



SUSTAINABILITY REPORT

2012



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Business areas					Associated company	Non-core
Orkla Foods	Orkla Confectionery & Snacks	Orkla Home & Personal	Orkla International	Orkla Food Ingredients	Jotun (42,5 %)	Sapa (part of future JV) Aluminium profiles and building systems EBITA1 (NOK million): 233
Stabburet Procordia Abba Seafood Beauvais foods Orkla Foods Fenno-Baltic	Chips Group Göteborgs/Sætre Nidar Panda Kalev	Lilleborg Lilleborg Profesjonell Pierre Robert Group Axellus-group	MTR Foods Orkla Brands Russia Felix Austria	Idun-group KåKå-group Odense Marcipan Credin bageripartner Credin-group Dragsbæk-group Orkla Foods Romania Sonneveld Group		Sapa Heat Transfer Rolled aluminium products EBITA1 (NOK million): 309
Operating revenues (NOK million): 7.972	Operating revenues (NOK million): 4.794	Operating revenues (NOK million): 4.025	Operating revenues (NOK million): 2.133	Operating revenues (NOK million): 5.435	Operating revenues* (NOK million): 11.351	Hydro Power EBITA1 (NOK million): 208
EBITA ¹ (NOK million): 1.114	EBITA ¹ (NOK million): 780	EBITA ¹ (NOK million): 702	EBITA ¹ (NOK million): -5	EBITA ¹ (NOK million): 228	EBITA* (NOK million): 1.126	Shares and financial assets Value (NOK billion): 3,6
Number of man-years 3.061	Number of man-years 2.231	Number of man-years 1.787	Number of man-years 4.432	Number of man-years 2.224	Number of man-years 6.379	Orkla Eiendom (real estate) Book value (NOK billion): 1,8
Corporate Centre and support functions						

*Figures on a 100% basis.

¹Operating profit before amortisation and other income and expenses.

THE LEADING NORDIC BRANDED CONSUMER GOODS COMPANY

Orkla ASA is an international group listed on the Oslo Stock Exchange and headquartered in Oslo, Norway. The Group is the leading Nordic supplier of branded consumer goods and concept solutions to the grocery and out-of-home sectors. Orkla also holds several strong positions in India, Russia and Austria. Moreover, Orkla Food Ingredients is a major supplier to the European bakery market.

In addition to its branded consumer goods business, Orkla still operates in the real estate, hydropower and aluminium sectors and has financial investments.

As of 31 December 2012, Orkla had around 28,000 employees, of whom some 14,000 were employed in its branded consumer goods business. In 2012, the Group had a total turnover of around NOK 30 billion.

OPERATING REVENUES

Group operating revenues totalled NOK 30.0 billion.

30.0

EARNINGS PER SHARE

Earnings per share were NOK 1.6 in 2012.

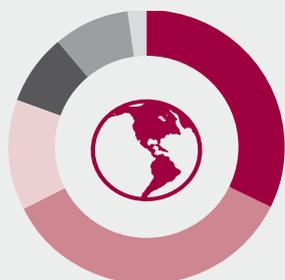
1.6

EBITA¹

Group EBITA¹ totalled NOK 3.3 billion.

3.3

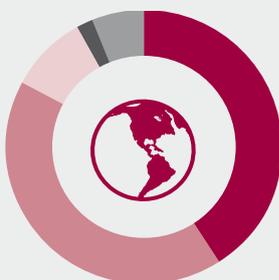
¹ Operating profit before amortisation and other income and expenses.



SALES REVENUES BY GEOGRAPHICAL AREA

- Norway **9,239** (32 %)
- Nordic region excl. Norway **10,096** (35 %)
- Central and Eastern Europe **3,679** (13 %)
- Rest of Europe **2,282** (8 %)
- Asia **2,694** (9 %)
- America/Rest of the world **569** (2 %)

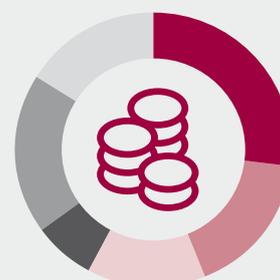
Total sales revenues NOK **28,559** million



CAPITAL EMPLOYED PER GEOGRAPHIC AREA

- Norway **9,944** (41 %)
- Nordic region excl. Norway **10,293** (42 %)
- Central and Eastern Europe **2,166** (9 %)
- Rest of Europe **547** (2 %)
- Asia **1,477** (6 %)
- America/Rest of the world **28** (0.1 %)

Total capital employed (capitalised)
NOK **41,944** million



SALES REVENUES PER BUSINESS AREA

- Orkla Foods **7,839** (27 %)
- Orkla Confectionery & Snacks **4,760** (17 %)
- Orkla Home & Personal **3,986** (14 %)
- Orkla International **2,077** (7 %)
- Orkla Food Ingredients **5,378** (19 %)
- Other Business **4,519** (16 %)

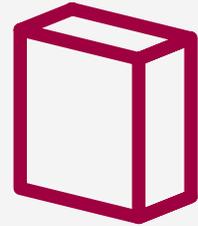
Total sales revenues NOK **28,559** million.

10,000 TONNES

of palm oil used in food products have been replaced by rapeseed and sunflower seed oil as a result of product development in the period 2008–2012

Responsible sourcing procedures were introduced in companies that account for **80%** of Orkla's purchasing¹

10%
reduction in
consumption
of packaging¹



35%



of the management staff in Orkla's branded consumer goods business were women

740

managers and key personnel underwent training in corporate responsibility and business ethics

Close to **50%** of Orkla's sales of beverages derive from sugar-free products



8% reduction in greenhouse gas emissions from 2011 to 2012



No serious incidents related to food safety



More than **90%** of waste is recycled or used for other purposes¹

The Lost Work Day Rate (LWDR)² was reduced from 4.6 in 2011 to 3.6 in 2012

26%

of Orkla's food sales derive from products that offer health benefits or have a reduced content of sugar, saturated fat or salt

¹Applies to Orkla's branded consumer goods business from 2011 to 2012

²Number of injuries leading to absence per million hours worked

BUILDING THE FUTURE TOGETHER

ORKLA IS ON ITS WAY TO BECOMING A FOCUSED BRANDED CONSUMER GOODS COMPANY. THROUGH PROFITABLE GROWTH AND SUSTAINABLE PRODUCTS WE WILL CREATE A BETTER FUTURE FOR OUR CONSUMERS, CUSTOMERS, EMPLOYEES, SHAREHOLDERS AND COMMUNITIES.

Orkla's transformation from a complex industrial group into the strongest branded goods company in the Nordic region has brought our sustainability agenda to the fore. Consumers must be able to trust our brands and the way in which they are produced. As a leading food and beverages producer, we have a farm-to-fork responsibility. We therefore focus attention on working conditions and the working environment in the supply chain, the environment, health and safety performance of our own operations, sensible use of raw materials and ways in which we can help consumers adopt a healthier lifestyle.

Food safety is fundamental to responsible food production. Safe food necessitates vigilance and effective quality procedures all along the value chain. Orkla has established safe food production processes based on an internationally recognised standard at all our factories. Every year, we invest substantial resources in in-house training programmes, food safety audits, quality control and improvement measures. We take a precautionary

approach to the use of new ingredients; for instance, we do not use raw materials or ingredients that have been produced using gene technology. We accept the extra cost that this entails in order to be able to offer consumers the safety they desire.

Every day, Orkla's food products can be found on the breakfast and dinner tables of thousands of consumers. That is why we are committed to promoting the enjoyment of food and good dietary habits. Orkla companies are engaged in systematic efforts to develop products that make it easier to maintain a balanced diet, and 26% of our food sales derive from products that offer health benefits or have a reduced content of sugar, saturated fat or salt. In the last four years alone, our companies have cut their annual consumption of palm oil by around 10,000 tonnes, replacing it with healthier vegetable oils. In the years to come, we will further intensify our efforts in the field of nutrition.

Population growth, climate change and water shortages in large parts of the world put growing pressure on the production of agricultural raw materials. Although Orkla does the bulk of its purchasing in the Nordic region, we are also dependent on raw materials that present certain challenges. Abba Seafood's commitment to sustainable fishing and Nidar's use of certified cocoa are examples of efforts that play an important role in ensuring a stable food supply in the future.

Orkla has been a member of the Global Compact since 2005. I am proud of what we have achieved since we signed this important initiative, and enthusiastic about the future. We at Orkla believe that the road to a sustainable future lies in the willingness of trade and industry, public authorities and society at large to think creatively, the constructive interaction of these parties and, above all, hard work. Creating a sustainable society is a shared responsibility, and we must all begin with ourselves.



Åge Korsvold
President and CEO



FOOD, PEOPLE AND THE ENVIRONMENT

AS ONE OF THE NORDIC REGION'S LARGEST FOOD PRODUCERS,
OUR RESPONSIBILITY EXTENDS FROM FARM TO FORK.



Photo: Mari Svenningsen

Orkla and our companies are dependent on consumers, investors, authorities and the general public trusting that we have sound procedures for food safety and for handling the sustainability challenges in the value chain. Our products must have a taste and quality that never disappoint, and be produced in a responsible manner that does no harm to people or the environment.

PRIORITY AREAS

In light of an appraisal of our responsibilities to our stakeholders, and the risk we perceive to be associated with important sustainability trends, we have identified the following main topics for Orkla's sustainability work:

- Human resource development and corporate culture
- Safety and working environment
- The environment
- Food safety
- Nutrition and health
- Responsible sourcing

Driven by ambitious goals and by means of systematic development work in these areas, Orkla creates value for society and long-term, profitable growth for the Group. Engaging in these topics is therefore more than fulfilling a responsibility; it contributes to sound operations.

SUSTAINABLE FOOD PRODUCTION

Orkla promotes sustainable food production by setting stringent requirements for food safety, carrying out development work in connection with food and health, making

ORKLA AND THE COMMUNITY

Many of the Orkla companies have a strong position in their markets and local communities. The companies contribute to strengthening the local communities by partnering with local authorities, schools and organisations in the spheres of sport, culture and humanitarian work.

RESULTS IN 2012

In 2012, Orkla and the Group companies³ contributed NOK 22 million in financial support to activities in the spheres of sport, humanitarian work, culture, education and work to bring about improvements in the supplier chain. Important measures in 2012 were:

- Swedish Procordia joined forces with the organisation Friends, to support their work to prevent bullying. The company also supported a project for training woman entrepreneurs in Swaziland.
- Stabburet is the main sponsor for Fredrikstad Football Club, and was engaged in the club's Street Team, which aims to give substance abusers a better quality of life through fellowship and physical exercise.
- Lithuanian Suslavicius-Felix involved itself in a variety of youth projects, including a joint project with the organisation Maisto Bankas to promote healthy eating habits and physical activity at Lithuanian schools.
- Latvian Spilva supported education of youngsters with disabilities in collaboration with Latvijas Bérnu Fonds.
- Lilleborg supported UNICEF and its work in developing water and sanitary conditions in North Korea.
- Dutch Sonneveld supported the foundation Bake for Life and its work to establish bakeries in Africa, where people who are challenged in various ways receive training in the bakery business.

OUR APPROACH

We want to assume responsibility for the impact of our activities on the community around us. At the same time, we wish to contribute to a more sustainable future through product development and improvements that create value for both society and Orkla.

Our principles are based on the recognition that we are responsible for running our operations with respect for people and the environment, and that we are in a position to create positive ripple effects for the community around us.

³Applies to Orkla excluding Sapa (part of a future joint venture).

conscious choices in the use of natural resources and working to bring about improvements in the supply chain.

Food safety is a sine qua non for all food production in Orkla, and the Group's food safety standard ensures that both food production and sourcing of raw materials and packaging take place in accordance with stringent quality requirements. The Orkla Food Safety Standard was revised in 2011, and the new and stricter version was implemented in 2012. In the interests of consumer health, the Orkla companies practice a precautionary approach to the use of ingredients that may be a potential

health hazard, and maintain an active dialogue with relevant research communities and supervisory authorities.

Orkla has a wide-ranging and varied portfolio of food products which span from dietary supplements via food staples to products for pure indulgence. In those market segments where it is natural and possible, the companies develop food products that can promote a healthier diet. In the course of the last five years, Orkla has reduced the content of salt, sugar and saturated fat in a considerable number of food products, and thereby made an important contribution to public health.

The companies also place emphasis on good consumer guidance, consumer services and responsible marketing.

Population growth, consumer growth and climate change combined are placing increasing pressure on natural resources and there is a growing need to shift food production in a more sustainable direction. Orkla's sourcing of raw materials is based on the principle of sustainable production. The Orkla companies are also working actively on measures to increase energy efficiency and reduce water consumption and food waste.

GOVERNING PRINCIPLES FOR CORPORATE RESPONSIBILITY AND BUSINESS ETHICS

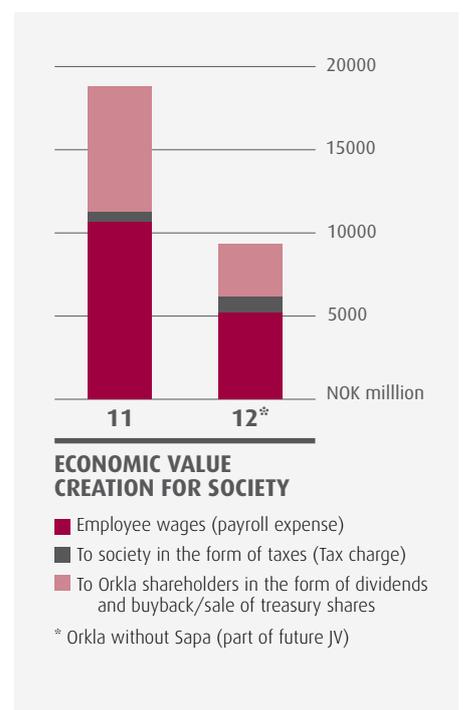
Orkla companies have independent responsibility for operations which also includes corporate social responsibility. The work is followed up through business reviews and other internal reporting, internal audits and risk management procedures. Orkla places emphasis on continuous improvement, where resources are focused on the areas with greatest risk and opportunity. Decisions and activities are based on the precautionary principle.

RESULTS IN 2012

- In 2012 Orkla developed a method of analysing sustainability-related risk and tested it on selected companies, with good results. The method is designed in such a way that it allows mapping of the company's responsibility to important stakeholders through the entire value chain.
- A new web portal that gives all the Group companies and employees easy access to Orkla's governing documents was launched in 2012.
- The Group's corporate responsibility function assists the companies with training and guidance in corporate responsibility and business ethics, as a supplement to the training conducted by the companies themselves. A total of 740 managers and key personnel took part in training in corporate responsibility and business ethics in 2012, compared with approximately 150 in 2011. This represents about 3% of the total number of employees.

GOALS FOR 2013/2014

- A broad roll-out of the risk mapping method
- Revision of the procedures for training in corporate responsibility and business ethics.



THE GLOBAL COMPACT

Orkla has been a participant of the UN initiative Global Compact since 2005. Orkla's corporate responsibility principles are based on those of the Global Compact, on the UN Guiding Principles on Business and Human Rights and on the OECD Guidelines for Multinational Enterprises.



Anti-corruption and competition law

ORKLA AIMS TO DEVELOP A CORPORATE CULTURE CHARACTERISED BY GOOD JUDGEMENT AND THE ABILITY TO HANDLE DIFFICULT SITUATIONS TO AVOID BECOMING INVOLVED IN CORRUPTION AND BREACH OF COMPETITION RULES.

Value creation in Orkla must take place in conformity with our ethical guidelines and with current legislation. As a consequence, Orkla has zero tolerance for corruption. Corruption is an obstacle to economic development, inhibits competitiveness and undermines both the rule of law and democratic processes in society.

Orkla was involved in no cases relating to anti-corruption rules in 2012.⁴

Orkla Brands Russia was involved in one case concerning competition rules in 2012. In March 2011, Moskovskaya Konditerskaya Fabrika "Krasniy Oktyabr" (KO) filed a suit against Orkla Brands Russia claiming unfair competition and infringement of trademark rights belonging to KO. The case was dealt with by the Russian Federal Antimonopoly Service, which upheld KO's claim in July 2012. Orkla Brands Russia appealed the ruling to the Moscow Arbitrazh Court, which maintained the decision. Orkla Brands Russia has appealed the case further to the Ninth Arbitrazh Court of Appeals. Orkla has also taken the matter up with Russia's political leadership.

TRAINING

Orkla attaches importance to preventing corruption, and anti-corruption is a regular theme in Orkla's management training and in the Group's general corporate responsibility training. This is additional to the companies' own training activities.

RESULTS IN 2012

- A total of 99 managers and key personnel underwent anti-corruption training. This represents 0.3% of the Group's total number of employees.
- Competition law is also a regular topic in Orkla's sales and purchasing competency programmes. The Group's legal department also held training for managers and key sales and purchasing personnel in Orkla's Norwegian companies. All in all, 166 managers and key personnel underwent training in competition law. This represents 0.6% of the Group's total number of employees.

GOALS FOR 2013/2014

- The procedures for anti-corruption and competition law training are to be revised.

⁴According to annual internal reporting of disputes, lawsuits, supervisory issues and similar matters by the business areas to the Group.

Awards to Orkla companies

IN 2012, ORKLA WAS ON THE DOW JONES SUSTAINABILITY EUROPE INDEX FOR THE SECOND YEAR IN A ROW. SEVERAL ORKLA COMPANIES ALSO ACHIEVED EXTERNAL RECOGNITION OF THEIR WORK ON ENVIRONMENTAL AND SOCIAL RESPONSIBILITY IN 2012.

- Stabburet was given the "Gullpalmen" award by the Rainforest Foundation and Grønn Hverdag for replacing palm oil with sunflower seed oil in all its products, and thereby avoiding exacerbating the environmental challenges associated with the cultivation of palm oil.
- Nidar was chosen as "Food and Beverage Manufacturer of the Year" in Norway in

2012, partly for its good work with the environment, health and safety and its engagement in sustainability challenges in the cocoa sector. The award was made by the Confederation of Norwegian Enterprise (NHO) in collaboration with representatives of manufacturing, employee unions, politicians and the trade press.

- KiMs (Denmark) received the Enterprise Award for 2011 for social inclusion and corporate responsibility. The award was made by the Nordfyn Employment Council for the company's contribution to creating a good working environment and for helping unemployed persons into work by making work experience placements available.

ORKLA'S PARTNERS

SOS CHILDREN'S VILLAGES

Orkla has been the main sponsor for SOS Children's Villages since 2000. Orkla's contribution for the period 2009–2014 is earmarked for building a children's village in Pleiku, Vietnam. A number of Orkla companies have contributed to this project.

TRANSPARENCY INTERNATIONAL

Orkla has been a member of Transparency International Norway since 2005. Through its membership, Orkla contributes financial support for the organisation's important work of countering corruption, while at the same time gaining valuable input for our own anti-corruption work.

THE ETHICAL TRADING INITIATIVE

The Ethical Trading Initiative (ETI) is a member-based resource and competency centre for ethical trade consisting of companies, public sector enterprises and organisations. The objective is cooperation on trade that promotes human rights, worker rights, development and the environment. ETI membership commits members to concrete, targeted efforts to achieve improvement over time.

Orkla became a member in 2012 after Group companies Nidar, Lilleborg and Pierre Robert Group had already been members for some years. Orkla has contributed to the ETI's work by auditing the organisation's reporting templates and has also had discussions with the organisation about the ongoing work on responsible sourcing.



Stakeholder dialogue in 2012

A GOOD DIALOGUE WITH STAKEHOLDERS IS IMPORTANT FOR UNDERSTANDING THE SOCIETY OF WHICH WE FORM A PART, OBTAINING IDEAS AND INPUT FOR FURTHER DEVELOPMENT OF OUR OPERATIONS, AND CREATING CONFIDENCE IN OUR COMPANIES AND PRODUCTS.

Cooperation with other companies, authorities, research communities and organisations may be important as a means of learning and for meeting complex challenges. An active and open dialogue with stakeholders is therefore a key principle for Orkla's corporate responsibility work.

PROMOTING CORPORATE RESPONSIBILITY

In 2012, Orkla had an active dialogue with the Norwegian Ministry of Foreign Affairs and a number of organisations and companies on various issues associated with corporate responsibility. Orkla President and CEO Åge Korsvold attended a Round Table Conference on corporate responsibility in the autumn of 2012. The conference was chaired by the Norwegian Foreign Minister, Espen Barth Eide, and Orkla was in the Ministry's reference group in connection with the planning of the international CSR conference in Oslo in November.

RELEVANT ISSUES IN 2012

Orkla calls for framework policy conditions that encourage cooperation between the authorities and the business sector on meeting society's sustainability challenges. In 2012 we held dialogues with the Foreign Ministry, NORAD, Minister of Trade and Industry Trond Giske and other key politicians on the possibility of establishing a public-private sector collaborative project on the sustainability challenges posed by Côte d'Ivoire's cocoa sector. More generally, we see a need to lay down framework conditions that make possible this type of public-private sector collaboration on development issues.

Orkla also took part in 2012 in a discussion with the Norwegian authorities on the formulation of future rules for marketing food to children. Our approach to this issue is described in the section on nutrition and health.

Orkla has also taken part in the food industry's dialogue with the Danish authorities on the effect of the tax on saturated fat that was introduced in Denmark in 2011. The tax was abolished in 2012 with effect from 2013 because it had a limited effect on health, had the effect of distorting competition and was difficult to administer for both manufacturers and the authorities. In 2012, the Danish authorities also considered extending the tax on chocolate and sugar to other sugar-containing products. This proposed extension was also quashed by the Danish Folketing (parliament). Beauvais foods took part in the Danish food industry's dialogue with the authorities on these taxes.

In 2012, Stabburet, KiMs Norge, Sætre and Nidar had discussions with the organisations Grønn Hverdag (a Norwegian voluntary organisation promoting sustainable living) and the Rainforest Foundation Norway regarding the companies' handling of the environmental challenges presented by palm oil. In Sweden, Göteborgs Kex had a similar dialogue with the environmental organisation Swedish Society for Nature Conservation. These discussions have provided the companies with valuable input and support for their efforts to reduce the use of palm oil and replace conventional palm oil with certified oil.

Credin and Credin BageriPartner participated in the Danish authorities' whole grain campaign, and Sonneveld was involved in the development of a food safety information and audit system in the Dutch bakery sector.

Orkla received NOK 7.5 million in government support and grants for research, investment, improvements and other aspects of operations in 2012⁵.

⁵Applies to Orkla excluding Sapa (part of a future joint venture).

PEOPLE AND LEADERSHIP

IN ORDER TO BE SUCCESSFUL AS A COMPANY, WE NEED TO EXTRACT THE FULL POTENTIAL OF ALL OUR HUMAN RESOURCES FOR THE GOOD OF THE INDIVIDUAL, ORKLA, OUR CUSTOMERS AND THE COMMUNITY.



Photo: Sofie Brovold

We know people thrive when they have an opportunity to use their skills, develop and form part of a good fellowship. Enabling this to happen is a responsibility, but above all it is a sound investment. Good results are created when all our employees master their existing tasks and stretch themselves to conquer new ones.

We as a company must constantly stretch ourselves to satisfy the changing expectations of consumers, customers and the community as a whole. In our work to strengthen Orkla's position as the leading Nordic branded consumer goods company, we have therefore defined 'people and leadership' as one of our strategic pillars. This is about competency development, but also about corporate culture, working environment, dialogue, involvement and teamwork.

THE TRANSFORMATION INTO THE NEW ORKLA

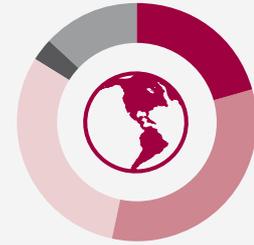
In the years ahead, Orkla will further develop its position in the Nordic region, while utilising opportunities for profitable growth in the other markets in which Orkla has a presence. The change from a diversified manufacturing group to a branded consumer goods company entailed a number of structural changes in 2012:

- Borregaard was listed on the Stock Exchange and Orkla reduced its holding in the company to less than 20%. The interests of the employees were an important factor in the decision to list the company.
- Orkla signed a joint-venture agreement with Hydro with the ambition of establishing a world-leading supplier of aluminium systems. The agreement involves a merger of the two Orkla-owned companies Sapa Profler and Sapa Building Systems with Hydro's extrusion operation. The new company will be established in 2013 providing that it is approved by the competition authorities. In this process, Orkla has attached importance to good internal communication and dialogue with the employee representatives.
- Orkla acquired the branded consumer goods company Jordan and integrated the company into the Group's activities.



NUMBER OF EMPLOYEES, BY BUSINESS AREA

- Orkla Foods **3,162** (21 %)
 - Orkla Confectionery & Snacks **2,336** (15 %)
 - Orkla Home & Personal **1,793** (12 %)
 - Orkla International **4,123** (28 %)
 - Orkla Food Ingredients **2,234** (15 %)
 - Other Business **1,332** (9 %)
- Number of employees **14,974**



NUMBER OF EMPLOYEES, BY GEOGRAPHICAL AREA

- Norway **3,082** (21 %)
 - Nordic region excl. Norway **4,880** (33 %)
 - Central and Eastern Europe **4,614** (31 %)
 - Rest of Europe **517** (3 %)
 - Asia **1,886** (13 %)
 - America/Rest of the world **0** (0 %)
- Number of employees **14,974**

OUR POSITION ON HUMAN RIGHTS

Fundamental to human rights work is an understanding of what respect for human rights means in practice for the individual company, our employees and our business partners. Equal opportunities, diversity, consultation and employee involvement are core values for Orkla. We do not accept breaches of human and workers' rights.

Orkla's human rights policy was drawn up in 2011. The document contains concrete principles that guide managers and employees of Orkla companies in understanding which issues they should be aware of in their daily work.

Orkla has procedures for appointments and working conditions that ensure that employee rights are in conformity with local legislation and Orkla's requirements. Among other things, we require that all employees have written terms of service contracts, regulated working hours and good working conditions. There is no child labour or forced labour in Group companies.

Orkla was involved in no cases relating to indigenous rights in 2012.⁶ Nor were Group companies involved in any legal disputes concerning breach of privacy protection or of data storage rules.⁶

⁶According to annual internal reporting of disputes, lawsuits, supervisory issues and similar matters by the business areas to the Group.

As a result of good planning and active initiatives to find new work for those who became redundant, there was no need for dismissals in the wake of the integration.

- Orkla acquired the food company Rieber & Søn ASA, and will integrate Rieber & Søn into Orkla's activities in 2013, providing that the acquisition is approved by the competition authorities. Orkla has placed weight on open communication, and has involved the employees and management of both companies in planning the integration. Competency mapping in both companies has provided a good basis for further discussions regarding staffing.
- Orkla Brands Russia continued the extensive restructuring of the company that commenced in 2011. One of the company's four plants is being closed down, and its production transferred to the others. The change will bring about important improvements in terms of the working environment and safety, but at the same time it will result in around 300 employees losing their jobs. The company has launched a number of initiatives to help the employees find new jobs and to arrange for a smooth transitional process.
- Göteborgs Kex carried out a major restructuring of its production in Kungälv which will result in some 70

employees losing their jobs. The company has drawn up a restructuring plan in close consultation with the employee representatives.

- In 2012, Beauvais foods decided to move some of its manufacturing from the plant in Svinninge, Denmark, to facilities at other Orkla companies. The change will be made in 2013 and will lead to about 50 employees losing their jobs. The company has drawn up a restructuring plan in consultation with the employee representatives.

DIVERSITY AND EQUAL OPPORTUNITIES

Diversity and a corporate culture characterised by respect and equality are important for success in the competition for labour, and for utilising the potential of employees in the best interests of the Group and the individual. Orkla aims to avoid discrimination and promote greater diversity by taking a clear stand, raising management awareness and following up Group companies. In 2012 there were no cases relating to equal opportunity and non-discrimination legislation⁷.

CONSULTATION AND EMPLOYEE INVOLVEMENT

Good internal communication and cooperation between management and employees is crucial to Orkla's success, and to employee job satisfaction and a good working environment. Most of Orkla's

permanent staff are covered today by procedures that include an annual performance review, and our ambition is that all employees should receive regular, constructive feedback on the work they do. All Group managers are also followed up with respect to their results in the spheres of personnel development and the cooperation climate.

COMPETENCY DEVELOPMENT

Orkla's Human Rights Policy states that the Group companies should give the employees opportunities to contribute to the company's value creation and to develop their personal competencies over time. This is a matter of fundamental respect for human dignity and worth. At the same time it is a simple recognition that involvement and competency development are essential to the creation of good results.

COURSES AND TRAINING

Orkla holds courses in leadership development and important competency areas.

RESULTS IN 2012

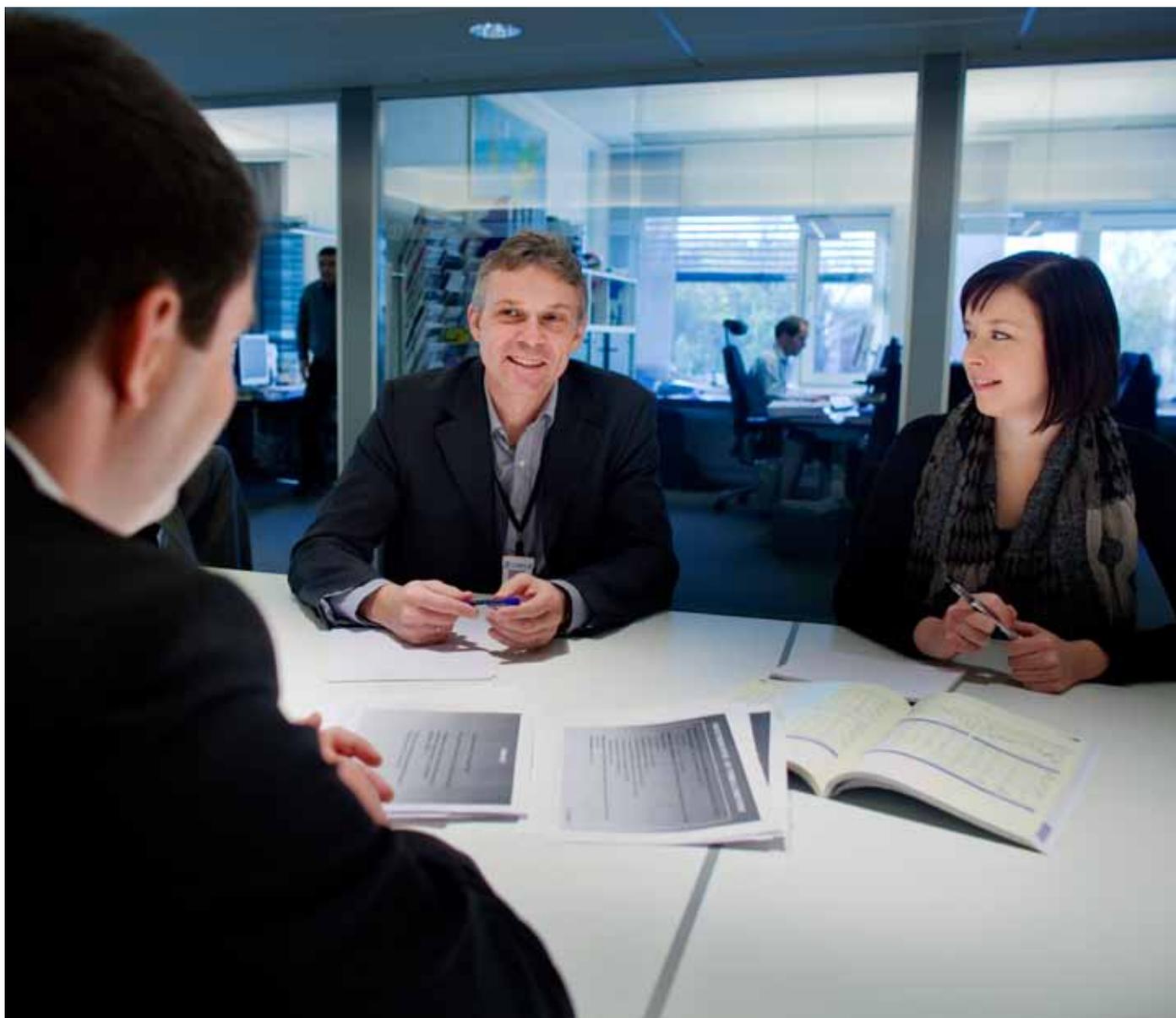
A total of 540 employees took part in these central competency-building programmes in 2012, compared with 625 the previous year. In addition to Orkla's central course activities, the companies held courses and training in a number of fields, such as hygiene and quality assurance work, EHS, sales, project management and labour law.

Orkla Brands Russia has developed its own leadership development programme, which is held in Russian, and the first group completed the course in 2012. In 2012, MTR Foods conducted an extensive training programme for first-line production managers.

GOALS FOR 2013/2014

Extend Orkla's central competency programmes

⁷According to annual internal reporting of disputes, lawsuits, supervisory issues and similar matters by the business areas to the Group.



CORPORATE DEMOCRACY

All Orkla companies have employee involvement schemes. Employees are represented on Orkla's Board of Directors and other governing bodies.

RESULTS IN 2012

Part of Orkla's restructuring entailed the elimination of Orkla Brands as an administrative unit. In order to safeguard the employees' right to exercise influence, Orkla decided to strengthen the consulting role of the business areas' liaison committees. Orkla held a corporate democracy election in 2012 which elected employee representatives to Orkla's Board of

Directors and Corporate Assembly and to the boards of the Norwegian companies.

In 2012, Indian MTR Foods has contributed to the competency development of the employee representatives' leaders, and has entered into a new three-year agreement with the employee representatives.

GOALS FOR 2013/2014

Adapt Orkla's corporate democracy system to the Group's new organisational structure.

EQUAL OPPORTUNITIES

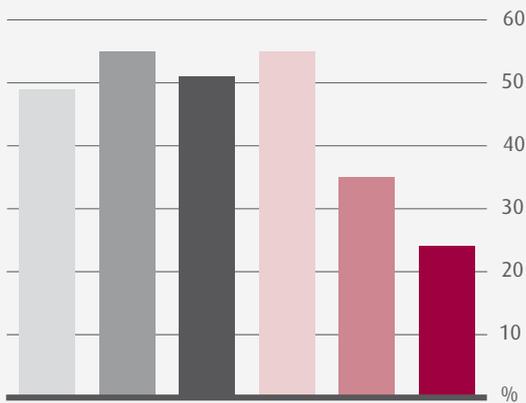
Orkla aims to maintain a good gender balance, and attaches importance to this in the Group's recruitment. Orkla requires that at least one woman candidate be nominated in connection with recruitment to managerial positions at company or business area level, and women receive priority when it comes to participation in Orkla's leadership development programmes.

RESULTS FOR 2012

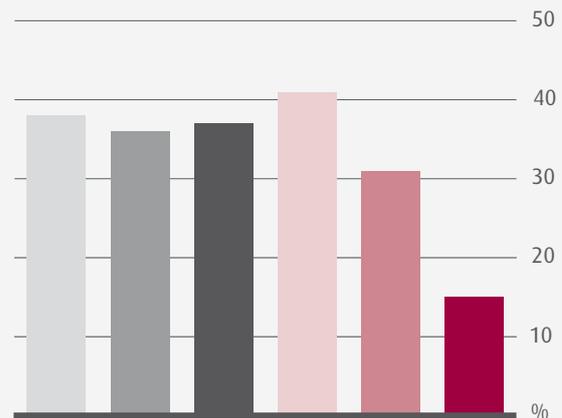
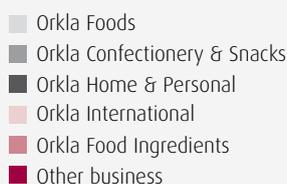
- At the end of the year, 9,581, or 33.8%, of our employees were women, compared with 33% in 2011. The corresponding figures for Orkla excluding Sapa (part of future joint venture) were 7,040 and 47% in 2012.
- The share of women managers at Group, business area and company level at year-end was 23.5%, compared with 21.5% the previous year. The corresponding figure for Orkla excluding Sapa was 28.6%, compared with 26.8% in 2011.
- The share of woman managers at all levels of the Group's activities was 26%, as against 25% in 2011. The corresponding figure for Orkla excluding Sapa (part of future joint venture) was 34.7 % in 2012.

GOALS FOR 2013/2014

Identify measures for increasing the number of woman managers through the project "Gender Balance". The project involves internal mapping in Orkla, Hydro, Statkraft, Telenor, NSB and Deloitte Norway of the conditions that promote a favourable gender balance among managers. The study is taking place in collaboration with the Administrative Research Fund of the Norwegian School of Economics (AFF) and will be completed in 2013.



**SHARE OF WOMEN EMPLOYEES
IN EACH BUSINESS AREA**



**SHARE OF WOMEN LEADERS
IN EACH BUSINESS AREA**





Building a strong company

BUILDING ON A LONG HISTORY OF DEDICATION TO QUALITY FOOD, THE VISION OF MTR FOODS IS TO BECOME AN INDISPENSIBLE COMPANION IN EVERY KITCHEN TO HELP CREATE AUTHENTIC AND DELICIOUS INDIAN FOOD.

To build an organisation capable of delivering on the vision, MTR Foods invests significantly to develop people capability and competence. Over the last three years, MTR Foods has invested in a number of organisational development activities to support the company's growth ambitions. The first step was to develop the right organisational structures and policies to deliver on the strategy.

"We have restructured the management layers in the organisation and introduced a number of business-linked policies and procedures, but perhaps even more importantly, we work systematically to engage our employees and build strong corporate values," says Tuhin Biswas, VP HR & Administration.

In 2010-11, the entire MTR organisation was involved in the development and roll-out of the company's new Vision, Mission and Values. The objective was to set direction for the organisation and align the employees to the overall purpose.

"We called the process "Building Our Future", and involved employees across the organisation in developing the new vision through various engagements like wall writing, focus groups, one-on-one interaction and workshops. Then, the vision and values were rolled out to the entire organisation through a roll-out ceremony, interactive theatre and posters. It was a great initiative in aligning the employees to the Vision, Mission and Values," says Tuhin Biswas.

MTR Foods has also organised a broad range of training programmes for managers and employees to build awareness, increase functional expertise and develop leadership competence. In total, 32,700 hours of training were conducted from 2010 to 2012, or 30 hours per employee. The training has included leadership and managerial development programmes, food safety, occupational health and safety, as well as interpersonal collaboration and life skills.

To attract talented students, MTR started campus programmes in 2010. Two programmes for young professionals and graduate engineers have been designed to grow in-house technical and managerial talent to meet future organisational requirements.

SAFE WORKPLACES

WE NEVER COMPROMISE WHEN IT COMES TO SAFETY. OUR VISION OF ZERO INJURIES IS A CORE PRINCIPLE AT ORKLA.



Photo: Rasmus Kongsore

A safe working environment for all our employees, contract personnel and suppliers is essential to creating sustainable value. The working environment also affects the sickness absence rates. It is not just a question of bringing people on sick leave back to work faster; but also to ensure a good, healthy working environment that

promotes the health and well-being of our employees.

TRAINING IN UNDERSTANDING RISK

Risk assessments form the basis for determining what action must be taken to prevent the occurrence of injuries or other

undesirable incidents, and are thus a key element of our environment, health and safety (EHS) work. Understanding risk is crucial to preventing hazardous situations. We provide our employees with EHS training and enable them to share their experience and continuously improve their expertise and performance.

Our approach

At Orkla we are committed to our employees' health and safety. Our activities must be organised in such a way that we operate without endangering life or health. Preventing harmful effects is our key priority. Our employees are our most important and most valuable resource.

QUARTERLY MONITORING OF EHS PERFORMANCE

The same reporting procedures apply throughout the Group, and a central reporting system has been developed in which important health and safety indicators are recorded on a quarterly basis. The status of EHS efforts is also reviewed by Orkla's Board of Directors every quarter.

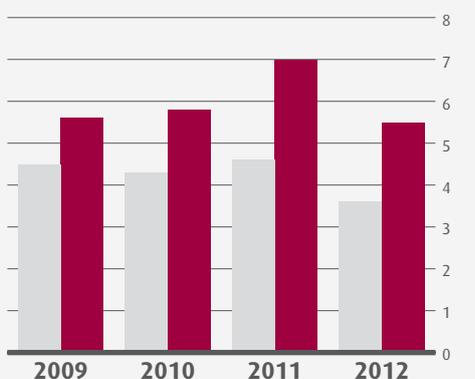
RESULTS IN 2012

The Lost Work Day Rate (LWDR)⁸, showed a positive trend – from 4.6 in 2011 to 3.6 in 2012. The Total Recordable Rate (TRR)⁹, was 8.4.

The recorded sickness absence rate at Orkla was 3.2% in 2012, on a par with the previous year. The sickness absence rate for the businesses in Norway was 5.5%, which is a clear improvement from 6.5% in 2011. Nonetheless, this rate is too high, and there is continuous focus on improvement.

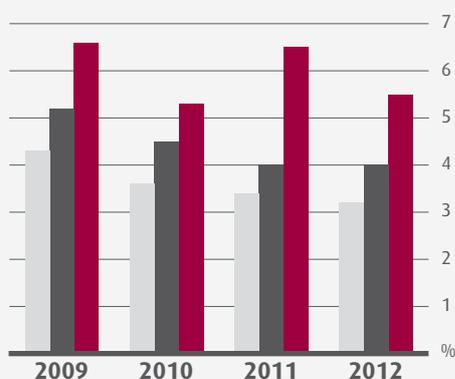
GOAL FOR 2013/2014

Our vision is zero injuries (LWDR and TRR = 0). Our goal is a sickness absence rate of less than 4%.



LOST WORKDAY INJURIES (LWDR)

- Orkla Global
- Branded Consumer Goods Area



SICKNESS ABSENCE RATE (%)

- Orkla Global
- Branded Consumer Goods Area
- Orkla Norway

⁸ LWDR = the number of personal injuries leading to absence per million hours worked

⁹ TRR = the number of personal injuries leading to absence, a need for medical treatment or restricted work per million hours worked

Preventing sickness absence

ADAPTED WORKPLACE CONDITIONS ARE REDUCING SICKNESS ABSENCE AT KIMS IN DENMARK.

Orkla's Danish snacks company is adapting working conditions to enable persons on sick leave to return to a job situation that is tailored to their individual needs.

"We are trying to bring employees on long-term sick leave back to work by offering them different duties and, in some cases, shorter working hours. In certain situations we draw up a fit-for-work certificate, which is a tripartite agreement between the employee, KiMs and the physician regarding the employee's possibilities of active workplace participation," says Personnel Manager Jan Jensen. The company's experience with this system

is positive; it enables pregnant women, for instance, to stay in their jobs longer because their workload has been adjusted. This helps to reduce sickness absence.

A COLLEAGUE NETWORK

As part of its preventive efforts, KiMs focuses attention on its employees' well-being. The company has established what it calls a "colleague network", consisting of employees within the organisation. "The network members have received training to give them insight into stress symptoms, which will help them to recognise stress-related behaviour among their colleagues," explains Jan Jensen.

CORPORATE RESPONSIBILITY

The company's efforts to promote a good working environment have been noticed outside the company as well. In 2012, KiMs was presented with the 2011 Enterprise Award for inclusion and social responsibility by the local employment office in Nord-Fyn. The reasons cited for giving the award to the company were its emphasis on a good working environment and employee well-being and its efforts to help unemployed persons find jobs by offering them work experience placements.

Safety culture at Stabburet

STABBURET BRUMUNDDAL HAS DRAWN UP A CLEAR PLAN OF ACTION FOR EHS IN 2013. THE GOAL IS ZERO INJURIES, AND ENSURING THAT WORKPLACE CONDITIONS DO NOT CAUSE SICKNESS ABSENCE.

EHS has topped the agenda at Stabburet's factory in Brumunddal for several years, and in 2008 a process aimed at enhancing EHS performance was launched throughout the Stabburet organisation. Safety and injury prevention were given particularly high priority. Risk identification procedures were carried out at all factories, and a practical safety handbook was prepared to increase the organisation's expertise in this area and create a common platform for activities.

A COMMON STANDARD

In the autumn of 2012, Orkla Foods also introduced a common work safety standard. Since then, Stabburet Brumunddal has conducted a self-evaluation of the factory, carried out

an employee survey and prepared a clear plan of action for 2013.

"It's useful to have a common standard that enables us to compare ourselves with others, both for learning purposes and to keep us on our toes. We have focused on improving our EHS performance for several years, but constantly discover areas where we can do better," says Jens Erik Dobloug, Factory Manager at Stabburet Brumunddal.

INVOLVEMENT

EHS is the first item of business at management team meetings. Involving the employees, with the help of the employee representatives and safety delegates, is a key objective. According to the factory

manager, the greatest progress has been made in their efforts to influence employee attitudes. Raising awareness of risk has been a pivotal topic.

"We have talked a lot about the 'top ten risks' for the factory and have carried out risk assessments of the most important working areas. We discuss critical items at meetings, and have drawn up additional instructions for new and temporary employees with information on risk," says Dobloug.

In 2012, there was one injury leading to absence at Stabburet Brumunddal. For Stabburet as a whole, the LWDR (number of injuries leading to absence per million hours worked) was 3.9.



Safety in sales work at Nidar

WITH A WORK DAY THAT KEEPS YOU ON THE GO, IT'S IMPORTANT TO THINK SAFETY.

The 160 employees in Nidar's sales organisation do a lot of their work in stores. It is important, therefore, that they are aware of the need to create safe work conditions. Among other things, that means using the right tools.

"Everyone in our sales team has been given a small, stable step ladder to keep in their car so they don't have to use soft drink crates to reach high shelves in stores. They consciously choose the right footwear, and are aware that high-heeled shoes and sandals should not be worn at work. Everyone is given gloves so that they have better grip and avoid cuts from cardboard, as well as knives with blades

that are secured when not in use," relates Bente Resell, EHS Manager at Nidar.

IDENTIFYING HAZARDOUS CONDITIONS

Environment, health and safety (EHS) ranks high on the sales organisation's agenda. It is a regular item of business at all sales meetings, which are also attended by representatives from the EHS Department.

All injuries, hazardous conditions and near-accidents must be reported, so that we can continuously make improvements. To simplify the reporting process, everyone has been given a card the size of

a bank card, on which the telephone numbers of key EHS staff members in the company are listed. A prize of a Flax lottery ticket is awarded for each matter reported. Company-wide surveys are also conducted to identify hazardous situations and enable preventive action to be taken.

"EHS improvement in the sales organisation began in the autumn of 2009, and we are seeing steady improvement in this area. We often receive input and ideas from our sales personnel, and it is important to promote high employee awareness of this aspect. The right behaviour and attitudes are absolutely essential in EHS work," emphasises Resell.

RESPONSIBILITY FOR THE ENVIRONMENT

ORKLA IS COMMITTED TO REDUCING ENERGY CONSUMPTION AND MINIMISING GREENHOUSE GAS EMISSIONS ALL ALONG ITS VALUE CHAIN.



Global climate changes are without a doubt the greatest environmental challenge now facing the world. The changes that we are experiencing will affect the very existence of the global population due to their impact on food production, access to water, health and the environment. The question then becomes how to secure social and economic development without causing irreparable harm to the environment.

Access to raw materials, water, energy and other resources is essential to our operations. Orkla considers it important to take responsibility for the environment and to contribute towards reducing greenhouse gas emissions. We will minimise the environmental impact of our own activities at every stage of the value chain.

ENERGY

In the near term, reducing our energy consumption is perhaps one of the most important climate-related measures that Orkla can implement. Several of the companies are mapping their consumption of energy and examining the possibilities of using it more effectively. Moreover, we will maximise the use of renewable energy wherever possible. Orkla's own hydropower production in Norway totalled 2.7 TWh in 2012. Energy consumption totalled 6.4 TWh, down from 6.6 TWh the year before. In Orkla's Branded Consumer Goods business, 1.3 TWh of energy was used in 2012, primarily as thermal energy in manufacturing processes and for factory heating.

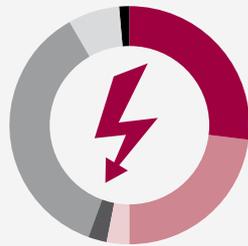
EMISSIONS

Every year Orkla prepares energy and climate accounts based on the international Greenhouse Gas Protocol Initiative. These accounts are also submitted to the Carbon Disclosure Project (CDP). In 2012, greenhouse gas emissions from Orkla's own operations totalled 615,000 tonnes of CO₂ equivalent. If emissions from purchased energy are included, emissions totalled approximately 1.1 million tonnes of CO₂ equivalent in 2012. This is a reduction of about 8% from the previous year. For the Branded Consumer Goods business as a whole, emissions in 2012 totalled 215,000 tonnes of CO₂ equivalent, which is a reduction of around 3% from 2011.

Other emissions to air and water are monitored locally by necessary control systems and plans. Emissions to air

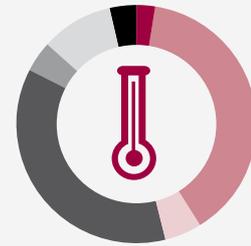
OUR APPROACH

The challenge presented by global climate changes requires concerted action by us all. Orkla is committed to sound, long-term, sustainable operations. Our vision is to cause no harm to the environment.



ENERGY CONSUMPTION (MWh)

- Electricity **356,800** (27 %)
- District heating **304,200** (23 %)
- Diesel **42,200** (3 %)
- Heavy oil **31,700** (2,5 %)
- Natural gas **477,000** (36 %)
- Propane/LPG **91,200** (7 %)
- Renewable fuels **18,000** (1,5 %)



GREENHOUSE GAS EMISSIONS (TONNES)

- Process **5,800** (2,5 %)
- Electricity **82,400** (38 %)
- Diesel **11,000** (5 %)
- Natural gas **77,600** (36 %)
- Heavy oil **9,200** (4 %)
- Propane/LPG **21,000** (10 %)
- Own vehicles **7,150** (3,5 %)

GOALS IN 2013/2014

- Initiate more activities to reduce energy consumption and to a greater degree use energy from renewable sources.
- Establish systematic procedures for monitoring energy consumption and prepare action plans.
- Take action to improve control of and further reduce water consumption.
- Identify the environmental impacts along the value chain.



Photo: Mari Svenningsen

consist primarily of SO₂ and NO_x emissions from the burning of fossil fuels to produce thermal energy. Emissions to water consist chiefly of COD and fat from manufacturing processes, which are regulated by the local authorities. In 2012, no serious incidents were registered that have resulted in follow-up action by local or national authorities.

WATER

Fresh water is an increasingly scarce resource in many parts of the world, and water-related costs are expected to rise in the long term. It will therefore be important for Orkla companies to reduce their water consumption and increase their knowledge of water resources. In 2012, consumption of water in the Branded Consumer Goods business totalled 7.5 million m³, which is a reduction of about 5% from 2011. Around 20% of the water used is recycled in the companies' own production processes. About 65% of discharge water is treated in municipal water treatment plants.

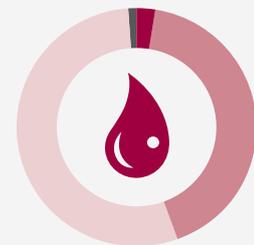
WASTE

Our factories work continuously to increase production yield and reduce

waste. More than 90% of recorded waste is re-used in the production of biogas and other energy, animal feed and materials recycling. A total of 96,000 tonnes of waste was generated by the Branded Consumer Goods business in 2012, which was a reduction of around 10% from 2011. Reductions were primarily made in the amount of organic waste and cardboard/paper. The amount of unsorted waste was also reduced by 25%.

PACKAGING

Orkla companies strive to develop optimal packaging solutions, and have gradually decreased their packaging consumption in the past few years. Packaging must be designed to provide adequate protection for the product in terms of food safety and quality, while generating the least possible environmental impact. Effective product design not only reduces the quantity of waste, it also reduces emissions during transport. In 2012, packaging consumption in the Branded Consumer Goods business was reduced by around 10%, primarily in the form of less use of glass, cardboard and paper. Total consumption was approximately 100,000 tonnes.

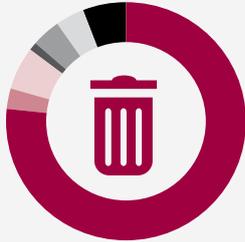


WATER CONSUMPTION (m³)

- Surface water **195,600** (3 %)
- Ground water **3,140,300** (42 %)
- Municipal water **4,096,600** (55 %)
- Other water supply **65,800** (1 %)

RAW MATERIALS

In the overall value chain, raw materials have the greatest impact on the environment since the cultivation of food crops and animal husbandry generate substantial amounts of greenhouse gases. It is therefore important that we maximise the yield from raw materials while minimising wastage.



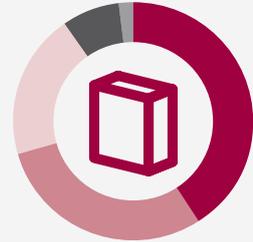
WASTE VOLUME (TONNES) BY MATERIAL TYPE

- Organic waste **75,500** (79 %)
- Mixed wood **2,400** (2,5 %)
- Paper/boards **5,700** (6 %)
- Plastic **1,250** (1 %)
- Metals **1,900** (4 %)
- Inorganic waste **3,200** (4 %)
- Unsorted waste **5,800** (6 %)
- Glass **190** (<1 %)
- Hazardous waste **100** (<1 %)
- Electrical waste **60** (<1 %)



WASTE VOLUME (TONNES) BY TREATMENT

- Animal feed **20,400** (23 %)
- Waste used as fertilizer **13,800** (16 %)
- Waste for incineration **10,700** (12 %)
- Waste for incineration **8,800** (10 %)
- Biological treatment **26,700** (30 %)
- Landfill **8,100** (9 %)
- Hazardous waste **130** (<1 %)



CONSUMPTION OF PACKAGING MATERIALS (TONNES)

- Paper/boards **41,414** (41 %)
- Glass **30,042** (30 %)
- Plastic **19,820** (20 %)
- Metals **7,703** (8 %)
- Wood **1,939** (2 %)

Energy recovery at Procordia

POTATO PEEL FROM PROCORDIA'S FACTORY IN ESLÖV PROVIDES HEAT FOR MORE THAN 400 HOUSES.

Procordia focuses systematically on minimising waste from its own factories by finding new areas of application for residual products. Potato and beetroot peel from the company's factories is sent to a local biogas plant, where the production waste is converted into gas that is used to heat dwellings. Manufacturing residuals from Procordia's

factories in Örebro and Kumla are used to produce biogas to fuel buses. Apple waste from the factory in Tollarp is collected by local farmers who use it in animal feed.

LESS TRANSPORT

Procordia has sought to reduce its carbon footprint by reducing its use of transport. Due to a new potato receiving facility at

the Eslöv factory, the company itself can now take delivery of and wash potatoes for use in its production processes. This has reduced its trucking needs by the equivalent of 29,000 km, or three quarters of the world's circumference.



Conscious use of packaging

TO REDUCE ITS ENVIRONMENTAL IMPACT, THE PIERRE ROBERT GROUP CHOOSES TO USE RECYCLABLE PACKAGING FOR MANY OF ITS PRODUCTS.

Through the careful choice of packaging, Pierre Robert Group (PRG) aims to reduce the company's overall impact on the environment. Waste reduction is one of the company's three overarching environmental goals, and as far as possible PRG therefore gives priority to packaging textile products in cardboard or plastic packaging that can be recycled through the Green Dot recycling scheme for used packaging. A total of 73% of the packaging that is returned through this scheme is recycled, thereby curbing greenhouse

gas emissions, lowering energy consumption and generating several other positive environmental effects.¹⁰

The requirements of the grocery sector with regard to product display differ from those of the specialised retail sector. In the past few years, therefore, it has become more common for textile manufacturers that supply products to the grocery sector to use plastic packaging. The plastic packaging is designed to display the products in an attractive, informative way in stores,

while providing them with adequate protection. To reduce the environmental impact, PRG chooses to use recyclable plastic wherever possible.

"Choosing recyclable types of plastic is not just environmentally-friendly, it has also proved to offer a financial gain in the form of cost savings. We are always on the lookout for new materials and packaging methods that reduce the impact on the environment," says Margrethe Vikanes, CSR and Quality Manager at PRG.

¹⁰Source: Norwegian Climate and Pollution Agency, September 2012

Packaging development at Lilleborg

LILLEBORG AIMS TO LAUNCH PRODUCTS THAT ARE OPTIMAL FOR THE ENTIRE VALUE CHAIN.

Environmental gain is important when Lilleborg develops new packaging. All packaging must have optimal weight and design. That does not necessarily mean that there must be as little packaging as possible, as this could result in damage and wastage, which in turn can have highly negative environmental consequences.

“In optimising packaging, account must be taken of several factors, such as production efficiency, transport efficiency and

storage, and minimisation of air on the pallet, while also offering practical packages for store distribution. This requires several rounds of testing and close collaboration with a variety of stakeholders. The result is often a significant financial and environmental gain,” emphasises Merete Nes, Packaging Developer at Lilleborg.

RECYCLING

As far as possible, Lilleborg uses recycled and recyclable packaging. By providing

clear information and labelling on packaging, the company also seeks to encourage consumers to sort and dispose of used packaging in an appropriate manner.

As a member of the Green Dot recycling system, Lilleborg has labelled its products with this logo. The fee paid by Green Dot members is intended to finance recycling schemes and the collection and recycling of different types of packaging.

PACKAGING IMPROVEMENTS IN 2012

In 2012, Lilleborg improved its packaging in several ways that generated positive environmental effects since fewer pallets were required and thus less transport.

COMFORT REFILL:

- The number of refill bags in each distribution carton was increased from 8 to 10. That means 96 more refill bags per pallet = 160 fewer pallets in 2012.

JIF MOP START-UP PACKAGE:

- Less cardboard and plastic are now used in the product packaging. There is also less air in the packaging, which increases transport efficiency at every stage. The number of units per pallet has been doubled = 1460 fewer pallets in 2012.

JIF REFILL SPRAY:

- A minor change was made in the height of Jif Refill products, making it possible to add another layer of products on each pallet = 191 fewer pallets in 2012.



CONSUMER CONFIDENCE THROUGH SAFE PRODUCTS

ORKLA STRIVES TO BE AMONG THE WORLD'S TOP COMPANIES
IN THE REALM OF FOOD SAFETY



Consumer confidence is a prerequisite for brand building, and safe products are the very cornerstone of this work. Sound food safety systems, applied consistently across the board, therefore have the highest priority in Orkla.

Modern food production involves a complex value chain and makes great demands on key personnel with respect to quality, food safety and sourcing. Orkla has taken an uncompromising stand on food safety. Our own Orkla Food Safety Standard ensures a high, uniform standard at all our factories, and we also insist that all our suppliers observe our stringent guidelines for safe production of raw materials.

HOW AUDITS ARE CONDUCTED

Orkla takes active responsibility for food safety by conducting frequent audits. In a typical audit, the Orkla team will consider whether the production plant meets a series of criteria associated with food safety. The audit team makes physical inspections of production facilities, including canteens, locker rooms, storage premises and external areas. The company's documented quality assurance system is also examined. After all audits, binding action plans for corrective measures are drawn up, with assignment of responsibilities and deadlines. Our auditors then grade the production facility according to the Orkla Food Safety Standard.

TRAINING

Orkla has a team of ten highly qualified internal food safety auditors. They receive regular training from external specialists. In order to raise the level of expertise of key personnel in the field of quality and food safety, Orkla has established the

THE ORKLA FOOD SAFETY STANDARD

- The Orkla Food Safety Standard is based on the internationally recognised British Retail Consortium Global Standard for Food Safety.
- A new and more stringent version of the Orkla Food Safety Standard was introduced in 2012.
- The standard applies to all Orkla companies that produce food and beverages.
- Orkla has expanded the standard by adding a number of supplementary requirements to ensure consistency in company operations.
- Food safety improvements are constantly being implemented in all our companies.
- Newly acquired companies are integrated more rapidly, thanks to a uniform food safety standard.

AUDITS

Each year we conduct stringent internal audits of our companies to ensure that the Orkla Food Safety Standard is being adhered to in all Orkla's food producing companies. Orkla sets the same requirements for product quality and product safety in all countries in which we own companies.

RESULTS IN 2012

Since our own food safety standard was introduced in 2004, a food safety team has conducted a total of 532 audits of 113 factories and three head offices. A total of 64 audits were carried out in 2012, seven of them unannounced.

GOALS FOR 2013/2014

The food safety team will pursue its efforts to ensure continuous improvement through internal audits based on the Orkla Food Safety Standard.

CONTINGENCY PLANNING

Orkla has drawn up a contingency plan for appropriate handling of unforeseen, undesirable incidents. A contingency exercise programme has also been developed, and each year several of the companies' management teams undergo training in crisis and contingency management.

RESULTS IN 2012

There were no serious incidents associated with food safety in 2012. However, there were some cases of products erroneously containing allergens that did not appear on the label. This led to some product recalls, but no consumers suffered any harm. In 2012, two contingency exercises were carried out at the Orkla Production Academy in addition to the annual drills held at the factories.

Orkla Food Safety Training Course. Since its inception in 2010, 77 employees have completed the course.

PRODUCT RESPONSIBILITY IN COMPANIES WITH NO FOOD PRODUCTION

So far, Orkla companies that are engaged in the sale and distribution of food products, but do not have in-house production, have not been covered by the Orkla Food

Safety Standard and internal audits in a systematic way. To ensure sound procedures and further reduce the food safety risk associated with the operations of these companies, a separate standard similar to the Orkla Food Safety Standard was developed in 2012. As for the Orkla Food Safety Standard, this standard is based on a recognised BRC standard. The standard will be introduced to the relevant companies in 2013.

ALLERGENS

Consumers must always feel safe with Orkla products. Most of our food and beverages do not target consumers with allergies in particular. Nevertheless, the product information and labelling shall always enable consumers with allergies to avoid particular allergens.

All Orkla's producers of food and beverages observe procedures that ensure:

- assessment of allergens during the development of new products and changing of existing products
- information about allergens and possible contamination of raw materials
- production and handling of products that minimise the risk of allergen contamination

- correct labelling of allergens and any allergen traces
- training of personnel in handling of allergens.

RESULTS IN 2012

- In 2012, a number of Orkla companies, such as Procordia and KiMs (Denmark), addressed issues connected to allergens. Procordia launched ParNut, a brand targeting the catering industry in 2012. The ParNut brand includes meatballs, minced-steak patties and other meat-based products that are guaranteed not to contain gluten, lactose, or milk, soy or egg proteins.
- KiMs (Denmark) has introduced an "allergen box" on their packaging, which makes it simple for consumers to see any allergens the product may contain.

MONITORING OF SUPPLIERS

Monitoring of suppliers through self-assessment forms and physical audits by Orkla's audit team ensures a high level of awareness of the importance of sound food safety standards.

The Orkla company that is the main purchaser from the supplier is responsible for auditing the production facility on behalf of the Group.

RESULTS IN 2012

In 2012, 863 self-assessment forms were distributed to Orkla's suppliers, compared with 735 in 2011. In addition, 127 physical audits were conducted in 2012, compared with 98 in 2011.

The results of the physical audits show that 67% of the audited factories maintain an approved standard with respect to food safety. Other facilities must make improvements in order to be able to continue supplying products to Orkla.

GOALS FOR 2013/2014

The team for food safety in purchasing will continue its work of systematic risk assessment, approval and follow-up of suppliers through the Orkla Food Safety Standard in Purchasing.

Food safety in purchasing

MONITORING OF ORKLA'S SUPPLIERS IS CRUCIAL FOR ENSURING THAT THEIR PRODUCTION OF RAW MATERIALS IS COMPLIANT WITH OUR STRINGENT FOOD SAFETY GUIDELINES.

Orkla has a large number of raw materials suppliers all over the world, and sets stringent food safety requirements.

Orkla has its own system for risk assessment, approval and follow-up of suppliers. This system covers suppliers of raw materials, contract manufacturers of finished goods and suppliers of packaging for food and beverages. The system is used by Group companies that manufacture and sell food products, and is intended to ensure that what we buy is safe and legal.

In our risk assessment of suppliers, we assess the following:

- Is this a new or existing supplier?

- Inherent product risk associated with use in Orkla
- Country of origin
- The supplier's self-assessment
- Our experience if the supplier already has an agreement with Orkla
- Result of previous audit

The outcome of the risk assessment determines whether:

- The supplier is approved
- There is a need to obtain supplementary information
- An audit is necessary

TRAINING IN SUPPLIER AUDIT

Audits are an important part of Orkla's

approval process. A common audit framework has therefore been developed, with guidelines for food safety in purchasing. We have also established a training programme that all future auditors must undergo. The training programme consists of a two-day training seminar in addition to a number of training audits that are conducted on suppliers' premises with the assistance of an approved auditor. Since 2008, 190 persons from 44 companies have completed the training programme, while 52 persons from 23 companies have been approved as food safety auditors with permission to conduct supplier audits alone on behalf of Orkla.

Orkla's approach to modern gene technology

ORKLA'S PRODUCTS SHALL BE BASED ON SAFE RAW MATERIALS AND BE MANUFACTURED USING METHODS THAT CUSTOMERS AND CONSUMERS ACCEPT.

Orkla is responsive to its customers' and consumers' views on the use of modern gene technology in connection with the production of food. There are no research results to indicate that it is harmful to eat food containing genetically modified raw materials. Orkla has nonetheless decided not to use these, since a clear majority of consumers do not accept genetically modified raw materials and ingredients.

Orkla's food producing companies use only raw materials and ingredients that are based on traditional production methods, where the plant or animal is

developed and processed without the use of modern gene technology.

Orkla companies are aware that some traditional crops (primarily soy, maize and rapeseed) and products that are derived from them may contain traces of genetically modified material due to the unintentional introduction of seed, crop or product. The maximum quantity of such traces that does not require GMO labelling is laid down in the European GMO legislation.

Orkla companies require suppliers to establish verified systems for segregation,

documentation and analysis, to make it possible to verify the origin and quality of products, for example the absence of unintentionally introduced GMO material.

Orkla companies comply with EU and national legislation and the authorities' requirements with respect to GMO, and take all necessary steps to ensure that no Orkla products require GMO labelling. If a company is considering marketing and selling products that require GMO labelling, the decision must be approved by Orkla's Board of Directors.

FOOD ENJOYMENT IN A BALANCED DIET

CONSUMERS ARE INCREASINGLY CONCERNED WITH NUTRITION AND HEALTH. AT THE SAME TIME, OVERWEIGHT IS A GROWING SOCIAL PROBLEM. WE BELIEVE THAT A HEALTHY LIFESTYLE CAN BE ACHIEVED THROUGH A VARIED AND BALANCED DIET COMBINED WITH REGULAR PHYSICAL ACTIVITY.



According to the World Health Organisation, 1.5 billion people are overweight, including 200 million children of school age. Surveys reveal a clear connection between overweight and a higher risk of cardiovascular disease, diabetes, high blood pressure and a number of other diet-related problems.

WHO recommends that people reduce their consumption of saturated fat, sugar and salt, and that the food industry reduce the quantity of fat, sugar and salt in manufactured foods and beverages. WHO also recommends that the industry introduce simple, clear and consistent labelling and information about products in order to influence consumer choices.

FOOD ENJOYMENT IN A BALANCED DIET

The global health challenges call for input from all spheres of society. As a leading producer of food and beverages, Orkla can make a positive contribution to global health by developing products that make it simpler for people to maintain a balanced diet. Orkla companies observe the following general guidelines for the production of food and drink:

- Orkla supports national recommendations regarding nutrition and upholds the overarching principle of promoting a balanced, varied diet.
- Orkla pays attention to the nutritional and health aspect when developing new products and product information.
- Orkla aims to make it easy for consumers to choose a balanced, nutritious diet by labelling its packaging with relevant, easily understood information about the nutritional content.
- Orkla's marketing shall be based on the principle of responsibility.
- Orkla's dialogue with authorities, universities and other commercial and professional bodies shall be characterised by openness.

INNOVATIONS

We consider it important to present innovations that delight consumers, while at the same time being compatible with a balanced diet. A total of 26% of Orkla's

OUR APPROACH TO OVERWEIGHT

In the course of a day, we consume a variety of different foods and beverages. Activity levels also vary from person to person. It is generally agreed that a person's weight increase is primarily a result of an imbalance between intake and consumption of energy; too many calories consumed and too low an activity level. Orkla endorses this conclusion. We regard the growing obesity problem as a result of both unhealthy eating habits and less physical activity. However, we do not believe that a single product or product category is the reason for the overweight population.

A good diet involves making wise choices, exercising moderation, and ensuring that the body's need for different nutrients is met through variation in our choice of food and beverages. A nutritious diet combined with physical activity boosts health and well-being and reduces the risk of becoming overweight and suffering other lifestyle diseases.

food sales today derive from products with health benefits or with reduced quantities of sugar, saturated fat or salt. One of our goals when we develop new products is to give consumers a wider range of choices within an existing product category. We focus particular attention on the following areas:

- Sugar
- Saturated fat
- Salt
- Fibre and whole grain

RESEARCH PROJECTS

We are involved in various research projects aimed at finding satisfactory solutions to the challenges we face, particularly in relation to the content of saturated fat, sugar and salt in our products. Stabburet leads the project SALTO, a three-year research project in which leading Norwegian manufacturers are working with researchers at the Norwegian food research institute Nofima. The project goal is to reduce by 25% the quantity of salt in everyday products such as cheese, boiled ham,

pâtés and forcemeat. Orkla is also involved in an EU project, the aim of which is to reduce the content of fat, sugar and salt in a number of categories of interest to Orkla.

A number of Orkla companies collaborate with the Antidiabetic Food Centre (AFC) at Lund University in Sweden. AFC seeks to promote knowledge and expertise associated with the development of food products that can help to reduce the risk of obesity, age-related diabetes and cardiovascular disease.

Researchers at Lund University have investigated the effect of a change in diet for persons with a high risk of diabetes and cardiac disease. A higher proportion

of antioxidants and whole-grain products was introduced into their diet. The results were a sharp reduction in cholesterol level, a fall in blood pressure and a lower risk of developing thrombosis.

INFORMATION TO CONSUMERS

Orkla's ambition is to make it easy to choose a balanced, nutritious diet. We believe sound information about the nutritional value of products is crucial for enabling consumers to make sensible choices. Information about the nutritional content of a product must be based on facts, simple and easy to understand and as accessible as possible.

In recent years, Orkla's food companies have improved both the declaration of

nutritional content on product packaging and information about health and nutrition on the companies' websites and through their consumer services.

In 2012, several of Orkla's food companies were in dialogue with national supervisory authorities to ensure that the companies' product information is in line with the new EU food labelling requirements. Procordia was ordered by the Swedish National Food Agency to change the labelling of products containing the natural sweetening agent steviol glycoside. The matter did not result in any fine, and Orkla was involved in no other matters relating to labelling rules in 2012¹¹.



Photo: Stabburet

¹¹According to annual internal reporting of disputes, lawsuits, supervisory issues and similar matters by the business areas to the Group.

SATURATED FAT

Orkla's existing and new products are to have a favourable fat composition to the extent that taste and other considerations allow. The Norwegian health authorities recommend that the total dietary fat content should not exceed 30% of daily energy intake. The total content of saturated fat in the diet should be limited to a maximum of 10% of energy intake.

RESULTS IN 2012

Palm oil contains a high proportion of saturated fat. A number of Orkla companies have stopped using palm oil in their products. In the period 2008-2012, the companies reduced their annual consumption of palm oil by 10,000 tonnes, replacing it with rapeseed and sunflower seed oil. The most important moves in 2012 were:

- Stabburet's replacement of palm oil, following years of development work, by the healthier

sunflower seed oil in products such as Nugatti and Sjøkade (chocolate spreads).

- The reduction of saturated fat in bars from Axellus (Maxim and Nutrilett), puddings from Felix Abba (Jacky) and snacks from KiMs Norge, KiMs (Denmark) OLW and Chips.
- The launch by Pöletsmaa Felix of light mayonnaise containing 90% less saturated fat.

GOALS FOR 2013/2014

- Sætre aims to eliminate palm oil entirely from its Norwegian products in the course of 2014. This will reduce palm oil consumption by a further 500 tonnes and help to reduce consumption of saturated fat.

SUGAR

Overconsumption of food and drink that are rich in energy is one of the greatest global health challenges. At Orkla we want to reduce the fat and sugar content of our products as far as taste and commercial interests allow. The Norwegian health authorities recommend that sugar be limited to a maximum of 10% of daily energy intake.

RESULTS IN 2012

In most of Orkla's product categories with a high sugar content, we offer alternative options with a lower sugar content. Almost 50% of beverage sales are attributable to sugar-free alternatives.

During 2012, Orkla launched a number of products in the categories chocolate, beverages, sauces and vegetables that contained either a reduced percentage of sugar, or were sugar-free. The most important were:

- Procordia's Fun Light cordial and Felix sugarless ketchup with sweetening from the stevia plant.
- A new variety of Paulún's breakfast cereal (coconut and apple) without added sugar and with 67% whole grain.

GOALS FOR 2013/2014

- We will continue our efforts to reduce the quantity of sugar in our products where this is natural, and look at opportunities for launching more sugar-free alternatives.



FIBRE AND WHOLE GRAIN

Using ingredients with a high fibre content should be considered wherever relevant. Examples are pizza, pies, pasta, bread and whole-grain biscuits. The health authorities recommend a daily fibre intake of 25-35 grams per person.

RESULTS IN 2012

In the course of 2012, Orkla launched a number of products with increased fibre content. The most important were:

- MTR Foods launched breakfast mixes with a high proportion of fibre and whole grain.
- Sonneveld launched bread mixes with a high fibre and whole-grain content.
- Credin launched a bread base with 100% whole-grain wheat.
- Procordia launched a new variety of Paulún's breakfast cereal (coconut and hazelnut) with a high fibre content and no added sugar.



GOALS FOR 2013/2014

- We will strive for increased use of ingredients with a high fibre content where this is natural and relevant.

SALT

We do not want to use more salt than necessary in our products. When salt is important as a taste enhancer, we look for alternative ingredients that can function as fully adequate replacements. The health authorities recommend a daily salt intake of a maximum of 5 grams per person.

RESULTS IN 2012

Orkla observes the authorities' salt reduction targets for 2014. Salt content was reduced in a number of our products in the course of 2012, the most important being:

- Stabburet liver pâté
- Stabburet pizza
- Sonneveld bread mixes
- The Fit4Life product range from Credin
- Provencal mayonnaise from Spilva
- Crisps from KiMs Norge and KiMs (Denmark)

GOALS FOR 2013/2014

- We will continue our active efforts to reduce people's salt intake. Orkla is taking part in a number of research projects aimed at finding good replacements for salt in our products.



ADDITIVES

Consumers are increasingly concerned that we should reduce the amount of additives in our products. Orkla always complies with acts, regulations and directives relating to the use of additives in food and beverages. We use only EU-approved additives that have an important function in food products. Our products are labelled with the additives that are used, in accordance with applicable regulations.

RESULTS IN 2012

The most important measures associated with the use of additives were:

- Stabburet, Pölsamaa Felix, KiMs Norge, KiMs (Denmark), OLW and Chips replaced monosodium glutamate (MSG) with more natural ingredients in a number of their products.
- The use of preservatives was reduced in many tomato products from Stabburet, Suslavicius-Felix and Spilva.
- Procordia launched additive-free Felix mashed potato.
- Felix Abba launched gherkins, frozen soups and

pasta without additives under the Felix brand and yoghurt without additives under the Jacky Duetto brand.

GOALS FOR 2013/2014

- We will continue to maintain a restrictive attitude to the use of additives in our products.



LABELLING SCHEMES

GDA (GUIDELINE DAILY AMOUNTS)

is a voluntary labelling scheme which most major food companies in Europe endorse, and which therefore provides consistent information on nutrition. The GDA scheme is intended to make it easier for consumers to understand the nutritional content of food products by transcribing scientific expressions into a more consumer-friendly language. Several Orkla companies have introduced GDA labelling on their products.

THE GREEN KEYHOLE SYMBOL represents a system of labelling that identifies the healthier products in various food product categories on the basis of criteria such as salt, sugar and fibre content. This is a simple, clear labelling method that tells consumers that products with the Green Keyhole symbol are a better nutritional choice than other products in the same category. Orkla backs the introduction of the

Green Keyhole symbol throughout the Nordic region. We also aim to expand the labelling system to cover more product categories, for example beverages and snack meals.

THE DANISH BRØDSKALA'N AND WHOLE GRAIN CAMPAIGN

The Danish ingredient suppliers in the Orkla Group use the "Brødskala'n" labelling system for their products to indicate the whole-grain content. Comprehensive guidelines have been drawn up for the use of the labels, and their use is contingent on a written agreement between users of the labelling and NHO Mat og Drikke, the Norwegian member of FoodDrinkEurope. In Denmark, the criteria for "choose whole grain first" are set by the Danish Whole Grain Campaign. They follow broadly the same guidelines as the Green Keyhole system, but the requirements regarding whole-grain content are stricter.

Responsible marketing

ORKLA'S MARKETING SHALL BE BASED ON THE PRINCIPLE OF RESPONSIBILITY.

Good marketing of our products is vital for countering competition from other companies. At the same time, we consider it important to have a conscious and responsible approach to marketing, particularly with respect to nutrition and health. Orkla has sound procedures for quality assurance of marketing and product information, and we have stringent requirements with respect to being able to justify claims. We are particularly cautious when it comes to marketing of products that appeal to children.

In 2010, WHO established a set of recommendations on the marketing of foods and non-alcoholic beverages to children. Orkla supports WHO's recommendation to reduce the marketing pressure associated with products with a high content of saturated fat, sugar and salt.

Orkla has prepared internal guidelines to inform Group companies about considerations to take into account when developing marketing of food and beverages.

In 2012, Lilleborg was involved in a lawsuit where a competitor, Colgate, maintained that claims used in marketing of Jordan toothpaste were in breach of marketing legislation. The court found in favour of Lilleborg on most points, but the company was denied the future use of two claims that were printed on the back of the toothpaste tubes. The court decision did not make it necessary to withdraw products from the stores and did not result in fines. This was the only case relating to marketing legislation in which Orkla was involved in 2012¹².

SELF-REGULATION

In 2007, the food industry drew up non-mandatory Norwegian guidelines for marketing of food and drink that targeted children, which are now aligned with WHO's recommendations of 2010. Orkla was actively involved in

formulating these guidelines. In accordance with these provisions Orkla companies shall:

- not develop advertising for high-energy, low-nutrient products that directly targets children, or advertise such products through media channels particularly designed for children
- exercise caution with respect to the use of persons or characters who are well known to children from television programmes or films
- not advertise at schools or day-care centres
- not offer vending machines for high-energy, low-nutrient products to day-care centres or schools below college/university level
- exercise caution with regard to entering into agreements concerning sponsorship and distribution of samples etc. at events for children, or where children are unaccompanied by adults
- introduce procedures in connection with school visits to ensure that the contact teacher obtains approval from parents in connection with the visit, and permission to distribute samples.

MARKETING RESTRICTIONS

Because of an increase in the prevalence of overweight children and adolescents, marketing restrictions are under discussion in a number of European countries. In Norway, the Ministry of Health and the Ministry of Children, Equality and Social Inclusion have circulated for comment a green paper on regulation of marketing of food and beverages with a high content of energy, saturated fat, sugar and salt that targets children and adolescents. The purpose of this move is to reduce overweight among children and adolescents.

The ministries have proposed banning marketing of unhealthy food and drink to persons under the age of 18.

Current Norwegian legislation, coupled with the industry's own self-regulatory system, makes the Norwegian regulations on marketing that targets children the most stringent in the world.

Overweight and obesity are a significant social problem, and are particularly serious among children and adolescents. We are committed to developing the voluntary guidelines further in cooperation with the industry and the authorities rather than introducing stricter government regulation.

OUR APPROACH TO RESPONSIBLE MARKETING

We wish to protect children and adolescents from marketing that may be misleading or exert undue pressure to buy on them. Children and adolescents have a less developed critical faculty than adults, a greater natural respect for authorities and a lesser ability to understand humour and irony. We therefore believe that it is natural to direct our sales message at adults. Parents are in the best position to decide what their children should eat and drink. In addition, parents are most often the ones responsible for family shopping. In marketing targeting adolescents we design the activity in such a way as to address the older segment of the target group as far as possible.

¹²According to annual internal reporting of disputes, lawsuits, supervisory issues and similar matters by the business areas to the Group.



Dutch bread with less salt

THE DUTCH SONNEVELD GROUP HAS REDUCED THE SALT CONTENT IN ITS BREAD MIXES BY 16%.

Salt consumption in many countries is higher than the recommended daily intake of 5 grams per person. A high salt intake can increase the risk of high blood pressure, cardiovascular disease and obesity. Bread is one of the main sources of salt.

Orkla Food Ingredients company Sonneveld has been a pioneer in adapting to the new Dutch legislation of January 2013, which restricts the quantity of salt in bread from 1.8 to 1.5%. The result is a 16% reduction in the salt quantity in all bread mixes.

"We have worked systematically to reduce the salt in our bread mixes in recent years. It was important to us to adjust the amount of salt well in advance of the introduction of the Dutch legislation on 1 January 2013," says Maarten Boonstra, Sonneveld Director of Quality and Maintenance.

HIGHER FIBRE CONTENT

In addition to working actively to reduce the quantity of salt in the products, Sonneveld wants to increase the quantity of fibre in its products. Fibre works on the bowel function, and may help to

prevent constipation. Fibre has also proved to have a counteracting effect on type 2 diabetes, cardiovascular disease and certain types of cancer.

"Wholemeal bread is an important source of fibre. The more whole grain, bran and wholemeal flour products contain, the higher their fibre content. In 2012, Sonneveld launched the Vitason product range, in which the fibre content of several of the bread mixes was increased by over 50%. We are now looking into the possibility of developing more products with a higher fibre content," says Boonstra.

COLLABORATION BASED ON ETHICAL, SUSTAINABLE PRINCIPLES

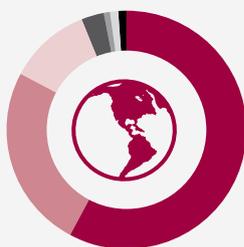
AT ORKLA WE REQUIRE ALL OUR SUPPLIERS TO COMPLY WITH OUR CODE OF CONDUCT WITH REGARD TO WORKING CONDITIONS, BUSINESS PRACTICES AND ENVIRONMENTAL MANAGEMENT.



Orkla collaborates with suppliers all over the world. Regardless of the country concerned, we require that they all comply with the Orkla Supplier Code of Conduct, which defines what we consider to be necessary for the proper conduct of business. Close monitoring of suppliers plays a crucial role in ensuring compliance with our strict guidelines.

RISK ASSESSMENT

Orkla's branded consumer goods companies have a total of around 21,000 suppliers. This multitude of suppliers makes it important to give priority to monitoring those considered to be most at risk of failing to comply with our code of conduct. To identify these suppliers, the companies carry out systematic risk assessments, in which certain countries, production methods and product categories are given a special risk weighting. A large part of the Orkla companies' purchases come from local suppliers located in the company's home country. The Nordic region and the Baltics are the primary markets for Orkla's branded consumer goods, and 58% of Orkla's purchasing is from suppliers in the Nordic region and 25% from other parts of Europe. The inherent risk of breaches of workers' and human rights is assessed as high in connection with purchasing from suppliers in Asia and in certain complex supplier chains for products such as cocoa, palm oil and fish.



ORKLA SPEND BY SOURCING REGION*

- Nordics 58 %
- Rest of Europe 25 %
- Russia 11 %
- India 3 %
- North and South America 1 %
- China 1 %
- Rest of Asia 1 %

Workers' rights

RESPECT FOR WORKERS' RIGHTS IS A CORNERSTONE OF OUR CORPORATE CULTURE, AND ESSENTIAL TO SUSTAINABLE OPERATIONS.

Orkla holds the principles enshrined in the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work to be inviolable. These principles serve as the basis for our own Orkla Supplier Code of Conduct.

ENFORCEMENT OF OUR CODE OF CONDUCT

Orkla is committed to promoting continuous improvement at the supplier level,

and will to the extent possible collaborate with suppliers to ensure better conditions. Suppliers must show a willingness to comply with our standards by documenting gradual improvement. In the event of serious breaches of our Supplier Code of Conduct, or a failure to achieve improvement over time, we will consider terminating our partnership with the supplier in question.

OUR APPROACH

As a minimum, all our suppliers are required to provide a safe workplace, and to treat workers with consideration and respect.

Orkla requires suppliers to provide wages and social benefits that are consistent with the national statutory level or industrial standard in the country concerned. The higher of the two standards shall apply. Wages must be high enough to meet the employee's basic needs. Wage deductions may not be used as a disciplinary action.

Child labour is one of several forms of work that Orkla does not accept. We require our suppliers to ensure that child labour does not occur, neither in their own production processes nor in the production processes of their subcontractors.

AUDITS

Orkla companies conduct audits in order to gain an in-depth insight into the operations of suppliers that have been identified as being at particular risk of breaching our requirements. Carrying out a large number of audits is not a goal in itself. In order to achieve improvement, we consider it crucial to have a dialogue with suppliers and provide them with training. Nevertheless, audits are an important tool for ensuring that critical issues are addressed.

RESULTS 2011/2012

All suppliers¹³ of raw materials and packaging and other important suppliers have been subjected to a risk screening.

In 2011 and 2012, a total of 57 supplier audits were conducted in the branded consumer goods area. Based on these audits, we see that critical issues can be broken down into the following categories:

- Health, safety and hygiene (53%)
- Working hours (26%)
- Wages (12%)
- Other issues (9%)

The most common challenges related to health, safety and hygiene lie in the lack of adequate equipment or procedures for fire safety, first aid and noise protection. The main challenge related to working hours is the excessive use of overtime. Examples of wage-related issues include a lack of adequate guidelines, documentation or appropriate compensation for overtime.

We require that any issues identified are remedied within an agreed period of time. We follow up on the supplier to verify that action has been taken to improve the situation. In 2012, no serious issues were identified leading to the termination of a supplier relationship.

GOALS FOR 2013/2014

- Establish risk assessments for selected categories and improvement measures for the largest, highest-risk categories of products purchased, such as cocoa, palm oil, fruit and berries and fish products.
- Continue efforts to conduct systematic risk assessments and monitor suppliers.

HUMAN RESOURCE DEVELOPMENT

Risk identification and supplier monitoring call for the right type of expertise. The Responsible Sourcing Officers Network in Orkla was established with a view to sharing experience and building expertise. Specialised training is also provided by the Orkla Purchasing Academy and the Orkla Senior Management Programme.

RESULTS IN 2012

- A total of 1300 hours of training was provided for 115 managers and purchasing staff. Similar training was provided the year before for 90 employees.
- Responsible sourcing procedures were implemented by Orkla in companies that account for a total of 80% of Orkla's purchasing¹⁴.
- Orkla became a corporate member of the Ethical Trading Initiative.

GOAL FOR 2013/2014

- Establish procedures in all Orkla companies and provide training for all purchasing staff and key personnel.

¹³Important suppliers are identified on the basis of the size of the purchase and the product's significance for operations.

¹⁴Concerns Orkla's branded consumer goods business



Photo: UTZ Certified

Cocoa production in West Africa

POVERTY, WEAK INFRASTRUCTURE AND A LACK OF FARMING KNOWLEDGE INCREASE THE RISK OF BREACHES OF WORKERS' AND HUMAN RIGHTS IN WEST AFRICA.

West Africa accounts for close to 70% of the world's cocoa production. There are a total of around 1 million cocoa farms, most of which are small and family-run. Due to their inadequate knowledge of efficient cultivation techniques, many farmers obtain lower yields than they could and their income is uncertain. The countries of West Africa suffer from poor infrastructure, such as poor road links between several regions and commercial centres along the coast. As a result, middlemen are often involved in the sale and transport of cocoa. A large percentage of the adult population has difficulty reading and writing, a disadvantage that can create unnecessary problems when harvests are bought and sold.

Due to such factors as small farms, poor farming skills, illiteracy and poor infrastructure, the income of many cocoa farmers is too low, children and adolescents work on the farms, and many children do not attend school.

Orkla does not tolerate children being exposed to danger or participating in their family's work at the expense of their schooling. We are committed to ensuring that the fundamental rights of children are observed, and we wish to help improve cocoa farmers' income opportunities and living conditions.

PROJECTS

Nidar has committed to switching to certified cocoa through the UTZ Certified programme. The UTZ programme enables cocoa farmers to make a living from cocoa, and ensures that the cocoa is cultivated under decent conditions. All the cocoa in Nidar chocolate is now UTZ certified. Panda and Kalev also buy cocoa through this programme.

In partnership with UNDP and a number of other chocolate and food manufacturers in the Nordic countries, Orkla is planning a significant development project in the cocoa sector in Côte d'Ivoire. This process is being carried out in close dialogue with the Government of this West African country. The project is intended to promote the coherent development of the cocoa sector, and to support the reform process initiated by the new government of Côte d'Ivoire.



Photo: Pierre Robert

Textile manufacturing in Asia

PIERRE ROBERT GROUP HAS WORKED CLOSELY WITH CHINESE SUPPLIERS IN THE TEXTILE INDUSTRY FOR SEVERAL YEARS.

Besides ensuring better working conditions for textile workers, this collaboration has proved to promote higher, more stable quality in deliveries. Textile manufacturing is often located in countries where the risk of human rights violations is high. Pierre Robert Group is Norway's largest supplier of basic garments to grocery stores, and the company has a total of 42 suppliers, most of whom are located in Asia and Europe. Over 60% of the products are manufactured in China. Over a period of several years, Pierre Robert Group has worked closely with its suppliers

to improve their employees' conditions of employment and working conditions.

CODE OF CONDUCT

As a prerequisite for entering into cooperation with a manufacturer, Pierre Robert Group requires that the supplier comply with the company's code of conduct, which covers such issues as wage levels and general conditions of employment. It also requires that wages and social benefits be consistent with the minimum level required by national law or with the industry standard in each country. The higher of the two standards shall apply.

Pierre Robert Group uses international or local personnel to check that the code of conduct is adhered to, and by making visits itself to suppliers for this purpose. No serious breaches of the code of conduct have been found in inspections of the company's suppliers.

Pierre Robert Group has worked purposefully for several years to raise production process standards, and the company sets strict requirements with regard to working hours and working conditions in every contract that it enters into with suppliers.

Fish oil production in Peru

AXELLUS SETS STRINGENT REQUIREMENTS FOR TRACEABILITY FOR FISH OIL PURCHASED FROM PERU IN ORDER TO ENSURE THAT IT COMES FROM A SUSTAINABLE STOCK AND THAT WORKERS HAVE DECENT LIVING CONDITIONS.

The fish stocks off the coast of Peru are very strictly monitored by the national authorities, who wish to ensure that their fisheries sector is sustainable and holds a leading position on the global market. Axellus has visited Peru and met with local authorities, supervisory bodies and suppliers to obtain first-hand knowledge of conditions in the fish oil industry. The company has also conducted quality audits of suppliers and visited several production facilities in Peru.

ECONOMIC PILLAR

In Peru, the fisheries sector is considered to be one of the pillars of the national economy. The fishing industry is ranked third out of 18 sectors in wage statistics, and workers have the right to form trade unions. Axellus considers it essential that the local population and persons working in the fish oil industry have good living conditions. For several years, the company has monitored its suppliers' compliance with its code of conduct, which covers

health, safety, wages and working conditions. Axellus will continue to impose stringent requirements on its suppliers, carry out independent audits and pay visits to Peru to quality assure the entire value chain for the company's omega 3 products.

COLLABORATION

Orkla attaches importance to setting clear requirements as regards fair, sustainable working conditions, prohibition of discrimination and prohibition of child labour. In spite of these requirements, we know that a great deal of work remains to be done. In the vast majority of cases, there are challenges that must be solved through concerted efforts across the industry and the public sector. Orkla participates in several industry initiatives with a view to improving conditions in our supply chain.

AIM-PROGRESS is a collaborative industry initiative aimed at promoting efficient, coordinated improvement efforts in global supply chains. AIM-PROGRESS consists of 34 global branded goods companies, and its activities include providing training for suppliers and manufacturers in issues related to responsible production conditions.

SEDEX is an international organisation that provides a standardised system for risk assessment and collection of data on working and environmental conditions in suppliers' operations. Orkla companies also use the Sedex Members Ethical Trade Audit (SMETA), which promotes a common supplier audit procedure across industries and geographical regions.

THE ETHICAL TRADING INITIATIVE is an organisation for companies, organisations and public enterprises which seeks to promote human rights, workers' rights, development and environmental standards. Members have a commitment to address challenges in their own supply chains and report openly on the status and progress of their efforts.





Photo: Procordia

Sustainable purchasing

ORKLA'S PURCHASES OF RAW MATERIALS SHALL BE BASED ON THE PRINCIPLE OF SUSTAINABLE PRODUCTION.

Sustainable development means meeting the needs of today's population without compromising the ability of future generations to meet their own needs. According to UN population projections, the global population was expected to exceed 7 billion in 2012. The UN expects this population figure to continue to rise to reach 9 billion in 2050.

Global population growth and increased consumption are augmenting the burden on the earth's natural resources. It is already evident that certain natural resources are being exploited.

OUR AREA OF RESPONSIBILITY

We have an obligation to ensure that the raw materials we buy are cultivated,

harvested and produced in a sustainable manner, and that the negative impact on the environment is minimised.

By mapping our own use of at-risk raw materials, we identify areas on which we must focus extra attention. Several Orkla companies are actively involved in efforts to promote sustainable production in the supply chain. Examples are Abba Seafood's focus on sustainable fishing and Stabburet's efforts to replace the palm oil in its products with healthier, more environmentally friendly fats.

OUR APPROACH

The earth's own natural resources constitute the basis of many Orkla products. Managing natural resources in a way that is not sustainable may have serious consequences for the environment and the local communities in which the raw materials are produced. Orkla's purchases of raw materials shall be based on the principle of sustainable production.

Palm oil

ORKLA SUPPORTS CERTIFICATION SYSTEMS THAT HELP TO REDUCE THE ENVIRONMENTAL IMPACTS OF PALM OIL PRODUCTION.

Palm oil is used in a wide range of foods, such as cakes and pastries, margarine, snacks, chocolate and breakfast cereals. Orkla uses palm oil in some of its products. The oil has unique properties that keep it semi-solid at room temperature, unlike other oils which would liquefy in such conditions. The use of palm oil is controversial, both from an environmental and climate perspective and from a health perspective.

A substantial part of the global production of palm oil takes place in Indonesia and Malaysia. Rainforest areas are being replaced by palm oil plantations, which have a negative impact on biodiversity in the forests. Furthermore, palm oil production generates substantial emissions of greenhouse gases. The forested areas of Indonesia and

Malaysia contain far more carbon than is found naturally in the atmosphere, and large amounts of CO₂ are released when forests are harvested. According to the Rainforest Fund, deforestation is responsible for close to 15% of global greenhouse gas emissions.

CERTIFICATION

Systems have been established for the certification of palm oil through the Roundtable on Sustainable Palm Oil, among other organisations. These certification systems are intended to ensure that production is carried out in a sustainable manner. Orkla supports certification systems that help to mitigate the environmental impact of palm oil production. Several of Orkla's food manufacturers purchase oil through the certification systems.

REDUCED USE OF PALM OIL

Several Orkla companies have decided to eliminate palm oil from its products, in the interests of both public health and environmental protection.

RESULTS IN 2012

- In 2010, Stabburet decided to replace the palm oil in all its products with other oils. In 2012, Stabburet eliminated all use of liquid palm oil from its product portfolio. It has been easy to find a good alternative for some products, while a major development process was required for others.

GOAL FOR 2013/2014

- Sætre aims to eliminate palm oil from all its products by the end of 2014.

Sustainable fishing

ABBA SEAFOOD SUPPORTS PROGRAMME FOR SUSTAINABLE FISHING IN THAILAND

Abba Seafood in Sweden produces seafood for the Swedish market and for export to many countries. The fish is bought from suppliers all over the world.

Sustainable management of marine resources is central to Abba Seafood's production of seafood. Through the company's collaboration with the World Wildlife Fund (WWF), the Marine Stewardship Council (MSC) and KRAV, emphasis is placed on traceability and fishing from sustainable stocks. From a sustainability perspective, the production of tuna has presented parti-

cular challenges. Through contact with the Thai Ministry of Fisheries, the South-East Asian Fisheries Development Center), tinned food manufacturers and other organisations, the company discovered that very little information was available on stocks of a tuna species called tonggol and on the management of these resources.

In 2010, to support the sustainable fishing of tonggol in Andaman Lake, Abba Seafood joined the Sustainable Fisheries Partnership. As a first step, a research project supported by the Swedish International

Development Cooperation Agency (SIDA) was established to survey the fish stocks. A third-party evaluation of the fisheries was also carried out, and the conclusions were presented and discussed with the local fisheries authorities and other stakeholders. Furthermore, an improvement plan has been established which describes actions that must be taken to ensure the future management of the fish stocks and natural resources. Abba Seafood and its partners are currently trying to establish a long-term, public-private cooperation programme to implement the plan.



Photo: Mari Svenningsen

ABOUT THE REPORT

This report presents Orkla's sustainability work in the 2012 financial year. As a consequence of Orkla's structural change from a diversified industrial group to a focused branded consumer goods company, the report primarily covers Orkla's Branded Consumer Goods business. The key figures reported largely refer to the entire Group¹⁵, while breakdowns display only the Branded Consumer Goods business.

The report is divided into chapters that reflect the main topics addressed in Orkla's sustainability work. It is based on the Global Reporting Initiative's (GRI) principles for good reporting practice. Our emphasis is on presenting an overall picture of Orkla's efforts to promote sustainability, reporting on material

matters and activities, making a balanced presentation of the issues, and providing comparable figures.

The report is based on data collected from Orkla companies through several internal reporting systems. Unless otherwise stated, key figures are presented as at 31 December 2012. Data from earlier years to which reference is made in this year's report have not been restated in relation to previously reported figures.

Orkla has prepared this report in accordance with GRI guidelines (G3). The report has not been verified by an external third party. By our own assessment, it satisfies the GRI Application Level B criteria. Indicators have been selected on the basis of an assessment of their

relevance for Orkla's operations and data availability. The report should be read in conjunction with Orkla's Annual Report for 2012 and other information available on the Orkla website.

Orkla's Sustainability Report for 2012 shows the progress made in the Group's sustainability performance by reference to the Global Compact's Ten principles. A detailed overview of Orkla's reporting for 2012 in relation to the GRI indicators and the Global Compact's Ten principles may be found at www.orkla.com/sustainability/results-and-reporting.

Information on the sustainability work carried out by Sapa, Jotun and Borregaard may be found in each company's own reports.

¹⁵Includes The Branded Consumer Goods business in addition to other activities in the real estate, hydro power and aluminium sectors and financial investments.

SPONSORSHIPS

ORKLA IS A MAIN SPONSOR OF



**SOS CHILDREN'S
VILLAGES
NORWAY**



The SOS Children's Village in Valmiera, Latvia. Orkla has financed one of the family houses and a multipurpose building. Photo: Peter Tubaaas.



Orkla is fully funding the SOS Children's Village in Pleiku, Vietnam, which will open in 2014. Photo: Orkla.



The SOS Children's Village in Hemeiusi, Romania. Orkla has financed one of the family houses. Photo: Katerina Ilievska.



Support SOS Children's Villages. Photo: Nina Edholm.

SOS Children's Villages is a non-political, non-religious organisation that works in the spirit of the UN Convention on the Rights of the Child. SOS Children's Villages works in more than 130 countries to support families and help children at risk grow up in a loving home.

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