | -54        |
| Australasia           | 0          | 0          |
| <b>Total</b>          | <b>-50</b> | <b>-54</b> |

| DEFERRED TAX - MOVEMENTS                              | 2021        | 2020        |
|---|-------------|-------------|
| Net deferred tax asset/(liability) 1 January          | -308        | -179        |
| Change in deferred tax in the income statement        | 36          | -102        |
| Tax on other comprehensive income                     | -2          | -2          |
| Currency translation differences                      | 14          | -24         |
| <b>Net deferred tax asset/(liability) 31 December</b> | <b>-260</b> | <b>-308</b> |

| DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY | 31.12.2021  | 31.12.2020  |
|---|-------------|-------------|
| Norway  | 0           | 0           |
| Rest of Europe                                | 0           | 0           |
| Australasia                                   | 0           | 0           |
| <b>Deferred tax assets</b>                    | <b>0</b>    | <b>0</b>    |
| Norway  | 0           | 0           |
| Rest of Europe                                | -260        | -308        |
| Australasia                                   | 0           | 0           |
| <b>Deferred tax liability</b>                 | <b>-260</b> | <b>-308</b> |
| <b>Net deferred tax assets/(liability)</b>    | <b>-260</b> | <b>-308</b> |

| DEFERRED TAX DETAILS                                       | 31.12.2021  | 31.12.2020  |
|--|-------------|-------------|
| Fixed assets   | 147         | 214         |
| Pension and other employee obligations                     | 29          | 0           |
| Other non-current items                                    | 73          | 140         |
| Currency translation differences and financial instruments | -14         | -4          |
| Current items  | -1          | 3           |
| Tax losses to carry forward                                | 1 016       | 874         |
| Tax losses and other deferred tax assets not recognised    | -1 509      | -1 536      |
| <b>Net deferred tax assets/(liability)</b>                 | <b>-260</b> | <b>-308</b> |



**LOSSES TO CARRY FORWARD AND TEMPORARY DIFFERENCES 31.12.2021 BY REGION**

|   | NORWAY       | REST OF EUROPE | AUSTRALASIA   | TOTAL        |
|---|--------------|----------------|---------------|--------------|
| Indefinite expiry   | 2 484        | 169            | 1 425         | 4 077        |
| <b>Tax losses to carry forward</b>                                    | <b>2 484</b> | <b>169</b>     | <b>1 425</b>  | <b>4 077</b> |
| Temporary differences   | 1 168        | -206           | 902           | 1 959        |
| Tax losses and temporary differences not recognised                   | -3 652       | 0              | -2 327        | -6 036       |
| <b>Total tax losses and tax credits to carry forward (recognised)</b> | <b>0</b>     | <b>0</b>       | <b>0</b>      | <b>0</b>     |
| <b>Deferred tax asset</b>   | <b>0</b>     | <b>0</b>       | <b>0</b>      | <b>0</b>     |
| <b>Tax rate</b>   | <b>22%</b>   | <b>19-32%</b>  | <b>28-30%</b> |              |

**LOSSES TO CARRY FORWARD AND TEMPORARY DIFFERENCES 31.12.2020 BY REGION**

|   | NORWAY       | REST OF EUROPE | AUSTRALASIA   | TOTAL        |
|---|--------------|----------------|---------------|--------------|
| Indefinite expiry   | 2 352        | 0              | 1 186         | 3 538        |
| <b>Tax losses to carry forward</b>                                    | <b>2 352</b> | <b>0</b>       | <b>1 186</b>  | <b>3 538</b> |
| Temporary differences   | 1 211        | 0              | 1 305         | 2 515        |
| Tax losses and temporary differences not recognised                   | -3 562       | 0              | -2 491        | -6 053       |
| <b>Total tax losses and tax credits to carry forward (recognised)</b> | <b>0</b>     | <b>0</b>       | <b>0</b>      | <b>0</b>     |
| <b>Deferred tax asset</b>   | <b>0</b>     | <b>0</b>       | <b>0</b>      | <b>0</b>     |
| <b>Tax rate</b>   | <b>22%</b>   | <b>19-32%</b>  | <b>28-30%</b> |              |

Norske Skog has not recognized deferred tax asset arising from the carry forward of unused tax losses.

Tax payable relates mainly to Norske Skog Bruck and Norske Skog Italy and consist mainly of income taxes.

Current and deferred taxes are recognised as expense or income in the consolidated income statement. Taxes on translation differences, other reclassifications or remeasurements of post-employment benefit obligations are recognised in other comprehensive income.

**13. Earnings and dividend per share**

|  | 2021  | 2020   |
|--|-------|--------|
| Profit/(loss) for the year in NOK million attributable to owners of the parent | -363  | -1 884 |
| Weighted average number of shares in million                                   | 93.1  | 82.5   |
| Basic earnings/(loss) per share in NOK   | -3.90 | -22.84 |
| Diluted earnings/(loss) per share in NOK                                       | -3.90 | -22.84 |

For the financial year 2021, the board of directors has not proposed that the annual general meeting approves payment of dividend. No dividend was paid in 2021 for the financial year 2020.

Based on the new number of shares basic earnings per share and diluted earnings per share was NOK -19.99 for 2020.

In February 2021 an extraordinary general meeting in Norske Skog ASA resolved to issue 11 764 705 new shares increasing share number of shares to 94 264 705.



Photo: Erik Sandersen

## 14. Intangible assets and property, plant and equipment

### Impairment

Norske Skog has no cash generating units (CGUs) with allocated goodwill or assets with indefinite useful life that need to be tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Except for CGU Europe lightweight coated (Norske Skog Bruck) there are no indicators for impairment at 31 December 2021. CGU Europe lightweight coated has experienced operating losses in 2021 due to high cost of input factors, primarily energy from purchased gas. The start-up of the boiler at Norske Skog Bruck will reduce the consumption of gas considerably and improve profitability in the coming years. No impairment has been recognized in relation to CGU Europe lightweight coated for 2021.

### Assumptions applied when calculating the recoverable amount

Intangible non-current assets and property, plant and equipment (PPE) are written down to their recoverable amount when this is lower than the carrying value of the asset. The recoverable amount of an asset or cash-generating unit (CGU) is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows expected to arise from an asset or cash-generating unit. Norske Skog applies the value in use approach when calculating recoverable amount for its cash-generating units. Europe newsprint (Norske Skog Skogn and Norske Skog Golbey), Australia newsprint (Norske Skog Boyer), Australia lightweight coated (Norske Skog Boyer), Europe super calendared (Norske Skog Saugbrugs) and Europe lightweight coated (Norske Skog Bruck) are assessed to generate independent cash inflows and to be separate CGUs. These represent the five cash generating units that the group is focusing on in its follow-up operationally and commercially as communication with customers, suppliers, employees. The different mills within a CGU works together to generate cash inflows.

The production machines have a long technical life, while useful lives are linked to industry cost curves and the size of the market. The estimated remaining useful life of the individual paper machines forms the basis for determining the length of the cash flow period. Estimated useful life for the individual paper machines in the group varies from 1 to 9 years. Sales volumes develop in accordance with the useful lives of the different paper machines in the group. Norske Skog has modelled the cash flows throughout the useful life of the paper machines. The timing of capacity closures follows from RISI cost curve positioning and RISI market demand projections. RISI is the leading global source for forest products information and data ([www.risi.com](http://www.risi.com)).

Nominal cash flow is estimated in the currency in which it will be generated. The value is calculated by discounting based on a required rate of return on capital that is relevant for the cash-generating unit. The required rate of return, or weighted average cost of capital (WACC), is based on the interest rate on ten-year government bonds in the currency of the cash flow estimate, an industry debt yield premium, industry beta and an equity risk premium. A country-specific risk premium relevant to the cash-generating unit is also included in the required rate of return on capital.

The key drivers of profitability in the industry and thus asset values for the group are product prices relative to production costs. The starting point for any impairment test is the financial budget for 2022 approved by the board of directors. Beyond 2022 sales prices are adjusted in 2023 based on expected development and thereafter by inflation adjusted by a factor assuming that not all cost increases are passed on to customers. Costs beyond 2022 is extrapolated from historical figures relative to sales prices and adjusted by inflation. The

inflation rates applied in the period are estimated by country and is in the range of 1.2% to 2.2%. Contracted prices/costs are reflected when applicable.

At the end of 2021 the market balance was strong and prices for publication paper in Europe increased. The impact of higher sales prices will to some degree be offset by higher input cost from energy, pulpwood and recovered paper. For the ongoing years, we have assumed in the impairment model that the announced closures will maintain a positive market balance and with further capacity closures in 2022 leading to a stable utilization rate in line with the decline in demand.

When calculating value in use at 31 December 2021, the discount rate after tax (WACC) used was 6,2% for CGU Europe lightweight coated.

### Sensitivity to estimates of recoverable amount

The estimation of recoverable amount is based on assumptions regarding the future development of several factors. These include price development for finished goods, sales volumes, currency rates and interest rates. In relation to the assumptions made in a calculation of the present value of future cash flows, recoverable amount is most sensitive to changes in prices of finished goods, sales volumes and the discount rate used. Norske Skog has performed testing of CGUs with impairment indicators. The main CGUs that is sensitive is Europe lightweight coated. The sensitivities are applied in all scenarios throughout the forecasting period. A partial sensitivity analysis would result in the following impairments as at 31 December 2021 if the calculated impairment/headroom are a negative amount.

| SENSITIVITY                             | IMPAIRMENT |
|---|------------|
| 5% decrease in the sales price          | -260       |
| 5% decrease in volume                   | -45        |
| 1% increase in the discount rate (WACC) | -52        |

### Property, plant and equipment allocated to cash-generating units

The table below shows machinery and equipment and land and buildings allocated to Norske Skog's cash-generating units as of 31 December 2021.

|  | MACHINERY AND EQUIPMENT | LAND AND BUILDINGS |
|--|-------------------------|--------------------|
| Europe newsprint                       | 1 532                   | 476                |
| Australasia newsprint                  | 0                       | 14                 |
| Australasia lightweight coated         | 96                      | 67                 |
| Europe super calendared                | 298                     | 142                |
| Europe lightweight coated              | 44                      | 12                 |
| <b>Carrying value 31 December 2021</b> | <b>1 970</b>            | <b>711</b>         |

### Expected useful life

Norske Skog has conducted sensitivity analyses with respect to changes in expected useful life of the group's paper machines. If the expected useful life of all the group's paper machines is reduced by one year, the annual depreciation charge will increase with approximately NOK 30-50 million.

In connection with the year-end closing process for 2021, Norske Skog performed a review of the expected remaining useful lives of property, plant and equipment. The useful life of most of the machines were reduced by one year compared with last year's assumptions while some machines increased useful life by one to two years following the closure of competing machines and the improved market balance in 2021. The increase in useful life has a positive impact on the estimated recoverable amount of the mills and is reflected in the impairment.

| INTANGIBLE ASSETS  | OTHER INTANGIBLE<br>ASSETS | LICENSES AND<br>PATENTS | TOTAL      |
|--|----------------------------|-------------------------|------------|
| <b>Acquisition cost 1 January 2020</b>                           | <b>82</b>                  | <b>81</b>               | <b>163</b> |
| Additions  | 63                         | 11                      | 73         |
| Disposals  | -53                        | 0                       | -53        |
| Reclassified from plant under construction                       | 0                          | 0                       | 0          |
| Currency translation differences                                 | 6                          | 1                       | 8          |
| <b>Acquisition cost 31 December 2020</b>                         | <b>98</b>                  | <b>93</b>               | <b>191</b> |
| <b>Accumulated depreciation and impairments 1 January 2020</b>   | <b>54</b>                  | <b>71</b>               | <b>125</b> |
| Depreciation   | 3                          | 5                       | 8          |
| Disposals  | -1                         | 0                       | -1         |
| Currency translation difference                                  | 3                          | 2                       | 4          |
| <b>Accumulated depreciation and impairments 31 December 2020</b> | <b>59</b>                  | <b>77</b>               | <b>136</b> |
| <b>Carrying value 31 December 2020</b>                           | <b>39</b>                  | <b>15</b>               | <b>55</b>  |
| <b>Acquisition cost 1 January 2021</b>                           | <b>98</b>                  | <b>93</b>               | <b>192</b> |
| Additions  | 25                         | 2                       | 27         |
| Disposals  | -57                        | 0                       | -57        |
| Reclassified from plant under construction                       | 0                          | 6                       | 6          |
| Currency translation differences                                 | -3                         | -3                      | -6         |
| <b>Acquisition cost 31 December 2021</b>                         | <b>63</b>                  | <b>99</b>               | <b>162</b> |
| <b>Accumulated depreciation and impairments 1 January 2021</b>   | <b>59</b>                  | <b>78</b>               | <b>137</b> |
| Depreciation   | 1                          | 7                       | 8          |
| Reclassified to assets held for sale                             | 0                          | 0                       | 0          |
| Currency translation difference                                  | -2                         | -3                      | -5         |
| <b>Accumulated depreciation and impairments 31 December 2021</b> | <b>59</b>                  | <b>82</b>               | <b>141</b> |
| <b>Carrying value 31 December 2021</b>                           | <b>4</b>                   | <b>16</b>               | <b>21</b>  |

| PROPERTY, PLANT AND EQUIPMENT                                    | BIOLOGICAL ASSETS | MACHINERY AND EQUIPMENT | LAND AND BUILDINGS | FIXTURES AND FITTINGS | PLANT UNDER CONSTRUCTION | RIGHT-OF-USE ASSETS | TOTAL         |
|--|-------------------|-------------------------|--------------------|-----------------------|--------------------------|---------------------|---------------|
| <b>Acquisition cost 1 January 2020</b>                           | <b>0</b>          | <b>27 139</b>           | <b>6 505</b>       | <b>491</b>            | <b>301</b>               | <b>149</b>          | <b>34 585</b> |
| Additions  | 0                 | 55                      | 13                 | 12                    | 578                      | 34                  | 692           |
| Disposals  | -6                | -15                     | -40                | 0                     | -11                      | -1                  | -73           |
| Reclassified to assets held for sale                             | 0                 | 0                       | 0                  | 0                     | -0                       | 0                   | 0             |
| Reclassified from plant under construction                       | 8                 | 107                     | 5                  | 9                     | -129                     | 0                   | 0             |
| Currency translation differences                                 | 0                 | 1 026                   | 212                | 26                    | 5                        | 7                   | 1 276         |
| <b>Acquisition cost 31 December 2020</b>                         | <b>2</b>          | <b>28 312</b>           | <b>6 695</b>       | <b>538</b>            | <b>744</b>               | <b>188</b>          | <b>36 480</b> |
| <b>Accumulated depreciation and impairments 1 January 2020</b>   | <b>0</b>          | <b>24 777</b>           | <b>5 602</b>       | <b>439</b>            | <b>51</b>                | <b>32</b>           | <b>30 900</b> |
| Depreciation   | 0                 | 284                     | 93                 | 14                    | 0                        | 38                  | 431           |
| Impairment   | 0                 | 337                     | 78                 | 1                     | 33                       | 2                   | 451           |
| Value changes  | 6                 | 0                       | 0                  | 0                     | 0                        | 0                   | 6             |
| Disposals  | -6                | -7                      | -4                 | -0                    | 0                        | 0                   | -18           |
| Reclassified to assets held for sale                             | -0                | 0                       | 0                  | 0                     | 0                        | 0                   | 0             |
| Currency translation difference                                  | 0                 | 926                     | 175                | 24                    | 0                        | 0                   | 1 127         |
| <b>Accumulated depreciation and impairments 31 December 2020</b> | <b>0</b>          | <b>26 317</b>           | <b>5 944</b>       | <b>478</b>            | <b>84</b>                | <b>72</b>           | <b>32 895</b> |
| <b>Carrying value 31 December 2020</b>                           | <b>2</b>          | <b>1 996</b>            | <b>751</b>         | <b>60</b>             | <b>660</b>               | <b>117</b>          | <b>3 586</b>  |
| <b>Acquisition cost 1 January 2021</b>                           | <b>2</b>          | <b>28 312</b>           | <b>6 695</b>       | <b>538</b>            | <b>744</b>               | <b>188</b>          | <b>36 480</b> |
| Additions  | 0                 | 64                      | 12                 | 4                     | 945                      | 29                  | 1 055         |
| Disposals  | 0                 | -120                    | -2                 | -1                    | 0                        | -11                 | -135          |
| Reclassified from plant under construction                       | 0                 | 262                     | 27                 | 10                    | -307                     | 0                   | -7            |
| Currency translation differences                                 | 0                 | -693                    | -153               | -21                   | -36                      | -6                  | -908          |
| <b>Acquisition cost 31 December 2021</b>                         | <b>2</b>          | <b>27 826</b>           | <b>6 579</b>       | <b>530</b>            | <b>1 347</b>             | <b>201</b>          | <b>36 485</b> |
| <b>Accumulated depreciation and impairments 1 January 2021</b>   | <b>0</b>          | <b>26 317</b>           | <b>5 944</b>       | <b>478</b>            | <b>84</b>                | <b>72</b>           | <b>32 894</b> |
| Depreciation   | 0                 | 292                     | 78                 | 17                    | 0                        | 38                  | 425           |
| Impairment   | 0                 | 0                       | -22                | 0                     | 0                        | 0                   | -22           |
| Disposals  | 0                 | -120                    | -2                 | -1                    | 0                        | -12                 | -135          |
| Reclassified to assets held for sale                             | 0                 | -5                      | 0                  | 4                     | 0                        | 0                   | 0             |
| Currency translation difference                                  | 0                 | -628                    | -130               | -19                   | -1                       | -2                  | -781          |
| <b>Accumulated depreciation and impairments 31 December 2021</b> | <b>0</b>          | <b>25 856</b>           | <b>5 868</b>       | <b>478</b>            | <b>83</b>                | <b>96</b>           | <b>32 381</b> |
| <b>Carrying value 31 December 2021</b>                           | <b>2</b>          | <b>1 970</b>            | <b>711</b>         | <b>52</b>             | <b>1 264</b>             | <b>104</b>          | <b>4 103</b>  |

Machinery and equipment are depreciated over a period from five to 25 years. Buildings and other property are depreciated over a period from ten to 40 years. Fixtures and fittings are depreciated over a period from three to ten years. Land and plant under construction are not depreciated.

Right-of-use assets is further described in Note 15.

The difference between total additions in the table above and purchases of property, plant, equipment and intangible assets in the consolidated statement of cash flows is due to leases, capitalised borrowing costs and accruals for payments. Norske Skog has capitalised borrowing costs of NOK 8 million in 2021 and NOK 0 million in 2020.

Disposals in 2021 and 2020 were primarily related to scrapping of fully depreciated assets that no longer have any technical values.

At year end 2021 the group has contractual commitments for acquisition of property, plant and equipment of NOK 3 000 million. Total payments in 2021 and 2020 related to this commitment amounted to NOK 1 200 million.

#### Non-current assets held for sale

Norske Skog did not have any non-current assets held for sale at 31 December 2021.

## 15. Leases

### RIGHT-OF-USE ASSETS

The group contracts includes several assets such as machinery and equipment, land and buildings and fixture and fittings. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration. Right-of-use assets are initially measured at cost. Non-lease components will be separated if these are

identifiable. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The right-of-use assets is depreciated on a linear basis over the contract period, currently mainly less than five years. The group's right-of-use assets are categorized and presented in the table below:

| LEASES                                 | MACHINERY AND EQUIPMENT | LAND AND BUILDINGS | FITURES AND FITTINGS | TOTAL      |
|--|-------------------------|--------------------|----------------------|------------|
| <b>Carrying value 1 January 2020</b>   | <b>67</b>               | <b>50</b>          | <b>1</b>             | <b>118</b> |
| Additions                              | 28                      | 1                  | 5                    | 33         |
| Depreciations                          | -24                     | -13                | -1                   | -38        |
| Impairments                            | -2                      | 0                  | 0                    | -2         |
| Currency translation differences       | 2                       | 3                  | 1                    | 6          |
| <b>Carrying value 31 December 2020</b> | <b>72</b>               | <b>39</b>          | <b>6</b>             | <b>117</b> |
| <b>Additions</b>                       | <b>25</b>               | <b>4</b>           | <b>0</b>             | <b>29</b>  |
| Depreciations                          | -25                     | -12                | -1                   | -38        |
| Currency translation differences       | -3                      | 0                  | 0                    | -3         |
| <b>Carrying value 31 December 2021</b> | <b>68</b>               | <b>30</b>          | <b>6</b>             | <b>104</b> |

| LEASE PAYMENTS                                    | NOTE | 31.12.2021 | 31.12.2020 |
|---|------|------------|------------|
| Not later than one year                           |      | 42         | 44         |
| Later than one year and not later than five years |      | 75         | 89         |
| Later than five years                             |      | 12         | 12         |
| <b>Total</b>                                      |      | <b>129</b> | <b>145</b> |
| Future finance charges                            |      | 17         | 20         |
| <b>Present value of liabilities</b>               | 23   | <b>112</b> | <b>125</b> |

The group has decided not to recognise a lease liability for short term leases or for leases of low value assets. Payments made under such leases are included in

operating expenses. Certain variable lease payments are not permitted to be recognised as leases liabilities and are expensed as incurred.

| VARIABLE LEASE, SHORT TERM AND LOW VALUE LEASE EXPENSES  | 2021     | 2020      |
|--|----------|-----------|
| Expense relating to variable lease payments not included in the measurement of lease liabilities | 5        | 5         |
| Short term leases exemption  | 7        | 3         |
| Low-value leases exemption   | 2        | 5         |
| Reduced lease  | -1       | 0         |
| <b>Total</b>   | <b>8</b> | <b>13</b> |

## 16. Shares

## SHARES IN SUBSIDIARIES OWNED BY

| THE PARENT COMPANY   | CONSOLIDATED COMPANIES   | CURRENCY | SHARE CAPITAL<br>(IN 1 000) | OWNERSHIP% |
|--|--|----------|-----------------------------|------------|
| Norske Skog Bruck GmbH, Bruck, Austria                             |  | EUR      | 10 000                      | 100%       |
|  | Norske Skog Papier Recycling GmbH, Bruck, Austria                  | EUR      | 291                         | 100%       |
| Norske Skog Golbey SAS, Golbey, France                             |  | EUR      | 62 365                      | 100%       |
|  | Green Valley Energie, France                                       | EUR      | 1 393                       | 100%       |
|  | Green Valley Energy SASU, France                                   | EUR      | 2 301                       | 64%        |
| Norske Skog Skogn AS, Levanger, Norway                             |  | NOK      | 115 230                     | 100%       |
| Norske Skog Saugbrugs AS, Halden, Norway                           |  | NOK      | 115 230                     | 100%       |
|  | Saugbrugs Bioenergi AS, Halden, Norway                             | NOK      | 3 000                       | 100%       |
| Norske Skog Industries Australia Ltd.,<br>Sydney, Australia        |  | AUD      | 340 000                     | 100%       |
|  | Norske Skog (Australasia)<br>Pty Ltd., Sydney, Australia           | AUD      | 21 000                      | 100%       |
|  | Norske Skog (Australia)<br>No. 2 Pty Ltd., Sydney, Australia       | AUD      | 0                           | 100%       |
|  | Norske Skog Capital (Australia)<br>Pty Ltd., Sydney, Australia     | AUD      | 4                           | 100%       |
|  | Norske Skog Holdings<br>(No.1) Ltd., Auckland, New Zealand         | NZD      | 0                           | 100%       |
|  | Norske Skog Paper Mills (Albury)<br>Pty Limited, Sydney, Australia | AUD      | 5 230                       | 100%       |
|  | Norske Skog Paper Mills (Australia)<br>Ltd., Tasmania, Australia   | AUD      | 7 539                       | 100%       |
|  | Nature's Flame Ltd., Auckland, New Zealand                         | NZD      | 15 251                      | 100%       |
|  | Norske Skog Tasman Ltd., Auckland, New Zealand                     | NZD      | 725 000                     | 100%       |
|  | Norske Skog Capital (New Zealand)<br>Ltd., Auckland, New Zealand   | NZD      | 1                           | 100%       |
|  | Topp1 Energy Limited, Auckland, New Zealand                        | NZD      | 16 391                      | 100%       |
| Nornews AS, Oslo, Norway   |  | NOK      | 300                         | 100%       |
|  | Norske Skog Deutschland GmbH,<br>Augsburg, Germany                 | EUR      | 520                         | 100%       |
|  | Norske Skog France SARL, Paris, France                             | EUR      | 135                         | 100%       |
|  | Norske Skog Italia Srl, Milan, Italy                               | EUR      | 20                          | 100%       |
|  | Norske Skog (Österreich) GmbH, Graz, Austria                       | EUR      | 35                          | 100%       |
|  | Norske Skog (Schweiz) AG, Zürich, Switzerland                      | CHF      | 50                          | 100%       |
|  | Norske Skog (UK) Ltd., London, United Kingdom                      | GBP      | 100                         | 100%       |
| Cebina AS, Oslo, Norway  |  | NOK      | 30                          | 100%       |
| Cebico AS, Oslo, Norway  |  | NOK      | 30                          | 100%       |
| Norske Skog Papers (Malaysia)<br>Sdn. Bhd., Kuala Lumpur, Malaysia |  | MYR      | 16                          | 100%       |

| SHARES INCLUDED AS FINANCIAL ASSETS          | CURRENCY | SHARE CAPITAL<br>(IN 1 000) | OWNERSHIP% | CARRYING<br>VALUE (NOK) |
|--|----------|-----------------------------|------------|-------------------------|
| <b>Shares owned by parent</b>                |          |                             |            |                         |
| Circa Group AS, Oslo, Norway                 | NOK      | 121 713                     | 26%        | 94                      |
| Ocean GeoLoop AS, Skogn, Norway              | NOK      | 485                         | 2%         | 25                      |
| Shelterwood AS, Oslo, Norway                 | NOK      | 4 800                       | 3%         | 2                       |
| <b>Shares owned by other group companies</b> |          |                             |            |                         |
| Porsnes Utvikling AS, Halden, Norway         | NOK      | 300                         | 50%        | 8                       |
| Nor Fibre Logistics, France                  | EUR      | 500                         | 20%        | 1                       |
| SEM, France                                  | EUR      | 1 640                       | 22%        | 4                       |
| Austria Papier Recycling GmbH, Austria       | EUR      | 182                         | 33%        | 1                       |
| Exeltium SAS, Paris, France                  | EUR      | 12 358                      | 5%         | 83                      |
| Other shares                                 |          |                             |            | 2                       |
| <b>TOTAL</b>                                 |          |                             |            | <b>219</b>              |

## 17. Derivatives

### FAIR VALUE OF DERIVATIVES

The table below classifies financial instruments within the scope of IFRS 9 measured in the balance sheet at fair value, by valuation method. The different valuation methods are described as levels and are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability are not based on observable market data (i.e. unobservable inputs).

| 31.12.2021  | LEVEL 1  | LEVEL 2    | LEVEL 3     | TOTAL       |
|---|----------|------------|-------------|-------------|
| <b>Financial assets at fair value through profit or loss</b>      |          |            |             |             |
| Trading derivatives   | 0        | 0          | 0           | 0           |
| Derivatives used for hedging                                      | 0        | 0          | 0           | 0           |
| Commodity contracts and embedded derivatives                      | 0        | 0          | 484         | 484         |
| <b>Total</b>  | <b>0</b> | <b>0</b>   | <b>484</b>  | <b>484</b>  |
| <b>Financial liabilities at fair value through profit or loss</b> |          |            |             |             |
| Trading derivatives   | 0        | 0          | 0           | 0           |
| Derivatives used for hedging                                      | 0        | -1         | 0           | -1          |
| Commodity contracts and embedded derivatives                      | 0        | 0          | -485        | -485        |
| <b>Total</b>  | <b>0</b> | <b>-1</b>  | <b>-485</b> | <b>-487</b> |
| <b>31.12.2020</b>   |          |            |             |             |
| <b>Financial assets at fair value through profit or loss</b>      |          |            |             |             |
| Trading derivatives   | 0        | 0          | 0           | 0           |
| Derivatives used for hedging                                      | 0        | 1          | 0           | 1           |
| Commodity contracts and embedded derivatives                      | 0        | 0          | 505         | 505         |
| <b>Total</b>  | <b>0</b> | <b>1</b>   | <b>505</b>  | <b>506</b>  |
| <b>Financial liabilities at fair value through profit or loss</b> |          |            |             |             |
| Trading derivatives   | 0        | -56        | 0           | -56         |
| Derivatives used for hedging                                      | 0        | 0          | 0           | 0           |
| Commodity contracts and embedded derivatives                      | 0        | 0          | -30         | -30         |
| <b>Total</b>  | <b>0</b> | <b>-56</b> | <b>-30</b>  | <b>-86</b>  |



The following table shows the changes in level 3 instruments at 31 December 2021.

| 2021   | ASSETS     | LIABILITIES |
|--|------------|-------------|
| <b>Balance 1 January</b>                     | <b>505</b> | <b>-30</b>  |
| Gain and losses recognised in profit or loss | 253        | -476        |
| Sales of instruments                         | -278       | 24          |
| Currency translation differences             | -5         | 3           |
| <b>Balance 31 December</b>                   | <b>484</b> | <b>-485</b> |

Norske Skog's portfolio of commodity contracts consist mainly of physical energy contracts. The commodity contracts and embedded derivatives classified as financial instruments within the scope of IFRS 9 contracts are related to energy contracts in Norway. Fair value of commodity contracts is sensitive to estimates of future energy prices. For further details about gains and losses relating to level 3 instruments see Note 9.

The fair value of derivatives that are not traded in an active market (over-the-counter derivatives) is determined using various valuation techniques. Interest rate swaps, cross-currency swaps, forward rate agreements and foreign currency forward contracts are all valued by estimating the present value of future cash flows. Quoted cash and swap rates are used as input for calculating zero coupon curves used for discounting.

The fair value of commodity contracts recognised in the balance sheet is calculated by using quotes from actively traded markets when available. Otherwise, price forecasts from acknowledged external sources are used. Commodity contracts that fail to meet the own-use exemption criteria in IFRS 9 are recognised in the balance sheet and valued on the same principle as financial contracts. Some of these are long-term energy contracts. In calculating the fair value of embedded derivatives, valuation techniques are used in the absence of observable market inputs.

The following table is presented in accordance with IFRS 13.94, showing the fair value of all commodity contracts in level 3 within the scope of IFRS 9 given a change in assumptions to a reasonably possible alternative.

| FAIR VALUE OF DERIVATIVES IN LEVEL 3 GIVEN A REASONABLY POSSIBLE ALTERNATIVE |                  | 31.12.2021  | 31.12.2020 |
|--|------------------|-------------|------------|
| <b>Assets</b>  |                  |             |            |
| Commodity contracts  | Energy price -2% | 451         | 483        |
| Embedded derivatives   | Energy price -2% | 0           | 18         |
| <b>Total</b>   |                  | <b>451</b>  | <b>501</b> |
| <b>Liabilities</b>   |                  |             |            |
| Commodity contracts  | Energy price -2% | -520        | -86        |
| Embedded derivatives   | Energy price -2% | 0           | 0          |
| <b>Total</b>   |                  | <b>-520</b> | <b>-86</b> |

The long-term electricity contracts in New Zealand were terminated in June 2021.

## 18. Financial instruments

### CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31.12.2021

| FINANCIAL ASSETS            | NOTE | FAIR VALUE THROUGH<br>OTHER COMPREHENSIVE<br>INCOME | FAIR VALUE THROUGH<br>PROFIT OR LOSS | AMORTISED COST | TOTAL |
|-----------------------------|------|---|--------------------------------------|----------------|-------|
| Other non-current assets    |      | 0   | 287                                  | 5              | 292   |
| Trade and other receivables |      | 0   | 0                                    | 1 082          | 1 082 |
| Cash and cash equivalents   |      | 0   | 0                                    | 1 489          | 1 489 |
| Other current assets        | 23   | 0   | 308                                  | 0              | 308   |
| <b>Total</b>                |      |   | <b>585</b>                           | <b>2 576</b>   |       |

| FINANCIAL LIABILITIES                    | NOTE   | FAIR VALUE THROUGH<br>PROFIT OR LOSS | AMORTISED COST | TOTAL |
|--|--------|--------------------------------------|----------------|-------|
| Interest-bearing non-current liabilities | 22, 23 | 0                                    | 2 356          | 2 356 |
| Interest-bearing current liabilities     | 22, 23 | 0                                    | 187            | 187   |
| Other non-current liabilities            |        | 270                                  | 0              | 270   |
| Trade and other payables                 |        | 0                                    | 1 586          | 1 586 |
| Other current liabilities                |        | 223                                  | 0              | 223   |
| <b>Total</b>                             |        | <b>494</b>                           | <b>4 128</b>   |       |

31.12.2020

| FINANCIAL ASSETS            | NOTE | FAIR VALUE THROUGH<br>OTHER COMPREHENSIVE<br>INCOME | FAIR VALUE THROUGH<br>PROFIT OR LOSS | AMORTISED COST | TOTAL |
|-----------------------------|------|---|--------------------------------------|----------------|-------|
| Other non-current assets    |      | 97  | 286                                  | 12             | 395   |
| Trade and other receivables |      | 0   | 0                                    | 1 130          | 1 130 |
| Cash and cash equivalents   |      | 0   | 0                                    | 980            | 980   |
| Other current assets        | 23   | 0   | 220                                  | 20             | 241   |
| <b>Total</b>                |      | <b>97</b>   | <b>506</b>                           | <b>2 142</b>   |       |

| FINANCIAL LIABILITIES                    | NOTE   | FAIR VALUE THROUGH<br>PROFIT OR LOSS | AMORTISED COST | TOTAL |
|--|--------|--------------------------------------|----------------|-------|
| Interest-bearing non-current liabilities | 22, 23 | 0                                    | 1 613          | 1 613 |
| Interest-bearing current liabilities     | 22, 23 | 0                                    | 92             | 92    |
| Other non-current liabilities            |        | 15                                   | 0              | 15    |
| Trade and other payables                 |        | 0                                    | 1 404          | 1 404 |
| Other current liabilities                |        | 75                                   | 0              | 75    |
| <b>Total</b>                             |        | <b>90</b>                            | <b>3 109</b>   |       |

See Note 23 for further specification of financial assets and financial liabilities.

## FAIR VALUE MEASUREMENT HIERARCHY FOR FINANCIAL ASSETS AND LIABILITIES

The table below classifies financial assets and liabilities instruments measured in the balance sheet at fair value, by valuation method. The different valuation methods are described as levels and are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability are not based on observable market data (i.e. unobservable inputs).

| 31.12.2021                                | CARRYING AMOUNT | FAIR VALUE   | LEVEL 1  | LEVEL 2      | LEVEL 3      |
|---|-----------------|--------------|----------|--------------|--------------|
| Derivatives                               | 0               | 0            | 0        | 0            | 0            |
| Commodity contracts                       | 176             | 176          | 0        | 0            | 176          |
| Miscellaneous other non-current assets    | 116             | 116          | 0        | 0            | 116          |
| <b>Other non-current assets</b>           | <b>292</b>      | <b>292</b>   | <b>0</b> | <b>0</b>     | <b>292</b>   |
| Trade receivables                         | 729             | 729          | 0        | 0            | 729          |
| VAT receivables                           | 122             | 122          | 0        | 0            | 122          |
| Other receivables                         | 231             | 231          | 0        | 0            | 231          |
| <b>Trade and other receivables</b>        | <b>1 082</b>    | <b>1 082</b> | <b>0</b> | <b>0</b>     | <b>1 082</b> |
| Derivatives                               | 0               | 0            | 0        | 0            | 0            |
| Commodity contracts                       | 308             | 308          | 0        | 0            | 308          |
| Current investments                       | 0               | 0            | 0        | 0            | 0            |
| <b>Other current assets</b>               | <b>308</b>      | <b>308</b>   | <b>0</b> | <b>0</b>     | <b>308</b>   |
| <b>Cash and cash equivalents</b>          | <b>1 489</b>    | <b>1 489</b> | <b>0</b> | <b>0</b>     | <b>1 489</b> |
| Interest-bearing non-current liabilities  | 2 356           | 2 434        | 0        | 1 552        | 882          |
| Interest-bearing current liabilities      | 187             | 187          | 0        | 0            | 187          |
| <b>Total interest-bearing liabilities</b> | <b>2 543</b>    | <b>2 621</b> | <b>0</b> | <b>1 552</b> | <b>1 069</b> |
| Derivatives                               | 0               | 0            | 0        | 0            | 0            |
| Commodity contracts                       | 270             | 270          | 0        | 0            | 270          |
| <b>Other non-current liabilities</b>      | <b>270</b>      | <b>270</b>   | <b>0</b> | <b>0</b>     | <b>270</b>   |
| Trade payables                            | 1 018           | 1 018        | 0        | 0            | 1 018        |
| Other payables                            | 568             | 568          | 0        | 0            | 568          |
| <b>Trade and other payables</b>           | <b>1 586</b>    | <b>1 586</b> | <b>0</b> | <b>0</b>     | <b>1 586</b> |
| Derivatives                               | 1               | 1            | 0        | 0            | 1            |
| Commodity contracts                       | 215             | 215          | 0        | 0            | 215          |
| Financial current liabilities             | 7               | 7            | 0        | 0            | 7            |
| <b>Other current liabilities</b>          | <b>223</b>      | <b>223</b>   | <b>0</b> | <b>0</b>     | <b>223</b>   |

| 31.12.2020                                | CARRYING AMOUNT | FAIR VALUE   | LEVEL 1  | LEVEL 2      | LEVEL 3      |
|---|-----------------|--------------|----------|--------------|--------------|
| Derivatives                               | 14              | 14           | 0        | 0            | 14           |
| Commodity contracts                       | 272             | 272          | 0        | 0            | 272          |
| Miscellaneous other non-current assets    | 109             | 109          | 0        | 0            | 109          |
| <b>Other non-current assets</b>           | <b>395</b>      | <b>395</b>   | <b>0</b> | <b>0</b>     | <b>395</b>   |
| Trade receivables                         | 612             | 612          | 0        | 0            | 612          |
| VAT receivables                           | 43              | 43           | 0        | 0            | 43           |
| Other receivables                         | 475             | 475          | 0        | 0            | 475          |
| <b>Trade and other receivables</b>        | <b>1 130</b>    | <b>1 130</b> | <b>0</b> | <b>0</b>     | <b>1 130</b> |
| Derivatives                               | 5               | 5            | 0        | 0            | 5            |
| Commodity contracts                       | 215             | 215          | 0        | 0            | 215          |
| Current investments                       | 20              | 20           | 0        | 0            | 20           |
| <b>Other current assets</b>               | <b>241</b>      | <b>241</b>   | <b>0</b> | <b>0</b>     | <b>241</b>   |
| <b>Cash and cash equivalents</b>          | <b>980</b>      | <b>980</b>   | <b>0</b> | <b>0</b>     | <b>980</b>   |
| Interest-bearing non-current liabilities  | 1 613           | 1 659        | 0        | 1 276        | 383          |
| Interest-bearing current liabilities      | 92              | 92           | 0        | 0            | 92           |
| <b>Total interest-bearing liabilities</b> | <b>1 705</b>    | <b>1 751</b> | <b>0</b> | <b>1 276</b> | <b>475</b>   |
| Derivatives                               | 0               | 0            | 0        | 0            | 0            |
| Commodity contracts                       | 15              | 15           | 0        | 0            | 15           |
| <b>Other non-current liabilities</b>      | <b>15</b>       | <b>15</b>    | <b>0</b> | <b>0</b>     | <b>15</b>    |
| Trade payables                            | 877             | 877          | 0        | 0            | 877          |
| Other payables                            | 528             | 528          | 0        | 0            | 528          |
| <b>Trade and other payables</b>           | <b>1 404</b>    | <b>1 404</b> | <b>0</b> | <b>0</b>     | <b>1 404</b> |
| Derivatives                               | 0               | 0            | 0        | 0            | 0            |
| Commodity contracts                       | 72              | 72           | 0        | 0            | 72           |
| Financial current liabilities             | 3               | 3            | 0        | 0            | 3            |
| <b>Other current liabilities</b>          | <b>75</b>       | <b>75</b>    | <b>0</b> | <b>0</b>     | <b>75</b>    |

The fair value of bonds (interest-bearing liabilities) (Level 2) is assessed by using price indications from banks at the reporting date. There is some uncertainty associated with the calculated fair value of Level 3 interest-bearing liabilities. The fair value calculation on other interest-bearing liabilities (Level 3) is based on acknowledged valuation principles according to IFRS, but is not necessarily an estimate of the amount the group would have to cover if it were to repay all its debt to all lenders.

The fair values of cash and cash equivalents, trade receivables and other receivables, other assets, trade payables and other payables and other current liabilities remain largely consistent with the book value due to the short maturities of such positions. The fair value of derivatives and commodity contracts is described in Note 9.

## 19. Receivables and other non-current assets

| NOK MILLION                        | Note | 2021         | 2020         |
|------------------------------------|------|--------------|--------------|
| <b>Trade and other receivables</b> |      |              |              |
| Trade receivables                  |      | 729          | 614          |
| Provision for bad debt             |      | -43          | -61          |
| VAT receivables                    |      | 122          | 43           |
| Prepaid expenses                   |      | 44           | 159          |
| Other receivables                  |      | 558          | 534          |
| <b>Total</b>                       |      | <b>1 411</b> | <b>1 288</b> |
| <b>Other non-current assets</b>    |      |              |              |
| Long-term shareholdings            | 16   | 111          | 97           |
| Derivatives                        |      | 0            | 14           |
| Commodity contracts                |      | 176          | 272          |
| Pension plan assets                | 20   | 13           | 5            |
| Loans to employees                 |      | 0            | 1            |
| Other non-current receivables      |      | 5            | 11           |
| <b>Total</b>                       |      | <b>305</b>   | <b>401</b>   |

Norske Skog Bruck, Norske Skog Golbey, Norske Skog Skogn and Norske Skog Saugbrugs have factoring facility agreements where the future cash flow on certain accounts receivables are sold. The facility has a limit of EUR 25 million for Norske Skog Bruck, limit of EUR 40 million for Norske Skog Golbey and a combined limit of NOK 300 million for Norske Skog Skogn and Norske Skog Saugbrugs. There are no financial covenants in these factoring facility agreements. Accounts receivable that have been sold are deducted from accounts receivable in the balance sheet. The utilisation at 31 December 2021 was NOK 594 million (NOK 426 million).

As of 31 December 2021 advances received from contracts with customers amounted to NOK 0 million and other revenue accruals for invoice not sent amounted to NOK 0 million (NOK 4 million and NOK 1 million). In addition, received advanced from customers not invoiced NOK 0 million per 31 December 2021 (NOK 13 million).

The credit risk on trade and other receivables is continuously monitored, independent of due date. The group's sales are mainly to large customers with a low degree of default. Collateral as security is not normally requested. Further information regarding the group's credit policy for sales is provided in Note 4.

| AGEING OF THE GROUP'S CURRENT RECEIVABLES | 31.12.2021   | 31.12.2020   |
|---|--------------|--------------|
| Not due                                   | 1 259        | 1 184        |
| 0 to 3 months                             | 157          | 122          |
| 3 to 6 months                             | 0            | 0            |
| Over 6 months                             | 37           | 44           |
| <b>Total <sup>2)</sup></b>                | <b>1 454</b> | <b>1 350</b> |

<sup>2)</sup> Does not include provision for bad debt.

The maximum credit risk exposure at the year-end is the fair value of each class of receivable mentioned above.

## 20. Pension and other employee obligations

### A) PENSION

Norske Skog has various pension schemes in accordance with local conditions and practices in the countries in which the group operates. A total of 1 736 active and former employees are covered by such schemes. Of these, 168 people are covered by defined benefit plans and 1 568 people by defined contribution plans.

### DESCRIPTION OF THE DEFINED BENEFIT PLANS

The key terms in Norske Skog's major defined benefit plans are shown in the table below.

|                               | BENEFIT IN % OF<br>PENSIONABLE<br>EARNINGS | YEARS OF SERVICE | PENSIONABLE AGE | EARLY RETIREMENT<br>AGE | ACTIVE MEMBERS |
|-------------------------------|--|------------------|-----------------|-------------------------|----------------|
| Norske Skog ASA               | 65   | 30               | 70              | 62                      | 2              |
| Norske Skog Bruck GmbH        | 0  | 0                | 1               | 1                       | 0              |
| Norske Skog Saugbrugs AS      | 65   | 30               | 70              | 62                      | 49             |
| Norske Skog Skogn AS          | 65   | 30               | 70              | 62                      | 61             |
| Norske Skog Deutschland GmbH  |  | 35               | 65              | 65                      | 0              |
| Norske Skog (Österreich) GmbH | 65   | 17               | 65              | 64                      | 1              |

The defined benefit plan in Norske Skog Bruck GmbH and Norske Skog Deutschland GmbH is closed.

The defined benefit schemes in Norway cover people between 63 and 67 years of age, born before 1 January 1959 and who were employed before 1 January 2011 when the plan was closed. The defined benefit obligations in Norway only encompass active members, since they leave the defined benefit scheme (having a paid-up policy) when they retire.

Plan assets of the pension schemes in Norske Skog ASA, Norske Skog Saugbrugs AS and Norske Skog Skogn AS are managed by a life insurance company and invested in accordance with the general guidelines governing investments by life insurance companies in Norway. With effect from the beginning of 2011, a defined contribution scheme was introduced in Norway, with a contribution of 4% for earnings up to 7.1 G and 10% between 7.1 and 12 G.

When evaluating plan assets, it is based on the assumptions as at 31 December. This estimated value is corrected every year in accordance with the figures for the market value of the assets provided by the insurance company.

When measuring the incurred obligations, it is based on the assumptions as at 31 December. This estimated obligation is corrected every year in accordance with the figures for incurred pension obligations provided by the actuary.

In addition to the benefit obligation funded through insurance plans, the group has unfunded benefit obligations. The unfunded obligations include estimated future obligations relating to the former Norwegian early retirement scheme, pensions to former owners of subsidiaries as well as pensions for senior management and directors. Obligations relating to senior management pensions are partly funded through a supplementary retirement plan with a life insurance company.

In addition to defined benefit plans, there are also various defined contribution plans.

| ASSUMPTIONS MADE WHEN CALCULATING FUTURE BENEFIT OBLIGATIONS IN NORWAY | 2021  | 2020  |
|--|-------|-------|
| Discount rate  | 1.50% | 1.50% |
| Expected return on plan assets   | 1.50% | 1.50% |
| Salary adjustment  | 1.50% | 1.75% |
| Inflation rate   | 1.50% | 1.75% |

The discount rate applied for the pension schemes in Norway for 2021 is based on the interest rate for covered bonds. Subsidiaries can deviate from these assumptions if local conditions require this. The discount rates applied

vary from 1.17% to 2.25% and pension adjustments vary from 1.25% to 2.25%. Norske Skog has used the mortality table K2013BE in Norway, Richttafeln 2018G in Germany and AVO 2018-P in Austria.

| NET PERIODIC PENSION EXPENSE               | 2021      | 2020      |
|--|-----------|-----------|
| Pension expense, defined benefit plan      | 4         | 5         |
| Pension expense, defined contribution plan | 52        | 60        |
| <b>Net periodic pension expense</b>        | <b>55</b> | <b>64</b> |
| <b>Net periodic interest expense</b>       | <b>1</b>  | <b>1</b>  |

Estimated payments to the group's defined benefit pension schemes in 2022 amounts to NOK 9 million.

**PENSION PLANS IN THE BALANCE SHEET**

| <b>SPECIFICATION OF PENSION PLANS IN THE BALANCE SHEET</b> | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
| Pension assets in the balance sheet                        | 13          | 5           |
| Pension liabilities in the balance sheet                   | -89         | -101        |
| <b>Net pension obligations</b>                             | <b>-75</b>  | <b>-96</b>  |
| Net unfunded pension plans                                 | -75         | -88         |
| Net partly or fully funded pension plans                   | 13          | 6           |

Pension assets is included in line other non-current assets and pension liabilities is included in the line employee benefit obligations.

**UNFUNDED PENSION PLANS**

| <b>CHANGES IN PENSION OBLIGATIONS FOR UNFUNDED PENSION PLANS, PROJECTED BENEFIT OBLIGATIONS INCLUDING NATIONAL INSURANCE CONTRIBUTIONS</b> | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
| Balance 1 January  | -88         | -84         |
| Current year's interest cost   | -1          | -1          |
| Pensions benefits paid   | 5           | 5           |
| Remeasurements (loss)/gain OCI   | 5           | -3          |
| Currency translation differences   | 4           | -52         |
| <b>Balance 31 December</b>   | <b>-75</b>  | <b>-88</b>  |

**PARTLY OR FULLY FUNDED PENSION PLANS**

| <b>CHANGES IN PENSION OBLIGATIONS FOR PARTLY OR FULLY FUNDED PENSION PLANS, PROJECTED BENEFIT OBLIGATIONS INCLUDING NATIONAL INSURANCE CONTRIBUTIONS</b> | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
| Balance 1 January  | -150        | -163        |
| Current year's service cost  | -2          | -3          |
| Current year's interest cost   | -2          | -4          |
| Payroll tax of employer contribution   | 1           | 0           |
| Pension benefits paid  | 5           | 4           |
| Remeasurements (loss)/gain OCI   | 7           | 15          |
| <b>Balance 31 December</b>   | <b>-141</b> | <b>-150</b> |

| <b>CHANGES IN PLAN ASSETS FOR PARTLY OR FULLY FUNDED PENSION PLANS, PLAN ASSETS AT FAIR VALUE</b> | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
| Balance 1 January   | 156         | 158         |
| Adjustment to opening balance   | 7           | 0           |
| Return on plan assets (interest income)   | 2           | 3           |
| Employer contribution including payroll tax   | 5           | 4           |
| Payroll tax of employer contribution  | -1          | 0           |
| Pension benefits paid   | -5          | -3          |
| Remeasurements (loss)/gain oci  | -8          | -6          |
| <b>Balance 31 December</b>  | <b>156</b>  | <b>156</b>  |
| <b>Net assets/(obligations) partly or fully funded pension plans</b>                              | <b>13</b>   | <b>6</b>    |

| <b>SPECIFICATION OF REMEASUREMENT GAINS/LOSSES IN OTHER COMPREHENSIVE INCOME (OCI)</b> | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
| Actuarial loss (gain) - change in discount rate  | -1          | 0           |
| Actuarial loss (gain) - change in other financial assumptions                          | 0           | -4          |
| Actuarial loss (gain) - change in other demographic assumptions                        | -4          | 0           |
| Actuarial loss (gain) - experience obligation  | 1           | 15          |
| Actuarial loss (gain) - experience assets  | -2          | 0           |
| Investment management cost   | 2           | 0           |
| <b>Remeasurements loss (gain) in OCI</b>   | <b>-4</b>   | <b>11</b>   |

| INVESTMENT PROFILE FOR PENSION FUNDS | 2021       |              | 2020       |              |
|--------------------------------------|------------|--------------|------------|--------------|
|                                      | FUNDS      | DISTRIBUTION | FUNDS      | DISTRIBUTION |
| Shares                               | 19         | 12%          | 13         | 9%           |
| Bonds                                | 101        | 65%          | 105        | 67%          |
| Properties and real estate           | 20         | 13%          | 24         | 15%          |
| Money market                         | 10         | 6%           | 10         | 7%           |
| Other                                | 6          | 4%           | 5          | 3%           |
| <b>Total</b>                         | <b>156</b> | <b>100%</b>  | <b>156</b> | <b>100%</b>  |

#### SENSITIVITY ANALYSIS

Norske Skog has performed sensitivity analyses of material group companies for the most important assumptions related to defined benefit schemes to predict how fluctuations will impact pension liabilities in the consolidated balance sheet. In relation to the assumptions made in the calculation of

pension obligations the amount is most sensitive to changes in discount rate, salary adjustment and pension growth rate. The sensitivity of the pension obligation is shown in the table below:

| SENSITIVITY AT 31 DECEMBER 2021 | INCREASE | DECREASE |
|---------------------------------|----------|----------|
| Discount rate - 0.5%            | -8       | 9        |
| Salary adjustment - 0.5%        | 1        | -1       |
| Future national security - 1.0% | -4       | 4        |
| Future pension - 0.5%           | 7        | -        |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. No data is

available for decrease of future pension adjustment. The sensitivity analysis is based on actuarial calculations for the Norwegian schemes.

#### B) OTHER EMPLOYEE OBLIGATIONS

The groups other employee benefits are future benefits that the employees have earned in return for their service in current and prior periods.

The leave obligations cover the groups liabilities for long service leave and annual leave which are classified as either other non-current benefits or short-term benefits.

| NET PERIODIC EXPENSE                 | 2021     | 2020     |
|--------------------------------------|----------|----------|
| <b>Net periodic expense</b>          | <b>5</b> | <b>9</b> |
| <b>Net periodic interest expense</b> | <b>2</b> | <b>2</b> |

| CHANGES IN OTHER EMPLOYEE BENEFIT                     | 2021        | 2020        |
|---|-------------|-------------|
| Balance 1 January                                     | -287        | -270        |
| Current year's service cost                           | -14         | -16         |
| Current year's interest cost                          | -2          | -2          |
| Decrease in provision due to leave before entitlement | 0           | 1           |
| Remeasurements loss (gain) OCI                        | 9           | 8           |
| Payments made   | 29          | 25          |
| Other changes   | -2          | -14         |
| Currency translation differences                      | 12          | -17         |
| <b>Balance 31 December</b>                            | <b>-255</b> | <b>-287</b> |

| OTHER EMPLOYEE BENEFITS IN THE BALANCE SHEET     | 31.12.2021  | 31.12.2020  |
|--|-------------|-------------|
| Other non-current employee benefit obligations   | -223        | -196        |
| Other current employee benefit obligations       | -32         | -91         |
| <b>Total other employee benefits 31 December</b> | <b>-255</b> | <b>-287</b> |

The obligation classified as current relates to employees that have completed the required period of service and the group does not have an unconditional right to defer settlement for these obligations. Based on previous experience,

the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The current part is included in the balance sheet line trade and other payables.



## 21. Provisions

|                                  | RESTRUCTURING<br>PROVISION | DISMANTLING<br>PROVISION | ENVIRONMENTAL<br>PROVISION |
|----------------------------------|----------------------------|--------------------------|----------------------------|
| <b>Balance 1 January 2020</b>    | <b>61</b>                  | <b>55</b>                | <b>201</b>                 |
| Changes and new provisions       | 75                         | -40                      | -6                         |
| Utilised during the year         | -69                        | 0                        | 0                          |
| Periodic unwinding of discount   | 0                          | 1                        | 3                          |
| Currency translation differences | 3                          | 3                        | 10                         |
| <b>Balance 31 December 2020</b>  | <b>70</b>                  | <b>19</b>                | <b>208</b>                 |
| Changes and new provisions       | 214                        | -19                      | -39                        |
| Utilised during the year         | -220                       | 0                        | -1                         |
| Periodic unwinding of discount   | 0                          | 0                        | 2                          |
| Currency translation differences | 0                          | 0                        | -5                         |
| <b>Balance 31 December 2021</b>  | <b>63</b>                  | <b>0</b>                 | <b>165</b>                 |

### RESTRUCTURING PROVISION

Restructuring provision is included in the balance sheet line other current liabilities. The restructuring provision of NOK 63 million at 31 December 2021 includes various restructuring activities included provision for severance payments and other costs (publication paper Europe NOK 18 million and publication paper Australasia NOK 43 million). The amount expensed in 2021 in relation to restructuring activities amounted to NOK 192 million (publication paper Europe NOK 16 million and publication paper Australasia NOK 174 million). NOK 19 million of the increase in provision during 2021 is due to a reclassification from long term dismantling provision to short term as part of the closure of the production at Norske Skog Tasman.

The restructuring provision of NOK 70 million at 31 December 2020 includes various restructuring activities included provision for severance payments and other costs (publication paper Europe NOK 47 million and publication paper Australasia NOK 23 million). The amount expensed in 2020 in relation to restructuring activities amounted to NOK 75 million.

### DISMANTLING PROVISION

Provisions related to future dismantling costs arising from a future closing down of production facilities amounted to NOK 0 million at 31 December 2021, compared to NOK 19 million at 31 December 2020.

The total amount is normally classified as non-current and will only be realised at the time of a future shut down of any of the Norske Skog production units. The provision is the net present value of the future estimated costs, calculated using a long-term risk-free interest rate. The periodic unwinding of the discount is recognised in the income statement line financial expenses. The opposite entry for dismantling provision and change in provision estimates is property, plant and equipment. In 2021 the remaining amount of NOK 19 million was reclassified from long term to short term as part of the closure of the production at the Norske Skog Tasman. This is included in the balance sheet line other current liabilities.

### ENVIRONMENTAL PROVISION

The group's provision for environmental obligations is presented in the balance sheet as other non-current liabilities. The provision is related to estimated future costs for cleaning up any environmental pollution caused by Norske Skog production units. The provision will mainly be realised in a future period upon a potential shut down of the production activities of any of the Norske Skog production units. Increased environmental requirements from local governments may also lead to realisation of this provision at an earlier point in time.

Provisions for future environmental obligations amounted to NOK 165 million at 31 December 2021 compared to NOK 208 million at 31 December 2020. Resources spent on environmental activities during 2021 amounted to NOK 1.

The carrying value of the provision is the best estimate made by measuring the expected value of the specific obligations, discounted to present value using a long-term risk-free interest rate when the time value of money is material. Changes in factors included in the expected value will impact the carrying value of the obligation. To illustrate the sensitivity, a reduction in the future discount rate by one percentage point would increase the provision by approximately NOK 14 million. Changes in accounting estimates not related to assets are classified as operating items in the income statement, and the periodic unwinding of the discount is recognised within the income statement line financial expenses.

### CONTINGENT LIABILITIES

Norske Skog is an international company that, through its ongoing business operations, will be exposed to litigation and claims from public authorities and contracting parties as well as assessments from public authorities in each country it operates.



## 22. Interest-bearing liabilities

| INTEREST-BEARING DEBT, OUTSTANDING AMOUNTS | 31.12.2021   | 31.12.2020   |
|--|--------------|--------------|
| Bonds                                      | 1 498        | 1 094        |
| Debt to financial institutions             | 875          | 483          |
| Factoring facilities                       | 82           | 17           |
| <b>Total</b>                               | <b>2 456</b> | <b>1 595</b> |

| INTEREST-BEARING DEBT, OUTSTANDING AMOUNTS               | CURRENCY<br>AMOUNT 31.12.2021 | NOK<br>31.12.2021 | NOK<br>31.12.2020 |
|--|-------------------------------|-------------------|-------------------|
| EUR  | 236                           | 2 352             | 1 464             |
| AUD  | 4                             | 25                | 38                |
| <b>Total interest-bearing debt in foreign currencies</b> |                               | <b>2 377</b>      | <b>1 502</b>      |
| NOK  |                               | 79                | 92                |
| <b>Total interest-bearing debt</b>                       |                               | <b>2 456</b>      | <b>1 595</b>      |

In the first quarter of 2021 Norske Skog issued a EUR 150 million senior secured bond. The bond matures in March 2026 and has an interest rate of EURIBOR (zero floor) + 5.5% with quarterly interest payments. The proceeds were mainly used to refinance the EUR 125 million bond and for general corporate purposes. At 31 December 2021, the outstanding amount was EUR 150 million.

In connection with the refinancing in the first quarter, Norske Skog repaid the outstanding amount of EUR 20 million on the EUR 31 million revolving credit facility and entered into a new EUR 31 million revolving credit facility agreement with revised terms and a tenor of five years. At 31 December 2021 the credit facility was undrawn.

In the fourth quarter of 2021 Norske Skog announced that it had entered into credit facility agreements in an aggregate amount of EUR 265 million to finance its EUR 350 million investment to convert two paper machines into producing packaging paper. The total financing amount represents approximately 75% of the investment amount, of which EUR 193 million relates to Norske Skog Golbey and EUR 72 million relates to Norske Skog Bruck. The borrowing entities are Norske Skog Golbey SAS and Norske Skog Bruck GmbH, and the facilities are fully guaranteed by Norske Skog ASA. The facilities will be drawn as capital expenditures are incurred, and repayment is scheduled to commence approximately upon completion of each respective project with average maturity towards the end of 2030. Utilisations are subject to customary conditions precedent for such facilities. At 31 December 2021, the credit facilities had been drawn by approximately EUR 19 million.

In 2020 Norske Skog entered into an EUR 54 million credit facility to finance the construction of an incineration boiler on the Norske Skog Bruck site. The credit facility is drawn incrementally as expenditures incur during the construction phase, after which it will be repaid in quarterly instalments up until the final maturity date in 2028. The borrower under the facility is Norske Skog Bruck GmbH and Norske Skog ASA has provided a guarantee of EUR 20 million. At 31 December 2021, the loan has been drawn by approximately EUR 45 million.

The financial covenants applicable to Norske Skog on a consolidated basis are (i) freely available and unrestricted cash and cash equivalents of minimum NOK 100 million, (ii) EBITDA to net interest costs of minimum 2.0:1, and (iii) book equity to total assets of minimum 25% and (iv) minimum last twelve months (LTM) EBITDA of NOK 300 million at 31 December 2021, and NOK 400 million thereafter. In addition, there are various company specific financial covenants applicable to the subsidiaries acting as borrowers under the respective credit facilities.

The EBITDA used in the calculation of financial covenants may differ from the EBITDA shown in the financial reporting due to adjustment requirements in the facility agreements.

The remaining financing arrangements for the group includes leasing, factoring, and other credit facilities in the mill owning entities.

Norske Skog Skogn AS and Norske Skog Saugbrugs AS have pledged its trade receivables in favour of its factoring providers. In addition, Norske Skog Skogn AS and Norske Skog Saugbrugs AS have pledged certain parts of its property and assets in favour of the EUR 31 million RCF and the EUR 150 million senior secured bond. Saugbrugs Bioenergi AS, a wholly owned subsidiary of Norske Skog Saugbrugs AS, has pledged certain parts of its property and assets in favour of the lenders under a credit facility financing its biogas facility. Norske Skog Golbey SAS has pledged certain parts of its property, in an amount of up to EUR 13 million, in favour of a bank guarantor under a guarantee to one of its energy suppliers. In addition, Norske Skog Golbey SAS has pledged certain parts of its property and assets and Norske Skog ASA has pledged the shares in Norske Skog Golbey SAS in favour of the lenders under the packaging conversion facilities. Norske Skog Bruck GmbH has pledged certain parts of its property and assets in favour of the lenders under the EUR 54 million credit facility.

The average interest rate at 31 December 2021 was 4.4% (5.2%).

**SCHEDULED REPAYMENTS OF THE GROUP'S FINANCIAL DEBT AND INTEREST AT 31.12.2021**

|              | INTEREST   | OTHER LOANS <sup>2)</sup> | BONDS        | TOTAL        |
|--------------|------------|---------------------------|--------------|--------------|
| 2022         | 104        | 300                       | 0            | 404          |
| 2023         | 99         | 143                       | 0            | 242          |
| 2024         | 94         | 134                       | 0            | 228          |
| 2025         | 91         | 133                       | 0            | 223          |
| 2026         | 25         | 105                       | 1 498        | 1 628        |
| 2027         | 2          | 104                       | 0            | 106          |
| 2028         | 1          | 13                        | 0            | 14           |
| 2029         | 0          | 7                         | 0            | 7            |
| 2030         | 0          | 7                         | 0            | 7            |
| 2031 ->      | 0          | 13                        | 0            | 13           |
| <b>Total</b> | <b>416</b> | <b>958</b>                | <b>1 498</b> | <b>2 872</b> |

**SCHEDULED REPAYMENTS OF THE GROUP'S FINANCIAL DEBT AND INTEREST AT 31.12.2020**

|              | INTEREST   | OTHER LOANS <sup>2)</sup> | BONDS        | TOTAL        |
|--------------|------------|---------------------------|--------------|--------------|
| 2021         | 82         | 56                        | 0            | 138          |
| 2022         | 43         | 246                       | 1 094        | 1 383        |
| 2023         | 7          | 37                        | 0            | 44           |
| 2024         | 4          | 37                        | 0            | 41           |
| 2025         | 3          | 32                        | 0            | 35           |
| 2026         | 3          | 29                        | 0            | 32           |
| 2027         | 2          | 28                        | 0            | 30           |
| 2028 ->      | 1          | 35                        | 0            | 36           |
| <b>Total</b> | <b>145</b> | <b>500</b>                | <b>1 094</b> | <b>1 739</b> |

<sup>2)</sup> including full instalments for the EUR 54 million credit facility

The debt amounts set out above may differ from the carrying value in the balance sheet due to the amortized cost principle and exclusion of debt items related to leases. At 31 December 2021, the financial statements included amortized cos in an amount of NOK 24 million (NOK 14 million), and the amount of interest-bearing debt related to leases was NOK 112 million. See Note 15.

Trade payables amounted to NOK 1 018 million at 31 December 2021 (NOK 877 million).

Drawn amounts from securitization arrangements is classified as interest-bearing current liabilities. This amounts to NOK 83 million in scheduled repayments in 2021. The financed amount represents a group of individual loans, which are settled individually at maturity of the accounts receivable. New loans are initiated on a consecutive basis based on new accounts

receivable included under the securitization agreement. The liability is in its nature current and Norske Skog does not have an unconditional right to defer settlement beyond twelve months. The liabilities are liabilities that are settled through its normal operating cycle. The corresponding accounts receivable is derecognised when the customer pays it.

At 31 December 2021, Norske Skog ASA and its subsidiaries had issued bank guarantees on its behalf in an amount of NOK 169 million (NOK 143 million).

Norske Skog Skogn AS and Norske Skog Saugbrugs AS have pledged certain parts of its assets and machinery, in an amount of up to NOK 200 million, to its energy suppliers under long term energy supply agreements. The security has priority behind the EUR 31 million revolving credit facility and the EUR 150 million senior secured bond.

## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| 2021   | NOTE | 1.1.2021     | CASH FLOW | NON-CASH CHANGES               |                     |                           | 31.12.2021   |
|--|------|--------------|-----------|--------------------------------|---------------------|---------------------------|--------------|
|  |      |              |           | RECLASSIFICATION <sup>1)</sup> | OTHER <sup>2)</sup> | FOREIGN EXCHANGE MOVEMENT |              |
| Interest-bearing non-current liabilities           | 23   | 1 613        | 790       | -71                            | 80                  | -56                       | 2 356        |
| Interest-bearing current liabilities               | 23   | 92           | 29        | 71                             | 0                   | -5                        | 187          |
| <b>Total liabilities from financing activities</b> |      | <b>1 705</b> |           |                                |                     |                           | <b>2 543</b> |

<sup>1)</sup> Reclassification between non-current and current term liabilities

<sup>2)</sup> New Leasing debt, loss early repayment of bond and amortization of transaction costs debt issuance.

| 2020   | NOTE | 1.1.2021     | CASH FLOW | NON-CASH CHANGES               |                     |                           | 31.12.2020   |
|--|------|--------------|-----------|--------------------------------|---------------------|---------------------------|--------------|
|  |      |              |           | RECLASSIFICATION <sup>1)</sup> | OTHER <sup>2)</sup> | FOREIGN EXCHANGE MOVEMENT |              |
| Interest-bearing non-current liabilities           | 23   | 1 470        | 112       | -86                            | 34                  | 79                        | 1 613        |
| Interest-bearing current liabilities               | 23   | 419          | -452      | 86                             | 0                   | 38                        | 92           |
| <b>Total liabilities from financing activities</b> |      | <b>1 889</b> |           |                                |                     |                           | <b>1 705</b> |

<sup>1)</sup> Reclassification between non-current and current term liabilities

<sup>2)</sup> New Leasing debt

## 23. Specification of balance sheet items

| NOK MILLION                              | Note | 2021         | 2020         |
|--|------|--------------|--------------|
| <b>Other non-current assets</b>          |      |              |              |
| Long-term shareholdings                  | 16   | 111          | 97           |
| Derivatives                              |      | 0            | 14           |
| Commodity contracts                      |      | 176          | 272          |
| Pension plan assets                      | 20   | 13           | 5            |
| Loans to employees                       |      | 0            | 1            |
| Other non-current receivables            |      | 5            | 11           |
| <b>Total</b>                             |      | <b>305</b>   | <b>401</b>   |
| <b>Inventories</b>                       |      |              |              |
| Raw materials and other production goods |      | 742          | 717          |
| Semi-manufactured materials              |      | 7            | 10           |
| Finished goods                           |      | 454          | 466          |
| <b>Total</b>                             | 5    | <b>1 203</b> | <b>1 194</b> |
| <b>Other current assets</b>              |      |              |              |
| Derivatives                              |      | 0            | 5            |
| Commodity contracts                      |      | 308          | 215          |
| Current investments                      | 18   | 0            | 20           |
| Other current assets                     |      | 176          | 0            |
| <b>Total</b>                             |      | <b>484</b>   | <b>241</b>   |
| <b>Trade and other payables</b>          |      |              |              |
| Trade payables                           |      | 1 018        | 877          |
| Accrued labour costs and taxes           |      | 451          | 508          |
| Accrued expenses                         |      | 419          | 340          |
| Other interest-free liabilities          |      | 55           | 2            |
| <b>Total</b>                             | 18   | <b>1 941</b> | <b>1 728</b> |

| NOK MILLION  | Note      | 2021         | 2020         |
|--|-----------|--------------|--------------|
| <b>Other current liabilities</b>                         |           |              |              |
| Derivatives  |           | 1            | 0            |
| Commodity contracts                                      |           | 215          | 72           |
| Accrued emission rights                                  |           | 136          | 54           |
| Accrued financial costs                                  |           | 7            | 3            |
| Restructuring provision                                  | 21        | 63           | 70           |
| <b>Total</b>   | <b>18</b> | <b>422</b>   | <b>199</b>   |
| <b>Other non-current liabilities</b>                     |           |              |              |
| Commodity contracts                                      |           | 270          | 15           |
| Dismantling provision                                    | 21        | 0            | 19           |
| Environmental provision                                  | 21        | 165          | 208          |
| Deferred recognition of government grants                |           | 21           | 25           |
| Other non-interest-bearing debt                          |           | 6            | 11           |
| <b>Total</b>   | <b>18</b> | <b>463</b>   | <b>277</b>   |
| <b>Interest-bearing non-current liabilities</b>          |           |              |              |
| Bond (amortised cost)                                    |           | 1 474        | 1 080        |
| Debt to financial institutions                           |           | 814          | 445          |
| Leasing obligations                                      | 15        | 68           | 88           |
| <b>Total</b>   | <b>18</b> | <b>2 356</b> | <b>1 613</b> |
| <b>Interest-bearing current liabilities</b>              |           |              |              |
| Debt to financial institutions and bond (amortised cost) |           | 143          | 55           |
| Leasing obligations                                      | 15        | 43           | 37           |
| Other interest-bearing liabilities                       |           | 0            | 0            |
| <b>Total</b>   | <b>18</b> | <b>187</b>   | <b>92</b>    |

## 24. Related parties

Oceanwood Special Situations Malta Limited is a related party to Norske Skog through the ownership in NS Norway Holding AS (largest shareholder).

There have been no transactions with Oceanwood Special Situations Malta Limited in 2021.

On 14 January 2021 NS Norway Holding sold 11 764 705 shares in Norske Skog ASA. On 2 December 2021 NS Norway Holding sold 13 500 000 shares in Norske Skog ASA. Following these sales NS Norway Holding AS hold 28.53% of the shares in Norske Skog ASA.

Balances and transactions between the group and subsidiaries, as listed in Note 16, have been eliminated on consolidation and are not disclosed in this note.

Remuneration for corporate management is presented in Note 7. Remuneration for leading personnel is presented in the remuneration report available at [www.norskeskog.com](http://www.norskeskog.com).

All transactions with related parties are conducted on normal commercial terms.

## 25. Events after the balance sheet date

On 1 February 2022 Norske Skog announced that it had entered into agreement to sell Nature's Flame pellets production company to Talley's Group for a consideration of approximately NZD 47.8 million. The transaction is expected to close during the first quarter of 2022, and result in a cash payment of approximately NZD 47.8 million and a book value gain of approximately NOK 150-200 million.

On 9 March 2022 temporary downtime was initiated at the Norske Skog Bruck paper mill in Austria due to the high and uncertain price levels of gas, an important input cost in production. Following some visibility on input costs and customer commitments, production was gradually started up again on 21 March. The new boiler scheduled for start-up in April is expected to

contribute to alleviate the situation, if the volatility and high price levels remain, by reducing the mill's gas consumption and improve its energy supply.

The invasion of Ukraine by Russia at the end of February has created further uncertainty in the markets and particularly energy market which is important for Norske Skog. Norske Skog has no operations or sales to the impacted regions but there is an inherent uncertainty on any impact on operations during 2022.

There have been no events after the balance sheet date with significant impact on the financial statements for 2021.





# FINANCIAL STATEMENTS

## NORSKE SKOG ASA

### FINANCIAL STATEMENTS

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**INCOME STATEMENT**

| NOK MILLION                              | Note | 2021        | 2020        |
|--|------|-------------|-------------|
| <b>Total operating income</b>            | 3    | <b>95</b>   | <b>91</b>   |
| Employee benefit expenses                | 4    | -82         | -87         |
| Other operating expenses                 |      | -50         | -58         |
| Restructuring expenses                   |      | -3          | -1          |
| Depreciation                             |      | -9          | -8          |
| <b>Total operating expenses</b>          |      | <b>-145</b> | <b>-154</b> |
| <b>Operating earnings</b>                |      | <b>-49</b>  | <b>-63</b>  |
| Share of profit in associated companies  | 5    | -18         | 0           |
| Financial income                         | 6    | 71          | 286         |
| Financial expense                        | 6    | -164        | -745        |
| Gains/(losses) on foreign currency       | 6    | 81          | -171        |
| <b>Profit/(loss) before income taxes</b> |      | <b>-78</b>  | <b>-694</b> |
| Income taxes                             | 7    | -2          | -4          |
| <b>Profit/(loss) after income tax</b>    |      | <b>-80</b>  | <b>-697</b> |

**STATEMENT OF COMPREHENSIVE INCOME**

| NOK MILLION   | 2021       | 2020        |
|---|------------|-------------|
| <b>Profit/(loss) after tax</b>  | <b>-80</b> | <b>-697</b> |
| <b>Items that will not be reclassified subsequently to profit or loss</b> |            |             |
| Remeasurements of post employment benefit obligations                     | -1         | 1           |
| Tax effect on remeasurements of post employment benefit obligations       | 0          | 1           |
| <b>Other comprehensive income</b>   | <b>-1</b>  | <b>2</b>    |
| <b>Total comprehensive income</b>   | <b>-81</b> | <b>-695</b> |

**BALANCE SHEET**

| NOK MILLION                              | NOTE   | 2021         | 2020         |
|--|--------|--------------|--------------|
| Intangible assets                        | 8      | 13           | 14           |
| Property, plant and equipment            | 8      | 8            | 13           |
| Shares in subsidiaries                   | 9      | 3 341        | 3 149        |
| Investment in associated companies       | 5      | 102          | 0            |
| Other non-current assets                 | 12     | 1 310        | 1 265        |
| <b>Total non-current assets</b>          |        | <b>4 775</b> | <b>4 441</b> |
| Trade and other receivables              | 12     | 227          | 214          |
| Other current assets                     |        | 25           | 12           |
| Cash and cash equivalents                |        | 1 271        | 783          |
| <b>Total current assets</b>              |        | <b>1 523</b> | <b>1 008</b> |
| <b>Total assets</b>                      |        | <b>6 298</b> | <b>5 449</b> |
| Paid-in-equity                           |        | 4 039        | 3 651        |
| Retained earnings and other reserves     |        | -631         | -550         |
| <b>Total equity</b>                      | 10     | <b>3 408</b> | <b>3 101</b> |
| Interest-bearing non-current liabilities | 11, 12 | 1 479        | 1 306        |
| <b>Total non-current liabilities</b>     |        | <b>1 479</b> | <b>1 306</b> |
| Interest-bearing current liabilities     | 11, 12 | 1 344        | 997          |
| Other current liabilities                |        | 67           | 45           |
| <b>Total current liabilities</b>         |        | <b>1 411</b> | <b>1 042</b> |
| <b>Total liabilities</b>                 |        | <b>2 890</b> | <b>2 348</b> |
| <b>Total equity and liabilities</b>      |        | <b>6 298</b> | <b>5 449</b> |

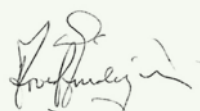
SKØYEN, 29 MARCH 2022

THE BOARD OF DIRECTORS OF NORSKE SKOG ASA



John Chiang

Chair



Arvid Grundekjøn

Board member



Trine-Marie Hagen

Board member



Sven Ombudstvedt

CEO

**STATEMENT OF CASH FLOWS**

| NOK MILLION   | NOTE | 2021        | 2020        |
|---|------|-------------|-------------|
| Cash generated from operations                        |      | 88          | 90          |
| Cash used in operations                               |      | -120        | -146        |
| Cash flow from currency hedges and financial items    |      | -17         | -97         |
| Interest payments received                            |      | 71          | 84          |
| Interest payments made                                |      | -98         | -81         |
| Taxes paid  | 7    | -2          | -3          |
| <b>Net cash flow from operating activities</b>        |      | <b>-77</b>  | <b>-152</b> |
| Purchases equipment and intangible assets             | 8    | -3          | -6          |
| Sales of shares in companies                          |      | 0           | 4           |
| Other financial payments                              |      | -243        | -25         |
| <b>Net cash flow from investing activities</b>        |      | <b>-246</b> | <b>-27</b>  |
| New loans raised                                      |      | 442         | 230         |
| Repayments of loans                                   |      | -255        | -228        |
| Dividend paid   |      | 0           | -516        |
| New paid-in equity                                    |      | 388         | 0           |
| Change in intercompany balance with group             |      | 220         | 764         |
| <b>Net cash flow from financing activities</b>        |      | <b>796</b>  | <b>250</b>  |
| Foreign currency effects on cash and cash equivalents |      | 16          | 15          |
| <b>Total change in cash and cash equivalents</b>      |      | <b>489</b>  | <b>87</b>   |
| Cash and cash equivalents 1 January                   |      | 783         | 697         |
| Cash and cash equivalents 31 December <sup>1)</sup>   |      | 1 271       | 783         |
| <sup>1)</sup> Whereof restricted cash                 |      | 40          | 8           |

**STATEMENT OF CHANGE IN EQUITY**

| NOK MILLION                    | NOTE | SHARE CAPITAL | SHARE PREMIUM | OTHER PAID-IN CAPITAL | RETAINED EARNINGS | TOTAL EQUITY |
|--------------------------------|------|---------------|---------------|-----------------------|-------------------|--------------|
| <b>Equity 1 January 2020</b>   |      | <b>330</b>    | <b>1 072</b>  | <b>2 249</b>          | <b>662</b>        | <b>4 313</b> |
| Profit after tax               |      | 0             | 0             | 0                     | -697              | -697         |
| Other comprehensive income     |      | 0             | 0             | 0                     | 2                 | 2            |
| Dividends paid                 |      | 0             | 0             | 0                     | -516              | -516         |
| <b>Equity 31 December 2020</b> |      | <b>330</b>    | <b>1 072</b>  | <b>2 249</b>          | <b>-549</b>       | <b>3 101</b> |
| Change in paid-in capital      |      | 47            | 341           | 0                     | 0                 | 388          |
| Profit after tax               |      | 0             | 0             | 0                     | -80               | -80          |
| Other comprehensive income     |      | 0             | 0             | 0                     | -1                | -1           |
| <b>Equity 31 December 2021</b> | 10   | <b>377</b>    | <b>1 412</b>  | <b>2 249</b>          | <b>-631</b>       | <b>3 408</b> |



# NOTES TO THE FINANCIAL STATEMENTS

## 1. General information

All amounts are presented in NOK million unless otherwise stated. There may be some small differences in the summation of columns due to rounding.

The financial statements were authorised for issue by the board of directors on 29 March 2022.

## 2. Accounting policies

The financial statements for Norske Skog ASA have been prepared and presented in accordance with simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act.

Requirements related to recognition and measurement applied to the company financial statements of Norske Skog ASA are identical to the ones described in Note 2 Accounting policies in the consolidated financial statements, with the exception of shares in subsidiaries which are recognised at lower of cost and net-realizable value in the company financial statements. Shares in subsidiaries are reviewed for impairment if changes in circumstances indicate that the carrying amount is higher than the fair value of the investment, and impairment loss is reversed if the impairment situation no longer exists. Dividends from subsidiaries is recognised in the year for which it is proposed by the subsidiary.

For accounting estimates and assumptions see Note 3 Accounting estimates and assumptions in the consolidated financial statements.

## 3. Operating revenue by geographical market

The company's operating revenue consists mainly of the sale of services to other entities in the group. Operating revenue arising from sales of internal

services to other entities in the group amounted to NOK 82 million in 2021. The corresponding figure for 2020 were NOK 88 million.

| OPERATING REVENUE BY GEOGRAPHICAL MARKET | 2021      | 2020      |
|--|-----------|-----------|
| Norway                                   | 47        | 39        |
| Europe excluding Norway                  | 39        | 40        |
| Australasia                              | 9         | 12        |
| <b>Total</b>                             | <b>95</b> | <b>91</b> |

#### 4. Payroll expenses, pension expenses and obligations

| <b>EMPLOYEE BENEFIT EXPENSES</b> | <b>2021</b> | <b>2020</b> |
|----------------------------------|-------------|-------------|
| Salaries including holiday pay   | 66          | 69          |
| Social security contributions    | 9           | 10          |
| Pension expenses                 | 2           | 2           |
| Other employee benefit expenses  | 4           | 6           |
| <b>Total</b>                     | <b>82</b>   | <b>87</b>   |

The company is required by law to have a pension scheme for all employees. The company's pension plan is compliant with the requirements in the Norwegian Act relating to mandatory occupational pension. See also Note 20

Pension and other other employee obligations in the consolidated financial statements for further information.

| <b>NUMBER OF EMPLOYEES</b> | <b>31.12.2021</b> | <b>31.12.2020</b> |
|----------------------------|-------------------|-------------------|
| Employees                  | 30                | 35                |

| <b>NET PERIODIC PENSION EXPENSES</b>        | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
| Pension expenses, defined benefit plan      | 0           | 0           |
| Pension expenses, defined contribution plan | 2           | 2           |
| <b>Net periodic pension expenses</b>        | <b>2</b>    | <b>2</b>    |

|                                       |          |          |
|---------------------------------------|----------|----------|
| <b>Net periodic interest expenses</b> | <b>0</b> | <b>0</b> |
|---------------------------------------|----------|----------|

| <b>PENSION ASSETS IN THE BALANCE SHEET</b>     | <b>31.12.2021</b> | <b>31.12.2020</b> |
|--|-------------------|-------------------|
| <b>Net pension assets in the balance sheet</b> | <b>1</b>          | <b>2</b>          |

| <b>PENSION OBLIGATIONS IN THE BALANCE SHEET</b>     | <b>31.12.2021</b> | <b>31.12.2020</b> |
|---|-------------------|-------------------|
| Projected benefit obligation                        | -23               | -23               |
| Plan assets at fair value                           | 24                | 26                |
| <b>Net pension obligations in the balance sheet</b> | <b>1</b>          | <b>2</b>          |

| <b>SENSITIVITY ANALYSIS AT 31 DECEMBER 2021</b> | <b>Increase</b> | <b>Decrease</b> |
|---|-----------------|-----------------|
| Discount rate -0.5%                             | -1              | 1               |
| Salary adjustment - 0.5%                        | 0               | 0               |

See Note 20 Pension and other employee obligations in the consolidated financial statements for assumptions and further information.

#### 5. Associated companies

Loss from associated companies is included in 2021 with NOK 18 million.

Investment in associated companies are accounted for in accordance with the equity method. The carrying value of assets in associated companies are NOK 102 million at 31 December 2021 (NOK 0 million at 31 December 2020).

Circa Group AS is incorporated in Oslo, Norway and is a holding company of Circa Group Pty Ltd. Circa Group Pty Ltd is incorporated in Melbourne,

Australia, and is a biotechnical company with a vision to produce and sell unique and highly valuable biochemical at scale. At 31 December 2021 Norske Skog ASA had a 26% share of Circa Group AS with a carrying value of NOK 102 million. Circa Group was listed on Euronext Growth on 2 March 2021.

Due to later reporting dates than Norske Skog ASA, the share results from Circa Group is included with at three months lag.

## 6. Financial items

| FINANCIAL ITEMS                           | 2020        | 2019        |
|---|-------------|-------------|
| <b>Financial income</b>                   |             |             |
| Dividends received                        | 0           | 200         |
| Interest income                           | 2           | 4           |
| Interest income from group companies      | 69          | 81          |
| Other financial income                    | 1           | 0           |
| <b>Total</b>                              | <b>71</b>   | <b>286</b>  |
| <b>Financial expenses</b>                 |             |             |
| Interest expense                          | -92         | -86         |
| Interest expense group companies          | -16         | -23         |
| Other financial expenses                  | -56         | -4          |
| Impairment of investments in subsidiaries | 0           | -632        |
| <b>Total</b>                              | <b>-164</b> | <b>-745</b> |
| Gains/(losses) on foreign currency        | 81          | -171        |
| <b>Financial items</b>                    | <b>-11</b>  | <b>-630</b> |

No dividends have been received from subsidiaries in 2021. Dividends in 2020 is from the subsidiary Norske Skog Golbey SAS.



## 7. Income taxes

| <b>TAX EXPENSE</b>  | <b>2021</b>       | <b>2020</b>       |
|---|-------------------|-------------------|
| Current tax expense   | -2                | -4                |
| Change in deferred tax  | 0                 | 0                 |
| <b>Total</b>  | <b>-2</b>         | <b>-4</b>         |
| <b>INCOME TAX RECONCILIATION</b>                                      | <b>2021</b>       | <b>2020</b>       |
| <b>Profit/(loss) before income taxes</b>                              | <b>-78</b>        | <b>-694</b>       |
| Computed tax at nominal tax rate 22%                                  | 17                | 153               |
| Non taxable income/non deductible expenses                            | -5                | -4                |
| Dividend  | 0                 | 44                |
| Impairment of investments in subsidiaries                             | 0                 | -139              |
| Adjustment previous years   | 1                 | 1                 |
| Other items   | -4                | 0                 |
| Deferred tax assets not recognised                                    | -10               | -55               |
| Tax effect on remeasurements of post-employment benefit obligations   | 0                 | -1                |
| Withholding tax   | -2                | -3                |
| <b>Total tax (expense)/income</b>                                     | <b>-2</b>         | <b>-4</b>         |
| <b>TEMPORARY DIFFERENCES AND TAX LOSSES - DETAILS</b>                 | <b>31.12.2021</b> | <b>31.12.2020</b> |
| Fixed assets  | 0                 | 0                 |
| Other non-current items   | 2                 | 0                 |
| Pensions  | -1                | -2                |
| Translation differences and financial instruments                     | -57               | 62                |
| Current items   | -4                | -4                |
| Tax losses to carry forward   | 1 134             | 971               |
| Tax losses and other deferred tax assets not recognised <sup>1)</sup> | -1 073            | -1 027            |
| <b>Basis for deferred tax</b>   | <b>0</b>          | <b>0</b>          |
| <b>DEFERRED TAX</b>   | <b>31.12.2021</b> | <b>31.12.2020</b> |
| <b>Net deferred tax asset/(liability)</b>                             | <b>0</b>          | <b>0</b>          |

<sup>1)</sup> The value of tax losses and other tax credits are written down, subsequently the tax losses are lower than total tax benefits not recognised.

## 8. Intangible assets and property, plant and equipment

| INTANGIBLE ASSETS  | LICENSES AND PATENTS |
|--|----------------------|
| <b>Acquisition cost 1 January 2020</b>                           | <b>18</b>            |
| Addition   | 4                    |
| Reclassified from plant under construction                       | 7                    |
| <b>Acquisition cost 31 December 2020</b>                         | <b>29</b>            |
| <b>Accumulated depreciation and impairments 1 January 2020</b>   | <b>10</b>            |
| Depreciation   | 5                    |
| <b>Accumulated depreciation and impairments 31 December 2020</b> | <b>15</b>            |
| <b>Carrying value 31 December 2020</b>                           | <b>14</b>            |
| <b>Acquisition cost 1 January 2021</b>                           | <b>29</b>            |
| Addition   | 2                    |
| Reclassified from plant under construction                       | 3                    |
| <b>Acquisition cost 31 December 2021</b>                         | <b>34</b>            |
| <b>Accumulated depreciation and impairments 1 January 2021</b>   | <b>15</b>            |
| Depreciation   | 6                    |
| <b>Accumulated depreciation and impairments 31 December 2021</b> | <b>21</b>            |
| <b>Carrying value 31 December 2021</b>                           | <b>13</b>            |

Licenses, patents and other intangible assets are depreciated on a straight-line basis over a period from three to five years.

Other intangible assets consist mainly of capitalised development costs relating to customising of software.

| PROPERTY, PLANT AND EQUIPMENT                                    | FIXTURES AND FITTINGS | PLANT UNDER CONSTRUCTION | RIGHT-OF-USE ASSETS | TOTAL     |
|--|-----------------------|--------------------------|---------------------|-----------|
| <b>Acquisition cost 1 January 2020</b>                           | <b>1</b>              | <b>7</b>                 | <b>14</b>           | <b>22</b> |
| Addition   | 0                     | 2                        | 0                   | 2         |
| Reclassified from plant under construction                       | 0                     | -7                       | 0                   | -7        |
| <b>Acquisition cost 31 December 2020</b>                         | <b>1</b>              | <b>2</b>                 | <b>14</b>           | <b>18</b> |
| <b>Accumulated depreciation and impairments 1 January 2020</b>   | <b>0</b>              | <b>0</b>                 | <b>1</b>            | <b>1</b>  |
| Depreciation   | 0                     | 0                        | 3                   | 3         |
| <b>Accumulated depreciation and impairments 31 December 2020</b> | <b>1</b>              | <b>0</b>                 | <b>4</b>            | <b>4</b>  |
| <b>Carrying value 31 December 2020</b>                           | <b>1</b>              | <b>2</b>                 | <b>10</b>           | <b>13</b> |
| <b>Acquisition cost 1 January 2021</b>                           | <b>1</b>              | <b>2</b>                 | <b>14</b>           | <b>18</b> |
| Addition   | 0                     | 1                        | 0                   | 1         |
| Reclassified from plant under construction                       | 0                     | -3                       | 0                   | -3        |
| <b>Acquisition cost 31 December 2021</b>                         | <b>1</b>              | <b>0</b>                 | <b>14</b>           | <b>16</b> |
| <b>Accumulated depreciation and impairments 1 January 2021</b>   | <b>1</b>              | <b>0</b>                 | <b>4</b>            | <b>4</b>  |
| Depreciation   | 0                     | 0                        | 3                   | 3         |
| <b>Accumulated depreciation and impairments 31 December 2021</b> | <b>1</b>              | <b>0</b>                 | <b>7</b>            | <b>8</b>  |
| <b>Carrying value 31 December 2021</b>                           | <b>1</b>              | <b>0</b>                 | <b>7</b>            | <b>8</b>  |

Fixtures and fittings and right of use assets are depreciated on a linear basis over a period from three to five years.

## 9. Shares in subsidiaries

| SHARES IN SUBSIDIARIES  | CURRENCY | SHARE CAPITAL<br>(IN MILLION) | OWNERSHIP% | CARRYING VALUE<br>(IN NOK MILLION) |
|---|----------|-------------------------------|------------|------------------------------------|
| Norske Skog Bruck GmbH, Bruck, Austria                          | EUR      | 10                            | 99.9%      | 769                                |
| Norske Skog Golbey SAS, Golbey, France                          | EUR      | 62                            | 100.0%     | 1 715                              |
| Norske Skog Skogn AS, Levanger, Norway                          | NOK      | 115                           | 100.0%     | 291                                |
| Norske Skog Saugbrugs AS, Halden, Norway                        | NOK      | 115                           | 100.0%     | 334                                |
| Norske Skog Industries Australia Ltd., Sydney, Australia        | AUD      | 340                           | 100.0%     | 230                                |
| Nornews AS, Oslo, Norway  | NOK      | 0                             | 100.0%     | 3                                  |
| Cebina AS, Oslo, Norway   | NOK      | 0                             | 100.0%     | 0                                  |
| Cebico AS, Oslo, Norway   | NOK      | 0                             | 100.0%     | 0                                  |
| Norske Skog Papers (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia | MYR      | 0                             | 100.0%     | 0                                  |
| <b>Total</b>  |          |                               |            | <b>3 341</b>                       |

Investments in subsidiaries are tested for impairment in accordance with IAS 36 Impairment of assets. Shares in subsidiaries are written down to their recoverable amount when the recoverable amount is lower than the carrying value of the investment. For impairment testing purposes, investments in subsidiaries are grouped in the same manner as the cash-generating units for the group. The carrying amount of investments in subsidiaries within each cash-generating unit is measured against the recoverable amount of investments in subsidiaries within this cash-generating unit.

The investment in subsidiaries have increased from NOK 3 149 million to NOK 3 341 million during 2021. The increase is due to new share capital of EUR 19 million in Norske Skog Bruck GmbH.

See Note 6. For further information with respect to impairment testing see Note 14 Intangible assets and property, plant and equipment in the consolidated financial statements.

## 10. Equity

The share capital of Norske Skog ASA at 31 December 2021 was NOK 377 million and consisted of 94 264 705 shares each with a nominal value of NOK 4.00. There was an increase of paid-in-capital in February 2021 by issuing 11 764 705 new shares. The increase consisted of increase in share capital of NOK 47 million and increase of share premium of NOK 341 million. All shares have been created under the Norwegian Public Limited Companies Act and are validly issued and fully paid.

NS Norway Holding AS acquired 100% of the shares in the company on 28 September 2018. Following the listing of the company on Oslo Stock Exchange 18 October 2019 and subsequent sales of share NS Norway Holding AS' ownership share was reduced to 28.53%<sup>1)</sup>. The 20 largest shareholders at 31 December 2021 are as follows:

| 20 LARGEST SHAREHOLDERS AT 31 DECEMBER 2021 | NUMBER OF<br>SHARES | OWNERSHIP%    |
|---|---------------------|---------------|
| NS Norway Holding AS                        | 26 896 681          | 28.53         |
| The Bank Of New York Mellon SA/NV           | 4 451 533           | 4.72          |
| UBS Europe SE                               | 3 121 000           | 3.31          |
| The Bank Of New York Mellon SA/NV           | 2 999 682           | 3.18          |
| J.P. Morgan Bank Luxembourg S.A.            | 2 317 049           | 2.46          |
| Verdipapirfondet First Generator            | 2 104 828           | 2.23          |
| Verdipapirfondet Holberg Norge              | 1 900 000           | 2.02          |
| The Bank Of New York Mellon SA/NV           | 1 636 603           | 1.74          |
| Verdipapirfondet Eika Spar                  | 1 519 576           | 1.61          |
| Intertrade Shipping AS                      | 1 430 000           | 1.52          |
| RBC Investor Services Bank S.A.             | 1 361 111           | 1.44          |
| Clearstream Banking S.A.                    | 1 200 903           | 1.27          |
| MP Pensjon PK                               | 1 198 015           | 1.27          |
| Carucel Finance AS                          | 1 149 624           | 1.22          |
| Verdipapirfondet Eika Norge                 | 1 130 794           | 1.20          |
| Verdipapirfondet DNB SMB                    | 1 030 995           | 1.09          |
| Skandinaviska Enskilda Banken AB            | 1 000 000           | 1.06          |
| Verdipapirfondet Fondsinans Norge           | 1 000 000           | 1.06          |
| Skandinaviska Enskilda Banken AB            | 977 450             | 1.04          |
| Verdipapirfondet Nordea Norge Verdi         | 854 513             | 0.91          |
| Other shareholders                          | 34 984 348          | 37.11         |
| <b>Total</b>                                | <b>94 264 705</b>   | <b>100.00</b> |

The shareholder list is extracted from VPS. Whilst every reasonable effort is made to verify all data VPS cannot guarantee the accuracy of the analysis.

| SHARES OWNED BY MEMBERS OF THE BOARD OF DIRECTORS AT 31 DECEMBER 2021 | NUMBER OF<br>SHARES |
|---|---------------------|
| John Chiang <sup>2)</sup>   | 76 315              |
| Arvid Grundekjøn  | 11 617              |
| Trine-Marie Hagen   | 0                   |

| SHARES OWNED BY MEMBERS OF CORPORATE MANAGEMENT AT 31 DECEMBER 2021 | NUMBER OF<br>SHARES |
|---|---------------------|
| Sven Ombudstvedt  | 52 631              |
| Lars P. S. Sperre   | 37 947              |
| Rune Sollie   | 26 315              |
| Robert Wood   | 5 263               |
| Tore Hansesætre   | 5 263               |
| Amund Saxrud  | 0                   |

<sup>1)</sup> See Note 24 Related parties in the consolidated financial statement.

<sup>2)</sup> John Chiang own his shares through nominee account in UBS AG. Mr Chiang was nominated to the board of directors due to his role as the Senior Partner at Oceanwood Capital Management LLP. Mr. Chiang also serves as the chairman of the group's largest shareholder NS Norway Holding AS.

## 11. Maturity of interest-bearing liabilities

| MATURITY OF THE COMPANY'S DEBT AT 31 DECEMBER 2021 | INTEREST   | BOND         | OTHER LOANS | TOTAL        |
|--|------------|--------------|-------------|--------------|
| 2022   | 84         | 0            | 0           | 84           |
| 2023   | 84         | 0            | 0           | 84           |
| 2024   | 84         | 0            | 0           | 84           |
| 2025   | 84         | 0            | 0           | 84           |
| 2026   | 21         | 1 498        | 0           | 1 519        |
| <b>TOTAL</b>                                       | <b>355</b> | <b>1 498</b> | <b>0</b>    | <b>1 853</b> |

| MATURITY OF THE COMPANY'S DEBT AT 31 DECEMBER 2021 | INTEREST  | BOND         | OTHER LOANS | TOTAL        |
|--|-----------|--------------|-------------|--------------|
| 2021   | 66        | 0            | 0           | 66           |
| 2022   | 33        | 1 094        | 209         | 1 336        |
| <b>TOTAL</b>                                       | <b>99</b> | <b>1 094</b> | <b>209</b>  | <b>1 403</b> |

The table above shows contractual scheduled repayments. Foreign currency debt is presented using exchange rate at 31 December.

For more information, see Note 22 Interest-bearing liabilities in the consolidated financial statements.

## 12. Intercompany receivables and liabilities

|  | 31.12.2021   | 31.12.2020   |
|--|--------------|--------------|
| <b>Non-current intercompany receivables</b>  |              |              |
| Norske Skog Golbey SAS   | 0            | 3            |
| Norske Skog Saugbrugs AS   | 403          | 383          |
| Norske Skog Skogn AS   | 607          | 577          |
| Norske Skog Industries Australia Ltd   | 273          | 269          |
| Norske Skog Tasman Ltd.  | 0            | 25           |
| <b>Total</b>   | <b>1 282</b> | <b>1 258</b> |
| <b>Current intercompany receivables</b>  |              |              |
| Nornews AS   | 7            | 13           |
| Norske Skog Italia s.r.l.  | 6            | 0            |
| Norske Skog (UK) Ltd.  | 1            | 5            |
| NS Norway Holding AS <sup>1)</sup>   | 0            | 2            |
| Saugbrugs Bioenergi AS   | 12           | 19           |
| Nature's Flame Ltd   | 0            | 19           |
| Norske Skog (Australasia) Pty Ltd  | 83           | 1            |
| Norske Skog Industries Australia Ltd   | 0            | 56           |
| Norske Skog Tasman Ltd.  | 91           | 58           |
| <b>Total</b>   | <b>202</b>   | <b>174</b>   |
| <sup>1)</sup> See Note 24 Related parties in the consolidated financial statements |              |              |
| <b>Non-current intercompany liabilities</b>  |              |              |
| Norske Skog Bruck GmbH   | 0            | 8            |
| <b>Total</b>   | <b>0</b>     | <b>8</b>     |
| <b>Current intercompany liabilities</b>  |              |              |
| Norske Skog (Österreich) GmbH  | 1            | 1            |
| Norske Skog Bruck GmbH   | 77           | 198          |
| Norske Skog Deutschland GmbH   | 35           | 37           |
| Norske Skog France SARL  | 12           | 9            |
| Norske Skog Golbey SAS   | 731          | 510          |
| Norske Skog Saugbrugs AS   | 150          | 42           |
| Norske Skog Skogn AS   | 304          | 197          |
| Norske Skog Tasman Ltd.  | 32           | 0            |
| <b>Total</b>   | <b>1 342</b> | <b>994</b>   |

All non-current intercompany debt falls due for repayment at least 12 months after the balance sheet date. The majority of this debt has a considerably longer term to maturity.

### 13. Guarantees

The company has issued bank guarantees in an amount of NOK 4 million at 31 December 2021 (NOK 2 million at 31 December 2020). In addition, the company has issued corporate guarantees with an outstanding amount of NOK 622 million at 31 December 2021 (NOK 343 million at 31 December 2020) on behalf of Norske Skog Saugbrugs AS, Norske Skog Skogn AS, Norske Skog Bruck GmbH, Norske Skog Golbey SAS and Norske Skog Paper Mills (Australia) Ltd.


### 14. Related parties

A description of transactions with related parties is given in Note 24 Related parties in the consolidated financial statements.

### 15. Events after the balance sheet date

There have been no events after the balance sheet date with significant impact on the financial statements for 2021.

See Note 25 Events after the balance sheet date in the consolidated financial statements for other post balance sheet events.



**Yves Bailly**  
GOLBEY, FRANCE

Yves Bailly, managing director at Norske Skog Golbey, is excited when thinking of the future that lays ahead. After 20 years of cost-cutting strategies, Norske Skog is investing heavily in the BOX and GVE projects.

*"These two projects are inextricably linked. Both are part of our "fit for 55" policy, which is part of our green transition strategy. These are two pharaonic projects. It is an incredible challenge, which we will meet with determination."*

Bailly is quick to point to the one thing he thinks is most important in the time to come:

*"We believe that the key to our future success lies in the men and women who work at Norske Skog Golbey. Without them, the company would not be able to carry out its conversion."*

# STATEMENT FROM THE BOARD OF DIRECTORS AND THE CEO

IN COMPLIANCE WITH SECTION 5-5 IN THE SECURITIES TRADING ACT

We declare that to the best of our knowledge, the financial statements for the period 1 January to 31 December 2021 have been prepared in accordance with applicable accounting standards, and that the information in the financial statements give a true and fair view of the company's and the group's assets, liabilities, financial position and result as a whole.

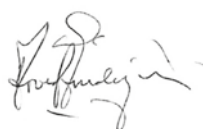
We confirm that the board of directors report provides a true and fair view of the development and performance of the business and the position of the company and the group, as well as a description of the key risks and uncertainty factors which the company and the group is facing.

SKØYEN, 29 MARCH 2022

THE BOARD OF DIRECTORS OF NORSKE SKOG ASA



John Chiang  
Chair



Arvid Grundekjøn  
Board member



Trine-Marie Hagen  
Board member



Sven Ombudstvedt  
CEO

Patrick  
Dooley

BOYER, AUSTRALIA



To Patrick Dooley, managing director of the mill in Boyer, Australia, the COVID-pandemic and its impact on inputs, logistics, and personnel has been a big part of his past few years at Norske Skog.

*"Our focus is on keeping our employees safe and healthy while trying to meet the expectations of our customers."*

During last year, he and his team conducted a study exploring future business opportunities and the growth opportunities within Tasmania and globally.

*"There are a number of exciting opportunities our business development team is looking at. In partnership with the Circa Group, the team continues to develop bio-chemicals on the back of the F05 and ReSolute projects. In addition, with the support of the Tasmanian government, we are currently assessing other exciting projects utilising available resources and infrastructure at the Boyer mill."*





BDO AS  
Munkedamsveien 45  
Postboks 1704 Vika  
0121 Oslo

## Independent Auditor's Report

To the General Meeting in Norske Skog ASA

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Norske Skog ASA.

|   |   |
|---|---|
| <p>The financial statements comprise:</p> <ul style="list-style-type: none"> <li>• The financial statements of the parent company, which comprise the balance sheet as at 31 December 2021, income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and</li> <li>• The financial statements of the group, which comprise the balance sheet as at 31 December 2021, and income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.</li> </ul> | <p>In our opinion:</p> <ul style="list-style-type: none"> <li>• The financial statements comply with applicable statutory requirements,</li> <li>• The financial statements give a true and fair view of the financial position of the company as at December 31 2021, and its financial performance and its cash flows for the year then ended in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, and</li> <li>• The financial statements give a true and fair view of the financial position of the group as at December 31 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU</li> </ul> <p>Our audit opinion is consistent with our additional report to the audit committee.</p> |
|---|---|

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations and International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 6 years from the election by the general meeting of the shareholders on 23 August 2016 for the accounting year 2016.



### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Description of the key audit matter  | How the key audit matter was addressed in the audit   |
|--|---|
| <p><b>VALUATION OF PROPERTY, PLANT AND EQUIPMENT (PPE)</b></p> <p>The global market for the group's products has been, and is still, declining. Because of this, there is an inherent risk that the groups PPE booked value exceeds the net present value of future cash flows, i.e. recoverable amount of PPE, indicating that impairment may be required. Accordingly, valuation of PPE has been identified as an important area in connection with the audit of the consolidated financial statements.</p> <p>Management has identified impairment indicators for one CGU and has performed an impairment test accordingly. Based on this test, management concluded that no impairment was required, and accordingly, no impairment has been recognized.</p> <p>We refer to the description in note 14 to the consolidated financial statements.</p> | <p>Our audit procedures included, amongst others, a thorough and detailed review of management's documentation of assessment of impairment indicators and the model used by management to calculate the recoverable amount of PPE, including assessment of assumptions such as WACC, for the CGU tested.</p> <p>We also challenged the assumptions for future cash flows provided by management. We evaluated management's views on the general market developments as well as the interpretations and use of these views in light of the requirements to use reasonable and supportable data as set forth in IAS 36. As part of this evaluation, we reviewed the degree of achievement for the 2021 forecasts and the degree of accuracy reached when comparing actual results to plans and forecasts for prior periods.</p> |
| <p><b>REVENUE RECOGNITION</b></p> <p>In connection with the audit of the operating subsidiaries, factors implying that there is an inherent risk that the operating paper mills may overstate revenues were identified. Based on this, revenue recognition in these entities were considered a risk in our audit of the consolidated financial statements.</p>   | <p>The audit of revenues was based on a detailed understanding of the revenue recognition accounting policies and the process of recording revenues according to the defined policies, including relevant control activities over this process. We performed tests regarding the operating effectiveness of these controls. In addition, we performed detailed tests of the entities' cut-off procedures to verify correct cut-off based on the entities' terms of delivery.</p>  |



### Other information

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The Board of Directors and the Managing Director (management) is responsible for the other information. The other information comprises the Board of Directors' report and other information in the Annual Report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Opinion on the Board of Director's report*

Based on our knowledge obtained in the audit, in our opinion the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements

Our opinion on the Board of Director's report applies correspondingly for the statements on Corporate Governance and Corporate Social Responsibility

### Responsibilities of management for the financial statements

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

### Auditor's Responsibilities for the Audit of the Financial Statements

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Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to: <https://revisorforeningen.no/revisjonsberetninger>



## Report on compliance with Regulation on European Single Electronic Format (ESEF)

### Opinion

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We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name 529900MY60WXHHY3039-2021-12-31-en.zip have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

### Management's Responsibilities

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Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

### Auditor's Responsibilities

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For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

Oslo, 29 March 2022  
BDO AS

A handwritten signature in blue ink, appearing to read 'Terje Tvedt'.

Terje Tvedt  
State Authorised Public Accountant

# ALTERNATIVE PERFORMANCE MEASURES

The European Securities and Markets Authority's (ESMA) has defined new guidelines for alternative performance measures (APM). An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specific in the applicable financial reporting framework (IFRS). The company uses EBITDA, EBITDA margin and return on capital employed (annualized) to measure operating performance on group level. It is the company's view that the APMs provides the investors relevant and specific operating figures that may enhance their understanding of the performance. EBITDA, EBITDA margin, variable costs, fixed costs, return on capital employed and net interest-bearing debt are defined by the company below.

**EBITDA:** Operating earnings for the period, before restructuring expenses, depreciation and amortization and impairment charges, derivatives and other fair value adjustments, determined on an entity, combined or consolidated basis. EBITDA is used for providing consisting information of operating performance and cash generating which is relative to other companies and frequently used by other stakeholders.

| NOK MILLION                                  | 2021       | 2020       |
|--|------------|------------|
| Operating earnings                           | -160       | -1 339     |
| Restructuring expenses                       | 192        | 75         |
| Depreciation                                 | 433        | 438        |
| Impairments                                  | -22        | 451        |
| Derivatives and other fair value adjustments | 218        | 1 112      |
| <b>EBITDA</b>                                | <b>662</b> | <b>736</b> |

**EBITDA margin:** EBITDA/total operating income. EBITDA margin assist in providing a more comprehensive analysis of operating performance relative to other companies.

| NOK MILLION            | 2021        | 2020        |
|------------------------|-------------|-------------|
| EBITDA                 | 662         | 736         |
| Total operating income | 10 315      | 9 612       |
| <b>EBITDA margin</b>   | <b>6.4%</b> | <b>7.7%</b> |

**Variable costs:** Distribution costs + cost of materials.

| NOK MILLION           | 2021         | 2020         |
|-----------------------|--------------|--------------|
| Distribution costs    | 1 187        | 1 159        |
| Cost of materials     | 6 055        | 5 093        |
| <b>Variable costs</b> | <b>7 242</b> | <b>6 252</b> |

**Fixed costs:** Employee benefit expenses + other operating expenses.

| NOK MILLION               | 2020         | 2019         |
|---------------------------|--------------|--------------|
| Employee benefit expenses | 1 723        | 1 760        |
| Other operating expenses  | 687          | 865          |
| <b>Fixed costs</b>        | <b>2 410</b> | <b>2 625</b> |

**Return on capital employed (annualised):** (Annualised EBITDA – Annualised Capital expenditure)/Capital employed (average). Return on capital employed assist in providing a more comprehensive analysis of returns relative to other companies.

| NOK MILLION                                    | 2021         | 2020        |
|--|--------------|-------------|
| EBITDA   | 662          | 736         |
| Capital expenditure                            | 1 021        | 632         |
| Average capital employed                       | 4 596        | 5 032       |
| <b>Return on capital employed (annualised)</b> | <b>-7.8%</b> | <b>2.1%</b> |

| NOK MILLION                 | 2021         | 2020         |
|-----------------------------|--------------|--------------|
| Intangible assets           | 21           | 55           |
| Tangible assets             | 4 103        | 3 586        |
| Inventory                   | 1 203        | 1 194        |
| Trade and other receivables | 1 411        | 1 288        |
| Trade and other payables    | -1 941       | -1 728       |
| <b>Capital employed</b>     | <b>4 797</b> | <b>4 395</b> |

**Net interest-bearing debt:** Net interest-bearing debt consist of bond issued and other interest-bearing liabilities (current and non-current) reduced by cash and cash equivalent.

|  | 2021         | 2020       |
|--|--------------|------------|
| Interest-bearing non-current liabilities | 2 356        | 1 613      |
| Interest-bearing current liabilities     | 187          | 92         |
| - Cash and cash equivalents              | -1 489       | -980       |
| <b>Net interest-bearing debt</b>         | <b>1 054</b> | <b>725</b> |

**Capital expenditure (Capex):** Purchases of property, plant and equipment and intangible assets.

**Maintenance capex:** Capex required to maintain the group's current business in accordance with GAAP according to the latest annual financial statements (but excluding any capex for the development of new business).





**NORSKE SKOG ASA**

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