

## ORKLA'S SUSTAINABILITY WORK – MANAGEMENT APPROACH

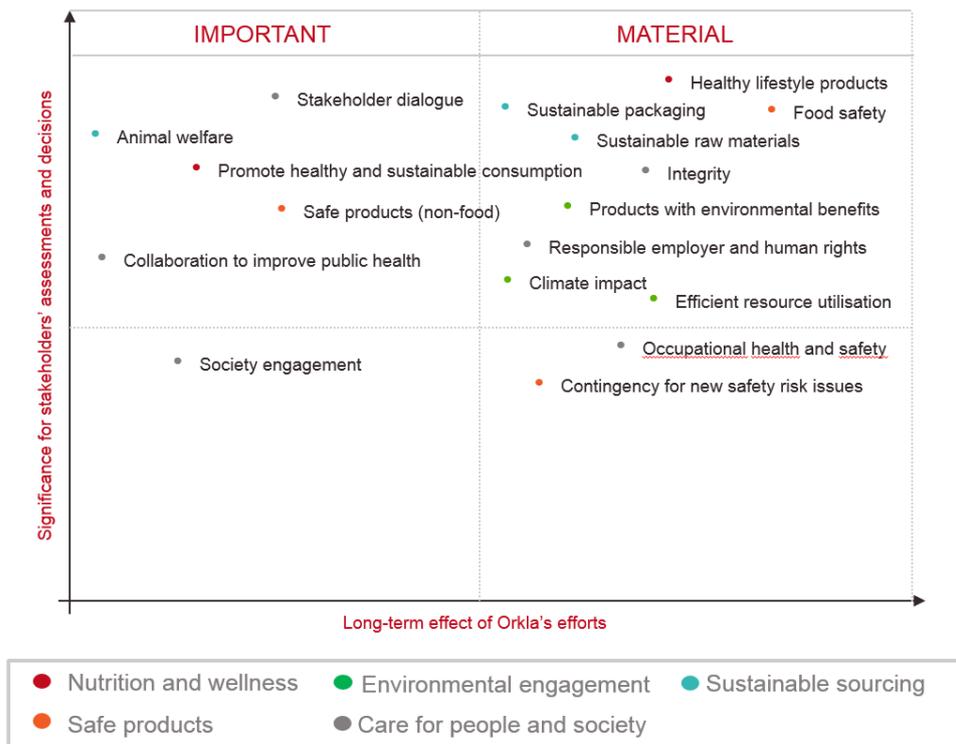
This document describes Orkla's management procedures for efforts to address the sustainability topics defined as material and important for the Group. The structure and content of the document are based on the guidelines for reporting on management approach in the standard GRI 103: Management Approach.

### Materiality

The choice of topics covered by Orkla's sustainability reporting is based on a materiality analysis. In the assessment, we have attached importance to the long-term commercial and societal impact of Orkla's efforts and of the topics' significance for stakeholder assessments and decisions. The stakeholder groups that we consider to be most important for Orkla's ability to succeed, and which are therefore weighted most heavily in the sustainability analysis are investors, authorities, consumers, customers and employees. The sustainability assessment was originally carried out in 2015 and updated in connection with the definition of Orkla's sustainability goals up to 2025. In 2018, only minor changes were made in that a few small topics were grouped under larger topics so as to simplify the structure. The assessment is based on consumer surveys, analyst reports and information available online, in addition to input received through regular dialogue with the retail trade, investors, consumers, authorities and our own employees.

Orkla's sustainability report covers all the topics identified as important and material, but greatest importance is attached to the material topics. An overview of the indicators covered may be found at [www.orkla.com/Sustainability/Results and reporting](http://www.orkla.com/Sustainability/Results%20and%20reporting).

## Materiality assessment 2018



## Aspect boundaries

The table below shows which topics Orkla identifies as important or material and which parts of the value chain are considered to be relevant for Orkla's reporting. A more detailed description of why each topic is important or material for Orkla, where the impact occurs and Orkla's involvement is included in the description of management approach.

| Main topic                           | Sub-topics (material or important)                 | Related GRI topics                                             | Topic boundary                |
|--------------------------------------|----------------------------------------------------|----------------------------------------------------------------|-------------------------------|
| <b>Nutrition &amp; Wellness</b>      | Healthy Lifestyle Products (Material)              | Self-defined                                                   | Own operations                |
|                                      | Collaboration to Improve Public Health (Important) | Self-defined                                                   | Entire value chain            |
| <b>Safe Products</b>                 | Food Safety (Material)                             | GRI 416: Customer Health and Safety 2016                       | Entire value chain            |
|                                      |                                                    | GRI Food Processing Sector Disclosures 2010                    | Own operations                |
|                                      |                                                    | Self-defined                                                   | Own operations, supply chain  |
|                                      | Safe Non-food Products (Important)                 | GRI 416: Customer Health and Safety 2016                       | Entire value chain            |
|                                      | Contingency for New Safety Risk Issues (Material)  | Self-defined                                                   | Entire value chain            |
| <b>Sustainable Sourcing</b>          | Sustainable Raw Materials (Material)               | GRI 204: Procurement Practices 2016                            | Supply chain                  |
|                                      |                                                    | GRI 308: Supplier Environmental Assessment 2016                | Supply chain                  |
|                                      |                                                    | GRI 414: Supplier Social Assessment 2016                       | Supply chain                  |
|                                      | Sustainable Packaging (Material)                   | GRI 301: Materials 2016                                        | Entire value chain            |
|                                      |                                                    | Self-defined                                                   | Entire value chain            |
|                                      | Animal Welfare (Important)                         | Self-defined                                                   | Supply chain                  |
| <b>Environmental Engagement</b>      |                                                    | GRI 307: Environmental Compliance 2016                         | Own operations                |
|                                      | Climate Impact (Material)                          | GRI 201: Economic Performance 2016                             | Own operations                |
|                                      |                                                    | GRI 305: Emissions 2016                                        | Own operations, raw materials |
|                                      | Products with Environmental Benefits (Material)    | Self-defined                                                   | Entire value chain            |
|                                      | Efficient Resource Utilisation (Material)          | GRI 302: Energy 2016                                           | Own operations                |
|                                      |                                                    | GRI 103: Management Approach 2016                              | Own operations                |
|                                      |                                                    | GRI 303: Water and Effluents 2016                              | Own operations                |
|                                      |                                                    | Self-defined                                                   | Own operations                |
|                                      |                                                    | GRI 103: Management Approach 2016                              | Own operations                |
|                                      | GRI 306: Effluents and Waste 2016                  | Own operations                                                 |                               |
| <b>Care for People &amp; Society</b> | Responsible Employer and Human Rights (Material)   | GRI 201: Economic Performance 2016                             | Own operations                |
|                                      |                                                    | GRI 202: Market Presence 2016                                  | Own operations                |
|                                      |                                                    | GRI 401: Employment 2016                                       | Own operations                |
|                                      |                                                    | GRI 402: Labor/Management Relations 2016                       | Own operations                |
|                                      |                                                    | GRI 404: Training and Education 2016                           | Own operations                |
|                                      |                                                    | GRI 405: Diversity and Equal Opportunity 2016                  | Own operations                |
|                                      |                                                    | GRI 406: Non-Discrimination 2016                               | Own operations                |
|                                      |                                                    | GRI 407: Freedom of Association and Collective Bargaining 2016 | Own operations                |
|                                      |                                                    | GRI 408: Child Labor 2016                                      | Own operations, supply chain  |
|                                      |                                                    | GRI 409: Forced or Compulsory Labor 2016                       | Own operations, supply chain  |
|                                      | GRI 412: Human Rights Assessment 2016              | Own operations                                                 |                               |

|                                                         |                                              |                           |
|---------------------------------------------------------|----------------------------------------------|---------------------------|
| Occupational Health and Safety (Material)               | GRI 403: Occupational Health and Safety 2016 | Own operations            |
| Integrity (Material)                                    | GRI 205: Anti-Corruption 2016                | Own operations            |
|                                                         | GRI 206: Anti-Competitive Behavior 2016      | Own operations            |
|                                                         | GRI 418: Customer Privacy 2016               | Own operations            |
|                                                         | GRI 419: Socioeconomic Compliance 2016       | Own operations            |
| Stakeholder Dialogue (Important)                        | GRI 415: Public Policy 2016                  | Own operations, community |
| Society Engagement (Important)                          | GRI 201: Economic Performance 2016           | Own operations, community |
|                                                         | GRI 203: Indirect Economic Impacts 2016      | Own operations, community |
|                                                         | GRI 413: Local Communities 2016              | Own operations, community |
| Promote Healthy and Sustainable Consumption (Important) | GRI 417: Marketing and Labelling 2016        | Own operations, community |

## Management approach

### Nutrition and wellness

#### *Products for a healthy lifestyle*

Over the past decades there has been a significant increase in lifestyle-related diseases in many countries as a result of an unhealthy diet and insufficient physical activity, and it is widely acknowledged that global health challenges are an issue that must be addressed jointly by the food industry, retail sector, expert communities and public authorities. At the same time, the strong focus on the link between diet, lifestyle and health over a period of many years has spurred greater interest in healthy food in many of the markets in which Orkla operates, and contributed to positive changes in consumers' eating habits and taste preferences. The shift towards increased consumption of healthier products is reinforced by the demand from numerous grocery chains and other professional customers for products that offer nutritional benefits. As a major supplier of food products, Orkla has a responsibility for encouraging the population to adopt a healthy diet, besides which the trend offers the Orkla companies opportunities for innovation.

Orkla helps to promote better public health by developing healthier varieties of foods and products that are part of consumers' daily diet. Relatively small reductions in the content of salt and sugar over many years have proven to be effective. Many of Orkla's product launches in the past few years have had favourable nutritional and health aspects, and we expect that future growth will increasingly come from this type of product. Orkla's products for a healthy lifestyle include better-for-you options in the snacks, snack meals and biscuits categories, plant-based food and drink and innovative products and services customised for special health needs.

Work on developing products and services for a healthy lifestyle is carried out by the individual companies, but the Group has set common, long-term goals that all the companies must strive to achieve. The goals are linked to growth in consumption of products for a healthy lifestyle and reduction of salt and added sugar. In 2018, all the Group companies drew up goals and plans for their nutrition and wellness work for the 2019-2021 strategic period. The aim of this approach is to ensure high awareness of this topic and good strategic management across Orkla's business areas. Several of the business areas have established joint initiatives to support the companies' efforts and exploit opportunities for health-related innovation across companies and geographical markets.

The Orkla companies' product development and innovation work is based on local needs and taste preferences. Through research projects and close collaboration with external centres of expertise, the companies acquire new knowledge of health and diet. Orkla has internal guidelines for nutritional labelling that apply to all the food companies in the Group. In some areas, we have chosen to exceed mandatory food labelling requirements. Information on nutrition and health and products' nutritional content is available on company websites. The Orkla companies also have consumer service staffs who respond to consumer product inquiries and other questions. The consumer service functions deal with product complaints and other grievances, involving other relevant functions in the companies as necessary.

Orkla monitors the companies' work by means of internal reports and procedures for business area reviews. Results are reported annually to Orkla's Group Executive Board and Board of Directors, and Orkla's general goals and strategy in this area are evaluated and updated at regular intervals. Responsibility for this follow-up lies with Orkla's specialist nutrition and wellness staff, in cooperation with Orkla's central sustainability function.

#### *Partners for better public health*

The global health challenges are complex, and call for collaboration and dialogue between the food industry, the retail sector, expert communities and the public authorities. Orkla is committed to being a part of the solution, and works closely with the authorities, specialists and other players in the food industry in several of the countries in which we have a presence. Besides having a positive societal effect, this work also helps to ensure predictable operating parameters and keeps Orkla's product portfolio competitive.

Orkla partners with the food industry and the Norwegian health authorities on making grocery products healthier. As part of the agreement of intent to promote healthier food, Orkla has committed to specific targets for reducing salt, sugar and saturated fat. In Sweden, Orkla works closely with the authorities, the food industry, the RISE Research Institute of Sweden and other companies to find new, innovative ways of reducing salt in various food categories. Orkla Foods Sverige has contributed to the establishment of the Sweden Food Arena, where companies and industry organisations from the entire food chain meet to collaborate on research and innovation for an innovative, sustainable and competitive sector. In Lithuania, Orkla works to reduce salt and sugar to achieve targets set in an agreement between the industry and the Lithuanian Ministry of Health. In Denmark, Orkla is a member of the Danish Whole Grain Partnership, a public-private initiative aimed at increasing consumption of whole grain products.

Responsibility for dialogue and collaboration on promoting better consumer health lies with the individual company, but Orkla's centrally headed communications network plays an important supportive and executive role. Orkla's central specialist function for nutrition and wellness provides professional guidance. The purpose of Orkla's approach in this area is to build internal awareness and promote good management, while adapting efforts to local needs. The progress made in fostering dialogue and cooperation is reported annually to Orkla's Group Executive Board and Board of Directors, and the strategy is regularly evaluated and revised.

## Safe products

Orkla is a leading branded consumer goods company with production in over 30 countries, and the Group's many local branded products are purchased regularly by consumers in these countries. This entails a major responsibility for ensuring that the products are always safe to use, in addition to which the potential negative business consequences of inadequate control of food safety and product quality are material. Efforts to ensure food and product safety encompass the entire value chain, i.e. from raw material production and supplier monitoring via Orkla's own manufacturing operations up to the distribution and consumption stage.

Questions and complaints concerning the companies' products are dealt with by each company's consumer service functions. Inquiries regarding non-conformances that could entail a consumer health and safety risk are reported immediately to the management of the company concerned, which in such cases establishes a contingency response team in line with Orkla's common guidelines for dealing with contingencies. All contingency cases shall be reported to Orkla's contingency team, and the central food safety team is involved in issue management and follow-up.

### *Food safety*

The majority of Orkla's operations revolve around food products. Given the multitude of raw materials, production sites and suppliers involved, the risk picture is complex. Consequently, Orkla's common standards and systems for ensuring safe food production, safe raw materials and safe packaging are crucial to ensuring good, cost-effective control of risk at every stage of the value chain. Regardless of the country in which we manufacture or sell our products, we apply the same stringent requirements when it comes to food safety, and when we acquire new companies, we make it a priority to ensure the rapid implementation of Orkla's standards, thereby providing a sound basis for a strong food safety culture.

The Orkla Food Safety Standard forms the foundation for food safety work at Orkla, and ensures high, uniform standards of quality at all the Group's factories. The standard is based on the internationally recognised food safety standard issued by the British Retail Consortium (BRC) and covers all the risk factors that are particularly relevant for the companies' food production. All the food products launched by Orkla have undergone a thorough risk assessment as part of the development process, which enables us to identify and control potential health hazards associated with packaging, ingredients and use. We have introduced a special standard for Orkla's sales and distribution companies, which are monitored through audits performed by Orkla's food safety team. In addition, all suppliers are required to comply with the Group's strict guidelines for safe raw material production. By applying a common system for approving and monitoring suppliers, Orkla ensures that the companies have the necessary tools and guidelines to be able to assess risk factors and to approve and follow up on suppliers of raw materials, packaging and finished goods manufactured under contract. Due to our focus on supplier monitoring by means of self-assessment forms and audits by Orkla's audit team, suppliers are highly aware of the importance of good food safety standards.

The management of each company is responsible for ensuring compliance with the requirements in the Orkla Food Safety Standard. Orkla's central food safety team is responsible for the content of the standard, providing internal guidelines and tools, upgrading skills and overseeing Orkla's team of food safety auditors. The purpose of Orkla's approach is to ensure a high level of expertise, effective risk management and uniform practices. The progress made in food safety work is reported each quarter to the business areas' management and annually to Orkla's Group Executive Board and Board of Directors, while serious incidents are reported

immediately to management at all levels. The Orkla Food Safety Standard is revised regularly, latest in January 2019, and all changes are reviewed by the Group Executive Board.

#### *Safe products (non-food)*

Orkla's non-food business (Orkla Care) is considerably smaller than its food business, and for Orkla as a whole this topic is therefore deemed to be important, and not material. For the individual company, however, ensuring safe products is just as important as for the food companies. Just as in the manufacturing of food products, the Orkla Care companies comply with stringent product safety guidelines in every part of the value chain. Each company is responsible for establishing systems and procedures for quality management and product safety, and many of the production facilities are externally certified under ISO 9001 and ISO 14001.

All our companies consider product safety to be a part of their innovation process. Efforts are based on the precautionary principle, and the companies work methodically to identify risk factors and carry out improvement activities. The companies track relevant external research so as to stay up-to-date on potential health risks, and systematically replace ingredients that could have a negative impact on health and the environment. The purpose of Orkla's approach is to ensure good risk management adapted to each company's product portfolio. This work is followed up and evaluated regularly by the companies' teams.

#### *Preparedness to deal with new risks*

In the past few years, fraud related to the quality of raw materials has emerged as a significant risk. Such risk may be linked to the composition and content of the raw materials, their origin or special quality standards. The risk of food fraud is mapped within the companies and measures are implemented where the risk is considered high. The risk assessment and actions taken are reviewed in the internal audits which are carried out in accordance with the Orkla Food Safety Standard.

Another important area is the danger of sabotage against raw materials and finished goods. The current version of the Orkla Food Safety Standard contains stricter requirements for mapping hazards within the entire value chain. In the same way as for food fraud, measures are implemented where the danger is considered high.

At the same time, other changes are taking place in the risk picture related to food and product safety, in part as a consequence of climate change and international trade. More and more consumers want to know who is behind the food and products they buy, what they contain and where they are manufactured. This means that there is growing demand for transparency and traceability throughout the value chain, while the risk picture is increasingly complex. Good contingency preparedness for dealing with new risks is therefore a material topic that affects the entire value chain, from raw material production to the consumption stage.

To be able to respond to new risks effectively, it is important to have a strong quality culture and procedures for systematic improvement. There is also a need for expertise to be able to identify and handle new risks in the value chain at an early stage. Every year, Orkla provides extensive training in the Orkla Food Safety Standard and in important areas such as hazard analysis and critical control points under the HACCP system, allergen management, supplier audits, root cause analysis and internal audits. This training is largely provided by internal staff members, as well as external specialists from Campden BRI, which is considered to play a leading role in research and applied solutions for the food manufacturing industry.

Orkla has adopted a common contingency preparedness plan for all the companies in the Group to ensure that unforeseen and undesirable incidents are dealt with swiftly and effectively, and we continuously track developments in contingencies. Orkla's central corporate communications department and food safety department carry out contingency exercises for selected management teams at business unit level with emphasis on a good understanding of contingency preparedness, management of contingency situations and media training. Each factory also holds annual drills.

Orkla's food safety team is involved in the due diligence phase of the Group's acquisition projects in order to identify risk at an early stage. The team is also involved in major structural projects involving new buildings and large-scale factory conversions to ensure compliance with OFSS requirements.

The work of ensuring preparedness for new risks is evaluated regularly in connection with strategy formulation, revisions of the Orkla Food Safety Standard and as part of the annual assessment of risk issues for the Group.

## **Sustainable sourcing**

### *Sustainable raw materials*

Every company is expected to establish due diligence procedures to avoid causing or becoming involved in breaches of human rights or environmental laws and regulations, or undesirable practices<sup>1</sup>. Moreover, many consumers, professional customers and investors consider it important that companies like Orkla make sure that production operations in every part of the value chain are carried out responsibly. Last, but not least, efforts to promote sustainable agriculture, fishing and other raw material production are essential to limiting global greenhouse gas emissions and achieving sustainable resource use. Orkla's work to ensure that its raw materials are sustainably produced is therefore considered material, and is motivated both by the responsibility we have as a leading grocery product company and by the need to address business risk related to sustainability challenges in raw material production.

Orkla has a long-term goal of all the raw materials we buy being sustainably produced without causing deforestation or other undesirable results. We also have a goal of significantly reducing greenhouse gas emissions in the supply chain. Promoting sustainable raw material production is key to being able to offer sustainable products and succeeding in the market. Responsibility for ensuring sustainable sourcing lies with Orkla's central procurement department in close collaboration with the Group companies. All the companies must contribute to achieving Orkla's general goals in this area, and have drawn up plans for the 2019-2021 strategy period.

Orkla has responsible sourcing procedures designed to ensure that production at every stage of the value chain is carried out in line with internationally recognised standards for human rights, working conditions, environment and anti-corruption. We require our suppliers to comply with Orkla's Supplier Code of Conduct and monitor the compliance of their sub-contractors.

Orkla purchases raw materials from a large number of suppliers every year, and has therefore adopted a risk-based approach whereby we focus on the suppliers and raw material chains where the risk of non-conformance with Orkla's Supplier Code of Conduct is greatest. Orkla subjects all its main direct suppliers to annual risk screening using a proprietary tool based on criteria relating to working conditions, the environment and anti-corruption. Risky suppliers are assessed in greater detail based on a standardised method developed by the organisation

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<sup>1</sup> UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises

Sedex. Orkla attaches importance to maintaining a good dialogue with its suppliers in order to promote good practices and continuous improvement. A large part of the raw material purchases are made from producers in the country in which Orkla's manufacturing facilities are located, and for some raw materials we collaborate directly with local farmers.

Efforts to promote sustainable raw materials are driven by multi-professional raw material teams headed by Orkla's central procurement department. Working closely with the companies, these teams carry out control and development initiatives adapted to the specific challenges presented by the different raw materials. Orkla supports several certification programmes and participates actively in industry initiatives involving companies, authorities and expert organisations. Players with which Orkla partners include the Ethical Trading Initiative Norway (IEH), AIM-Progress, Sedex, the Sustainable Agriculture Initiative (SAI), Marine Stewardship Council (MSC) and the Round Table on Sustainable Palm Oil (RSPO).

Orkla has not established a separate grievance mechanism for its sustainable raw materials, but pursues an active dialogue with organisations and other stakeholders at both central Orkla and company level. In accordance with the Group's Guidelines for Corporate Responsibility, all Orkla companies must have procedures for dealing with complaints from external stakeholders. Complaints may also be directed to Orkla's central whistle-blowing function, and information on this function is available on Orkla's website.

The purpose of Orkla's approach to promoting sustainable raw materials is to create high awareness and good management of the work being done in all the companies, while also ensuring that the work is being carried out efficiently. The progress made in the Group's work relating to sustainable raw materials is evaluated regularly by a management team consisting of the heads of Orkla's procurement function, Orkla's sustainability function and other key personnel, under the leadership of Orkla's Group Director for Corporate Communications and Corporate Affairs. The progress made in the team's work is reported annually to Orkla's Group Executive Board and Board of Directors.

### *Sustainable packaging*

Packaging has an important function in protecting our products throughout the value chain and ensuring that they are safe when they reach the consumer. However, packaging production entails the use of valuable raw materials, and is a source of greenhouse gas emissions. Packaging waste gone astray becomes litter, and plastic packaging waste is a particularly common source of marine pollution. Contributing to the recycling of packaging waste and choosing packaging solutions with a low environmental impact is both a responsibility and an important prerequisite for being able to offer sustainable products. We therefore consider sustainable packaging to be a material topic for Orkla.

Orkla has many thousands of products manufactured by a large number of companies spread across some 30 countries. We work actively to develop more environmentally friendly packaging and products that have a smaller environmental footprint. In 2018, we launched new targets, whereby all the packaging we use must be recyclable by 2025 and 75 per cent of the packaging must be based on recycled materials. We also actively explore possibilities of developing new types of packaging based on renewable raw materials.

Responsibility for sustainable packaging work lies with the individual companies, but Orkla's central procurement function has drawn up detailed guidelines and tools to support the practical work done by the companies. Orkla also has a central sustainable packaging team, consisting of relevant management staff and key personnel and headed by the procurement department.

This team is responsible for setting goals and targets, preparing action plans and policies to promote sustainable packaging, and evaluating them regularly.

Orkla partners with researchers, organisations, other companies and external experts to find solutions to the environmental challenges posed by plastic. This work is carried out at both Group and company level.

The progress made in efforts to promote sustainable packaging is tracked through Orkla's sustainability network and procedures for internal sustainability reporting, and reported annually to Orkla's Group Executive Board and Board of Directors.

### *Animal welfare*

All over the world, people raise millions of animals for their own consumption. On a global basis, animal welfare is dependent on one billion people who work with breeding, administration, transport and treatment of animals. Orkla has a wide range of products containing ingredients or components that stem from animals, such as beef, pork, poultry, eggs, wool and ingredients in dairy products. As a leading food product manufacturer, we want to make a difference by ensuring proper animal welfare in every part of the value chain. Our work to safeguard animal welfare primarily targets the supply chain, but also affects communications with customers and consumers.

Orkla's animal welfare policy covers the animals' welfare before, during and after the animals' productive life. Our principles and procedures for monitoring and promoting good animal welfare practices in the value chain is based on the World Health Organisation's five freedoms: freedom from hunger and thirst, freedom from discomfort, freedom from pain, injury or disease, freedom to express normal behaviour and freedom from fear and (chronic) distress. The purpose of Orkla's animal welfare policy is to increase awareness of animal welfare, provide guidance for our suppliers and contribute to more responsible business practices.

Orkla aims to purchase all important animal raw materials and products from sustainable sources by 2020. This work is headed by Orkla's central procurement department in collaboration with the companies. Progress is regularly reviewed in Orkla's central management team for sustainable sourcing and externally reported through Orkla's sustainability report.

### **Environmental engagement**

Orkla has a common standard for environment, health and safety (EHS) which also contains guidelines for efforts to reduce greenhouse gas emissions and other environmental impacts. The standard applies to all business areas and companies, and extensive training is provided for management and employees through courses, e-learning, audits and as part of day-to-day work. Changes in Orkla's EHS standard and environment-related requirements are decided by the Group Executive Board. Environmental activities related to sourcing, logistics and production are run by Orkla Operations at central level, in close collaboration with the factories. Efforts to reduce environmental impacts through product development and by influencing consumer behaviour are organised by the companies.

The purpose of Orkla's environmental work is to prevent negative environmental impacts, promote sustainable development and ensure compliance with relevant regulatory frameworks. The management of each company is responsible for ensuring compliance with the requirements in Orkla's EHS standard. Orkla's central EHS department is responsible for the standard's content, internal guidelines and tools, upgrading skills and Orkla's team of EHS auditors. Orkla has set general goals for its environmental work up to 2025, and all the

companies in the Group have drawn up plans for the 2019-2021 period to contribute to achieving these goals.

Orkla's central EHS function regularly conducts internal audits and evaluations of the companies' systems and procedures. The companies report regularly to Orkla on their progress on key indicators, and emissions and other serious incidents must be reported immediately to Orkla's central EHS function. Progress made in EHS work is reported regularly to Orkla's Group Executive Board and Board of Directors. Each year, Orkla prepares a set of environmental accounts that show the changes in the companies' impacts, and has reported environmental data to the investor-initiated CDP since 2008.

### *Climate impacts*

Climate change is without a doubt the greatest environmental challenge of our time, and food production generates around 25 per cent of global greenhouse gas emissions. There is an urgent need to find solutions, and business and industry are now putting climate risk higher on their agenda. For Orkla, business risk is primarily linked to the price and availability of key agricultural raw materials. Few of our factories are located in areas where there is a risk of flooding or water shortage, but drought and extreme weather can lead to higher water and energy costs. Changes in regulatory frameworks or political parameters can also entail increased costs. At the same time, there is growing awareness of the importance of sustainable consumption, and more and more people want environmentally friendly products. For Orkla this means new opportunities for innovation.

Compared with the average emissions level for Norwegian industry, Orkla's greenhouse gas emissions are limited. The biggest impact comes from raw material production and the consumption stage. We therefore focus on reducing emissions in every part of our value chain. Orkla has ambitious targets for transitioning to low carbon operations by accelerating product innovation, investing in renewable energy and reducing energy and water use and waste. To create growth in the coming years, it is important that Orkla is able to offer products and services with a competitive environmental profile. As a growing number of Orkla factories convert to using renewable energy, the climate impact of our products will be reduced, and more and more products will be manufactured using 100 per cent renewable energy.

Orkla has long-term goals for reducing greenhouse gas emissions and transitioning to renewable energy to which all the companies must contribute. All the companies have prepared action plans for achieving these environmental goals, which are revised regularly. Key environmental indicators (energy consumption, water consumption and waste) are monitored regularly by management at all levels.

### *Efficient use of resources*

Reducing energy use and food waste is a climate imperative. At the same time, reducing energy and water consumption and waste helps to cut costs for Orkla. Orkla has long-term targets for reducing its energy and water consumption and waste and switching to renewable energy sources that apply to the whole Group, and all the companies have laid plans for the efforts to achieve these targets in the 2019-2021 period.

Orkla has established a central energy programme in order to transfer best practices, and a growing number of energy efficiency projects are being implemented in all the business areas. Many of the factories have carried out process improvements that have reduced energy use. Investments have also been made in new, more energy-efficient production equipment. Some

companies have cut their energy consumption by moving production to other factories or improving existing factories.

The majority of the water used by Orkla comes from external waterworks, but some is groundwater. Water discharged from Orkla's operations is required to be controlled and if necessary undergo treatment, either internally or at external treatment plants. Most of Orkla's companies are located in areas with a low to medium risk of water shortage. Orkla has nonetheless set overarching, Group-wide targets for reducing water consumption to which all the Group companies are to contribute. Common initiatives include treatment and recycling of water, process improvements, the introduction of measurement programmes and provision of training for company employees. Orkla's EHS standard includes requirements for water treatment with which all the companies in the Group must comply.

Orkla has worked for several years to reduce food wastage and waste in its own production operations. To increase awareness of the importance of these initiatives, Orkla has established a central programme of common working methods, activities and initiatives for sharing experience and transferring best practices.

The progress made in efforts to reduce energy and water use, along with food waste, is tracked by Orkla's central EHS function through audits, ongoing dialogue and regular reporting of key indicators. The progress is assessed regularly by management at all levels of the Group, including in an annual report to Orkla's Board of Directors.

#### *Products with environmental benefits*

To curtail climate change, protect the natural environment and achieve sustainable resource use, production and consumption patterns need to be changed. Transitioning to sustainable production and consumption calls for new thinking when it comes to choices of raw materials and packaging, product design, production processes and waste management. To significantly reduce products' climate footprint and promote circular value chains, Orkla is making sustainability an integral part of its innovation work. This focus is motivated by our sense of responsibility for contributing to sustainable development and our desire to be able to offer attractive products in response to changes in consumer and customer preferences. Efforts to develop products that offer environmental benefits encompass the entire value chain, above all suppliers and Orkla's own activities.

Work on developing environmentally beneficial products is carried out by the companies, but Orkla has set general goals for these activities up to 2025. We want relevant sustainability issues to be considered at every step of the innovation process. This is important for the successful development of products and solutions that are good environmental choices. In 2017-2018, Orkla drew up common guidelines and templates for its companies' product development, and in this connection included sustainability as part of the decision-making criteria at every stage of the innovation process. At the same time, we began implementing Orkla's Climate Impact Tool, used to calculate products' climate impact, which was developed in 2017 in cooperation with the RISE Research Institute of Sweden. The tool provides an insight into which parts of the products' value chain have the greatest environmental impact, and makes it easier to identify potential improvements.

The progress made in efforts to develop environmentally beneficial products is evaluated by the management of the individual company, and discussed with management at business area and Group level.

#### **Care for people and society**

### *Promote healthy, sustainable consumption*

Given our presence in over 30 countries, it is important that Orkla finds local answers to the major global challenges. That is why we work to integrate sustainability into our operations and make it an increasingly significant source of innovation and growth. As part of Orkla's sustainability strategy, we want our companies to actively develop products that promote a healthy, sustainable lifestyle, and we carry out campaigns and other activities to provide guidance to and engage consumers and professional customers.

Orkla is committed to responsible marketing to children and young people, and has adopted a restrictive practice in this respect. In connection with the implementation of Orkla's 2025 sustainability targets, the companies have laid plans to follow up on the principles governing responsible marketing set out in the EU Pledge. In Norway, Orkla has played a key role in establishing the voluntary trade collaboration body, the Food and Drink Industry Professional Practices Committee, and sits on the Committee's Board.

Several of the companies use brand marketing to promote good health, encourage recycling and other good environmental behaviour and support activities of benefit to the community. This work is carried out by the individual companies within the framework of Orkla's general sustainability strategy. The results of these efforts are evaluated by the management of each company and reported to Orkla's central sustainability staff and the Group Executive Board in connection with the annual sustainability reporting.

### *Stakeholder dialogue*

Pursuing a dialogue with stakeholders is essential to understanding the perspectives and needs of the different stakeholder groups, and obtaining input for the development of our business. Dialogue and collaboration with other companies, organisations, expert communities and public authorities are also crucial to achieving the global sustainable development goals. Various types of multi-party cooperation contribute to new expertise, strengthen delivery of results, and promote improvements in established industry practices. Orkla participates in a wide range of networks, organisations and collaborative projects in order to increase our own knowledge, gain access to useful tools and solve complex challenges in cooperation with others.

Orkla's main stakeholders are its employees, customers and consumers, investors, authorities, local communities, advocacy organisations, research communities and suppliers. Dialogues are conducted through meetings and other forms of direct communication, consumer and customer surveys, and participation in networks and industry organisations and joint projects.

At both central Orkla and company level, we pursue an active dialogue with various stakeholder groups so as to understand their concerns, discuss important topics that affect our business and be able to adapt to changes in society. We consider it important to adopt a common approach to stakeholder dialogue in all our main markets and have drawn up general guidelines that must be followed by all the companies. Responsibility for maintaining a good dialogue with local stakeholders lies with the management of each company. We have also established an internal communications network headed by Orkla's central communications function, which supports the companies' work on communications, contact with authorities and other areas of stakeholder dialogue.

Orkla follows up on the issues raised and results of the companies' stakeholder dialogue through Orkla's communications network, sustainability network and the annual sustainability reporting.

### *Social engagement*

Sustainability challenges, increasing global competition and technological advances give rise to a need for adaptation and innovative thinking with regard to the way value is created. At the same time, many countries are struggling with high unemployment, growing economic inequality and the non-participation of some groups in the labour force. These challenges underscore the vital role played by the business community in creating new jobs, promoting inclusive workplaces, increasing productivity and fostering respect for fundamental rights. Cooperation between business and industry, the authorities and other key social players will be crucial to creating growth that is economically, environmentally and socially sustainable.

As part of Orkla's sustainability strategy up to 2025, we have set goals to create positive ripple effects and make a genuine difference for communities in the countries in which we have a presence. Orkla wants to create good workplaces and help to solve important societal challenges in partnership with others. By collaborating with others we can also contribute to solving global health and sustainability challenges. Moreover, the Orkla companies generate financial ripple effects for local communities in the form of jobs, tax revenues and sourcing from local suppliers.

Each company has an independent responsibility for identifying local needs and issues, and planning relevant action. However, we want our engagement to be linked to the main topics in Orkla's sustainability strategy, so as to be able to reap benefits from the work that is being done elsewhere in the Group and achieve maximum impact. The work in the companies is headed by the CEO with the support of the company's sustainability function. The progress of this work is tracked through Orkla's annual sustainability reporting.

#### *A responsible employer*

Orkla is a major employer with operations in many countries. This entails a responsibility for safeguarding its employees' health and safety, and respecting key human rights such as freedom of expression, freedom to organise and the right to fair working conditions. By developing good workplaces and engaging in improvement work in the countries where we have a presence, we can improve the welfare of and generate positive ripple effects for thousands of people. This is important, moreover, for creating a strong organisation and achieving our business goals. Orkla's efforts to be a responsible employer are limited to our own operations.

Orkla wants to be an attractive employer that offers good working conditions and fair and competitive terms for all its employees. We have long-term goals for promoting diversity and equal opportunities, fair working conditions, human resource development and workplaces characterised by openness and respect. All the companies must contribute to reaching Orkla's general goals in this area, and have drawn up plans for the 2019-2021 strategy period.

Orkla's Responsible Employer and Human Rights Policy sets out general guidelines for the way we are to create good workplaces, respect key human rights and promote a culture based on openness, respect and care. Orkla also has more detailed internal requirements and guidelines for several of the topics covered by the policy. The goals and internal policies in this area have been adopted by Orkla's Group Executive Board, and apply to all business areas and companies. Responsibility for driving this work lies with the management of each business entity, with the support of the human resource (HR) and sustainability functions.

Efforts must be based on a preventive approach, with emphasis on the precautionary principle and the principle of continuous improvement. As from 2018, the companies are required to carry out an annual assessment of the risk of undesirable practices in the areas covered by Orkla's Responsible Employer and Human Rights policy, and must draw up a plan of

improvement initiatives. The assessment is reported to the business areas and summed up in an annual report to Orkla's Group Executive Board and Board of Directors. Orkla's Executive Vice President, Group Functions, has overall responsibility for ensuring that the human rights work is evaluated regularly, and that governing documents are revised as necessary.

The companies have formal wage-setting procedures and employment contracts that prevent discrimination, safeguard the right to negotiated collective agreements and ensure necessary protection of employee rights. All the companies use written employment contracts for both permanent and temporary employees. Orkla also has central guidelines for efforts to prevent discrimination and harassment, fulfil the right to employee consultation and ensure that all employees receive a wage that meets their fundamental needs. The guidelines have been drawn up by Orkla's sustainability staff in collaboration with Orkla's central HR department and are used to provide internal guidance for companies.

Orkla wants to be an attractive employer that offers good working conditions and fair and competitive terms for all its employees, and uses external tools for benchmarking pay and conditions. The companies carry out a wide range of activities to promote collaboration and job satisfaction.

Orkla considers it important to foster an open, constructive dialogue in the workplace, and in the past few years has improved its internal procedures for handling and reporting grievances and whistle-blowing matters. As a general rule, we want employees to report concerns to their immediate superior or another manager at Orkla. If employees do not wish to notify grievances to any of these persons, matters may be reported anonymously to Orkla's central whistle-blowing system. This is administered by an independent company, and the employee is able to communicate grievances in his or her local language. All whistle-blowing matters are dealt with by the head of Orkla's internal audit department.

Orkla has a harmonised process and shared IT tools for evaluating and following up on senior executives and key personnel. The companies also have their own procedures for following up on employees. Orkla has a general strategy for building competence up to 2025. The skills development work is driven jointly by the Group's central HR staff and the companies. The work is evaluated regularly by Orkla's central Human Resources Development Board. A common portal solution has been established which is used to carry out and follow up on course activities across companies and countries.

Good formal arrangements for dialogue between management and employee representatives are important for ensuring collaboration on business strategy and proper handling of matters that affect employee interests. Orkla has a corporate agreement that regulates collaboration between Orkla and the employee organisations. The present agreement was entered into in 2015.

The employees are represented on Orkla's Board of Directors by four out of a total of 11 Board members. A Committee of Union Representatives has been established for employees of the Norwegian, Swedish and Danish companies in the Orkla Group. This arrangement ensures broad representation for Group employees, based on company, union and country. In Norway, there are also separate committees of representatives for LO union members and for salaried employees. The committees meet regularly with the Group's executive management to discuss matters relevant to the Group. A European Works Council (EWC) has been established at Orkla, and liaison committees have been appointed in the Orkla Foods, Orkla Confectionery & Snacks, Orkla Food Ingredients and Orkla Care business areas. In addition to the corporate

arrangements described above, the employees are represented on the Board of Directors and works councils of major companies in the Orkla Group.

In addition to Orkla's central corporate democracy systems, the companies have local employee consultation procedures. Around 75 per cent of Orkla's employees work in companies that have established formal bodies for cooperation between management and employee representatives. The aim is for all the companies in the Group to have such collaborative bodies.

### *Integrity*

Corruption and other unethical business practices limit the possibilities of economic development and hamper competition on equal terms. Moreover, strict regulations prohibit such practices, and regulatory breaches can result in high fines and other sanctions. Orkla's efforts to promote a corporate culture characterised by high ethical awareness and integrity are therefore focused on regulatory compliance, but also lay a crucial foundation for our ability to succeed as a company. Orkla's integrity work focuses primarily on the Group's own operations, but also covers the supply chain and collaboration with customers and other business partners.

Orkla has set general goals for its long-term efforts to foster an ethical corporate culture that all the companies must strive to achieve. Orkla has zero tolerance for corruption, price-fixing agreements, market sharing or other measures that impede free competition. Orkla's anti-corruption manual, competition law manual and Code of Conduct describe the Group's standards and guidelines in this area.

Orkla provides training in anti-corruption and competition law for management and employees considered to be exposed to risk. Under Orkla's Supplier Code of Conduct, suppliers are required to have zero tolerance for corruption. In connection with acquisitions and large investments, Orkla assesses the risk of becoming involved in breaches of anti-corruption and competition law, and Orkla companies must take risk-mitigating actions to prevent independent business partners from being a party to corruption or other illegal or unethical activities in connection with their business dealings with Orkla.

Responsibility for compliance with laws and regulations and Orkla guidelines lies with the management of the individual company, and is monitored by Orkla's compliance and internal audit functions. Regular status reports in this work are submitted to Orkla's Group Executive Board and Board of Directors.

### *Occupational health and safety*

A safe, healthy working environment is a fundamental right for all employees, and essential to stable, efficient operations. Orkla is committed to promoting the good health of its employees. We apply the same occupational health and safety requirements in every country in which we operate, and our companies work systematically to prevent injuries and promote a health-promoting environment. The efforts to ensure occupational health and safety primarily target Orkla's own operations, while responsibility for contributing to good working conditions in the supply chain falls under the topic "Sustainable raw materials".

Orkla's ambition is to run its operations with zero injuries. We aim to achieve this goal by means of effective risk management, systematic efforts to prevent injuries and work-related diseases and by involving all our employees. Orkla wants all its companies to establish principles for health-promoting workplaces, adapting the principles to conditions in the individual countries.

The companies' EHS work is based on the requirements and guidelines set out in Orkla's EHS Standard, and responsibility for compliance with the standard and external regulatory frameworks lies with the management of the individual company. The Group's systematic improvement efforts are carried out with emphasis on establishing a high level of knowledge and awareness, taking preventive action and ensuring effective rehabilitation. Risk analysis provides the basis for establishing effective action plans, and all the companies have developed such analyses. A significant proportion of risk across companies and countries is related to ergonomics, use of machinery, falls, storage and handling of chemicals, the psychosocial working environment and inadequate knowledge of safety risks and procedures.

Orkla's central EHS department is responsible for the content of the EHS Standard, internal guidelines and tools, skills upgrading and Orkla's team of EHS auditors. Orkla has set general goals for occupational health and safety up to 2025, and all the companies in the Group have drawn up plans for the 2019-2021 period to help achieve these goals.

Orkla's central EHS function carries out regular internal audits and evaluations of the companies' systems and procedures. The companies report to Orkla regularly on their progress in relation to important key indicators, and serious incidents must be reported immediately to Orkla's central EHS function. The progress made in EHS work is reported regularly to Orkla's Group Executive Board and Board of Directors.