



Ferdinand - part of the Orkla family

01 Orkla's sustainability work

Orkla mobilises to achieve its sustainability goals

As a leading manufacturer of food and other grocery products, Orkla is committed to promoting a healthier diet and sustainable value chains.

One third of the world's population is overweight, and lifestyle diseases are spreading. At the same time, the food value chain – from farm to fork – generates one fourth of global greenhouse gas emissions and is one of the main sources of water consumption. The combination of climate changes and population growth is putting pressure on food raw materials and natural resources.

These are global challenges that call for collaboration and a concerted effort on the part of business and industry, the public authorities and other key stakeholders. Orkla wishes to contribute to sustainable development by offering healthier more environmentally friendly products, maintaining high food safety standards, using resources efficiently, making supply chain improvements and in general operating responsibly. Orkla's sustainability strategy covers four areas in which the Group's efforts will be significant for both society at large and Orkla's long-term value creation: nutrition and health, food safety, responsible sourcing and the environment. By making targeted efforts in these areas, Orkla is helping to achieve the global sustainable development goals.

Orkla's footprint

Orkla's grocery products are purchased regularly by several million consumers, and affect their diet, health and well-being. Even small changes in product content can have a positive effect on the population's diet, and through the development of new products Orkla can make important contributions to improving public health.

Orkla's food production makes the Group one of the largest purchasers of agricultural and fish raw materials in the Nordic

region, while its use of energy and water and purchases of packaging and transport services impact on the environment. Furthermore, Orkla is involved in certain global raw material chains that present complex economic, social and environmental challenges. By using resources efficiently, reducing food waste and making targeted efforts to achieve sustainable raw material production, Orkla can contribute to a sustainable food value chain.

Orkla is a major employer, with its own extensive production operations and activities in many countries. By investing in competence development and a sound corporate culture, and working systematically to ensure occupational health and safety, Orkla makes a positive contribution to its employees' job satisfaction, health and personal development.

The Orkla companies create economic ripple effects for local communities in the form of jobs, tax revenues and sourcing from local suppliers. Orkla considers openness and a good stakeholder dialogue important for the Group's long-term development and building trust.

Sustainable growth

The global health and sustainability challenges entail commercial risks and opportunities for Orkla due to gradual changes in consumer preferences, the supply and cost of raw materials, political framework conditions and the general competitive climate. For Orkla, developing products that promote a healthy lifestyle represents a significant opportunity for revenue growth, and is a key priority in the companies' innovation work. At the same time, efforts to ensure sustainable raw material chains and reduce environmental impacts are

Reporting on corporate responsibility

Under sections 3-3a and 3-3c of the Norwegian Accounting Act, Orkla is subject to reporting requirements with regard to corporate responsibility and selected responsibility topics. An account of the Group's efforts to address the relevant topics in 2016 may be found in the following chapters on Orkla's sustainability work:

- «Orkla's sustainability work», page 37 (corporate responsibility)
- «Responsible sourcing», page 53 (human rights, workers' rights, social conditions and environment in the supply chain)
- «Environment», page 60 (environment)
- «Occupational health and safety», page 65 (working environment, injuries, accidents, sickness absence, workers' rights in Orkla's operations)
- «Human resource development and corporate culture», page 68 (human rights, equality and non-discrimination, anti-corruption)
- «Orkla and society», page 73 (social conditions)

Corporate responsibility at Orkla

Orkla defines corporate responsibility as operating responsibly with respect for people and the environment. Orkla's directive on corporate responsibility describes the general principles governing the way the Group companies are to address the issues of human and workers' rights, environment, health and safety (EHS), anti-corruption and other important areas of responsibility. The directive is based on the Universal Declaration of Human Rights, the ILO's Core Conventions and the OECD Guidelines for Multinational Enterprises. It has been adopted by Orkla's Board of Directors and applies to the entire Group, including wholly-owned subsidiaries. Orkla's corporate responsibility management procedures are described in the Report of the Board of Directors on page 25 of this report.

crucial to building trust in Orkla's branded consumer goods, ensuring long-term access to raw materials and achieving cost-effective operations. Systematic focus on improving occupational health and safety has great commercial significance as it promotes stable operations and lower sickness absence costs.

Orkla's sustainability strategy was drawn up in 2014 and defines the direction that the Group's efforts will take in the period up to 2020. It covers the four topics considered particularly important for Orkla based on a combined sustainability and business perspective: food safety, nutrition and health, responsible sourcing and the environment. The strategy is mainly implemented by the companies and Orkla's production facilities, with the support of the Group functions. In 2015-2016, the Corporate Centre has supported the efforts of the business areas and individual companies to translate Orkla's sustainability strategy into goals and action plans. Moreover, several initiatives have been taken at central level to share lessons learned and best practices, establish common approaches and systems and optimise use of available resources.

The status of Orkla's sustainability work

Orkla has made progress with respect to all its main topics in the past few years. The companies work purposefully to develop healthier foods and other products beneficial to health, and in 2016 all the business areas successfully launched products of this type. The Group has also continued its constructive dialogue with politicians and the public administration on diet-related challenges, among other things helping to set new targets for reducing salt, sugar and saturated fat in Norwegian food products. Orkla maintains good control of food safety in its own operations, and the food safety standard in the Group's factories that produce food and drink is high. Orkla's production facilities monitor environmental conditions closely and are making progress in their efforts to reduce energy use, water consumption and food production waste. Orkla is also making good headway in monitoring suppliers to ensure that raw materials are produced in a safe, responsible way. The Group seeks to achieve continuous improvement in key areas such as skills upgrading, occupational health and safety and anti-corruption. The results for 2016 and further objectives are described in greater detail in separate chapters on each main topic.



Materiality

The choice of topics and indicators for reporting Orkla's sustainability work is based on a materiality analysis prepared in 2015, which itself is based on Orkla's sustainability strategy and the main topics for Orkla's corporate responsibility work. For each main topic, an assessment has been made to define the sub-topics that are relevant to Orkla's operations, including an assessment of the aspects covered by the GRI G4 reporting standard. In this process, emphasis has been placed on the long-term commercial and social impact of Orkla's efforts and of the topics' significance for stakeholders' assessments and decisions. The stakeholder groups considered most crucial to Orkla's chances of succeeding, and to which most importance has therefore been attached, are investors, authorities, consumers, customers and employees. As sources of input for understanding stakeholder priorities, Orkla has used analyses carried out by external sustainability analysts, relevant laws and regulations, international corporate responsibility norms, and in-depth interviews on sustainability trends conducted with selected stakeholders in the autumn of 2014. In addition, Orkla's specialised experts have made a discretionary assessment based on past experience and earlier stakeholder dialogues. The materiality analysis is still considered relevant, and only minor adjustments were made in 2016.

Orkla's sustainability reporting covers all the topics defined as important and material, but greatest importance has been attached to the material topics. The main topics and the reporting structure are the same as in 2015. Orkla reports in accordance with the GRI G4 Core reporting standard. An overview of the indicators covered may be found at www.orkla.com/Sustainability/Results-and-reporting. In preparing the report, Orkla also applied the Oslo Stock Exchange's guidance on the reporting of corporate responsibility. Unless otherwise stated, the key figures in Orkla's sustainability reporting cover all businesses in which Orkla owned more than a 50% interest as at 31 December 2016. The key figures for emissions and energy and water consumption will be verified by the independent company CO2 focus. For information on the sustainability work carried out in Orkla's subsidiaries Sapa and Jotun, reference is made to the companies' own reports.

The UN Global Compact and the UN's Sustainable Development Goals

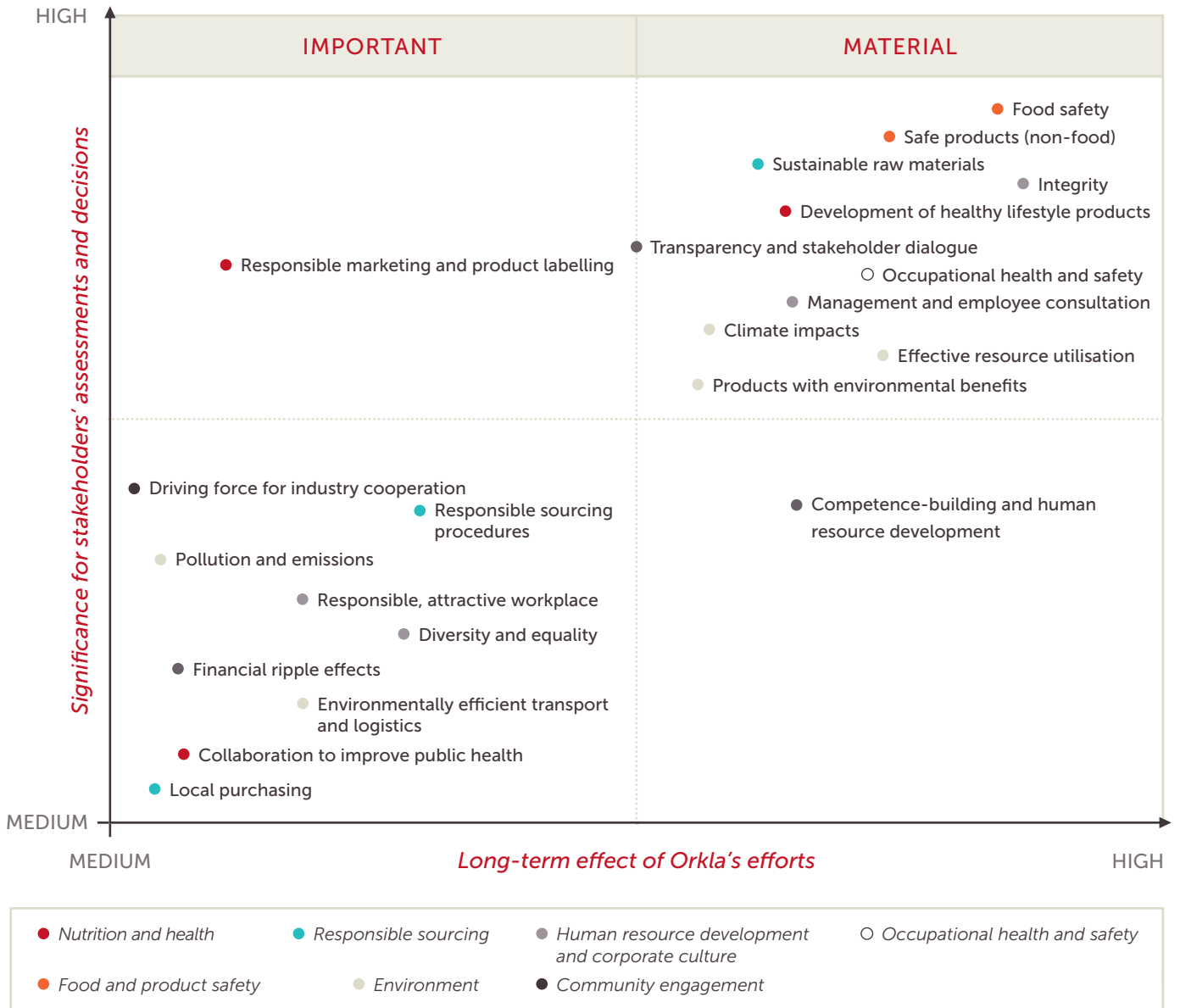
Orkla has been affiliated with the UN Global Compact since 2005 and actively supports the initiative's ten principles in the areas of human and workers' rights, the environment and anti-corruption. Through Orkla's sustainability work, the Group contributes to the achievement of several of the global Sustainable Development Goals up to 2030 that were launched under UN auspices in 2015. In 2016, Orkla President and CEO Peter A. Ruzicka signed the Businessworthy Pledge, a personal commitment to work towards achieving the global Sustainable Development Goals:

«The United Nations Sustainable Development Goals represent a once-in-a-lifetime opportunity to end poverty, combat climate change and fight injustice and inequality. By applying innovation, resources and expertise, I will pursue the business opportunities inherent in building a greener, more equitable and inclusive society. I am a business leader who knows that business cannot succeed in societies that fail. I will do my utmost to be businessworthy in all my efforts, and to tune my business to support the United Nations Sustainable Development Goals. I call on my peers to do the same.»



Peter A. Ruzicka
President and CEO

Materiality analysis





Marcus, Ole Jørgen and Ingrid - part of the Orkla family



02 Nutrition and health

Healthier everyday living

The global challenges posed by overweight and lifestyle diseases call for a concerted effort by all sectors of society. Orkla wants to be part of the solution and help to promote a good, healthy diet among the population at large.

Around one third of the global population is now overweight. Lifestyle diseases caused by an unhealthy diet are spreading. Tackling health challenges requires dialogue and a joint mobilisation by the food industry, the retail sector, specialised experts and public authorities. We have a shared responsibility for making it easier for consumers to make healthier choices.

Developing healthier products is therefore high on the agenda at Orkla. All the business areas focus on nutrition and consumer health, and the companies work actively to adapt their product portfolios to health-related consumer trends and changes in official requirements.

Orkla’s primary nutrition and health objectives up to 2020:

- Develop products containing less salt, sugar and saturated fat
- Launch concepts and innovations that promote a healthier life
- Help to increase consumption of fish
- Make it easier for consumers to choose healthy products
- Avoid marketing to children

Orkla’s nutrition and health work supports the achievement of the UN Sustainable Development Goal: **SDG 3 GOOD HEALTH AND WELL-BEING.**

Orkla’s approach

Orkla is a leading producer of food and drink, and by making small improvements to a large number of products can help to improve public health. Orkla companies also develop new products that make it easier to maintain a balanced diet. Product development and innovation work are based on local needs and taste preferences. Our philosophy is that healthy food must taste good. The companies have made systematic efforts over a long period of time to improve their products’ nutritional profile and reduce the content of salt, saturated fat and sugar. Several Orkla companies have defined targets, and their efforts are monitored by Orkla centrally by means of internal reporting and procedures for business area reviews. The results are reported regularly to Orkla’s Board of Directors.

Collaboration on improving public health

Orkla is an active partner for the authorities, and pursues a

productive dialogue with them at both EU level and in several of the countries in which the Group operates. In Norway, Orkla is a member of the Minister of Health and Care Services’ working group for food businesses, where reducing the content of salt, sugar and saturated fat is an important issue. In 2016, Orkla helped to draw up an agreement of intent between the food industry and the Norwegian authorities aimed at making it easier for consumers to make healthy choices. Orkla was the only company in Norway to be invited to participate in a committee that is preparing a report on research and innovation related to food, nutrition and health. The report will be completed in the spring of 2017.

Orkla Foods Sverige has been actively involved in the “Hållbar Livsmedelskedja” (Sustainable Food Chain) project, a unique collaboration between food chain participants who work to promote healthy food and sustainable food production and consumption. Orkla Foods Sverige has also provided input for the Swedish government’s action plan to improve dietary habits and physical activity, and contributed to the debate on the topic. In Denmark, the Orkla companies Credin and CBP are members of the Danish Whole Grain Partnership, which seeks to increase consumption of whole grain products. CBP has developed a solution that makes it easy for bakery customers to calculate recipes to ensure that the end bakery product meets the requirements of the Whole Grain Label and the Green Keyhole healthier products label.

Orkla seeks to promote better public health by developing healthier products, using clear labelling, adhering to responsible marketing practices and implementing measures to increase physical activity among the population.

Sustainability pledge, Orkla



Agreement of intention for healthier food

In December 2016, Orkla signed a cooperation agreement with the Norwegian health authorities aimed at making it easier for consumers to make healthier choices. Orkla is one of several players who will be collaborating with the health authorities on this objective. Under the agreement, the parties commit to specific targets for reducing the content of salt, added sugar and saturated fat in food and drink. Developing new products that make it easier for consumers to make healthy choices and promoting greater awareness of health and diet are also a key focus. This historic agreement places Norway clearly in the forefront of efforts to improve public health.

Healthier popular favourites

Developing healthier products with less salt, sugar and saturated fat is high on Orkla’s agenda. In 2016 the companies continued to make good progress in this work.

In several countries, the population’s intake of salt, sugar and saturated fat is far higher than recommended by the health authorities. As a consequence, more people are experiencing poorer health and quality of life due to diseases such as type 2 diabetes, overweight and cardiovascular diseases.

If you eat healthily and are physically active every day, you reduce the risk of lifestyle diseases. In a public health perspective, small changes in the daily diet of a large number of people have a greater impact than big changes for individuals. Orkla therefore works actively to make its most popular products healthier with a lower salt, sugar and saturated fat content. The companies made substantial advances in this work in 2016.

Less salt

The population’s salt intake is nearly twice the recommended level. In Norway, Orkla has signed the Salt Partnership agreement, aimed at reducing Norwegians’ average daily salt intake from ten to eight grams by 2021. In 2016, Orkla Foods Sverige set clearly defined targets for reducing salt in its products, based on the Green Keyhole healthy food labelling scheme and the Norwegian Salt Partnership. Orkla Confectionery & Snacks Norge works systematically to reduce the salt content in its biscuits and snacks products by 21 tonnes by 2020. In 2016, Orkla Confectionery & Snacks Sverige initiated a project to reduce the amount of salt in its sweet and salty biscuits. Reducing salt is also on the agenda outside the Nordic region. Good examples are Vitana, a company that has achieved a significant effect by cutting down on salt in its bouillon products, and MTR Foods in India, which has a comprehensive salt reduction programme.

By developing products containing less salt, Orkla contributed to an annual reduction in salt consumption of around 90 tonnes in 2016. Ketchup, soups, porridges, liver paté, fish roe spreads, ham and bread and Indian ready-to-eat dishes, breakfast mixes and snacks are examples of categories of products in which the salt content was reduced in 2016. In the past five years, the amount of salt has been reduced by the equivalent of an annual reduction in consumption of 716 tonnes.

Less sugar

Sugar intake is still higher than recommended by the health authorities. In 2016, Orkla continued to develop more low-sugar and sugar-free products in the drink, sauce, rice porridge, gherkin, toppings, jams and ketchup categories. Several of the companies in the Nordics and Baltics launched new products with less sugar in 2016, such as breakfast cereals and crispbread, naturally sweetened yoghurt and chocolate with a higher cocoa content, and have extensive launch plans for 2017 as well. The Indian company MTR Foods has



reduced the sugar content of its popular Badam drink mix. By developing sugar-free and low-sugar products, Orkla has helped to increase the annual reduction in sugar intake by an amount equivalent to 640 tonnes in 2016. In total, Orkla’s portfolio of sugar-free and low-sugar products help to reduce sugar intake by around 14,000 tonnes.

Less saturated fat

The health authorities recommend that we limit the percentage of saturated fat in our diet to no more than 10% of our energy intake. Orkla helps to reduce people’s intake of saturated fat by replacing palm oil with alternatives that have a more beneficial composition of fatty acids. This work continued to show effective results in 2016. In addition to replacing palm oil, Orkla Foods Sverige, for example, has launched several vegetarian products and switched from animal to vegetable protein in parts of its ready-meal assortment, while Hamé has launched a new range of spreadable toppings with less fat.

By developing products with a healthier fat composition, Orkla contributed to an annual reduction in consumption of saturated fat of around 370 tonnes in 2016. Pizza, soups, sauces, casseroles, ready-to-eat dishes, toppings, biscuits and snacks are examples of product categories in which the saturated fat content was lowered in 2016. Since 2008, saturated fat has been reduced by an amount equivalent to an annual reduction in consumption of 7,500 tonnes.

Healthier popular favourites

<p>Salt</p> 	<p>Result in 2016: 90 tonnes less salt</p>
<p>Sugar</p> 	<p>Result in 2016: 640 tonnes less sugar</p>
<p>Saturated fat</p> 	<p>Result in 2016: Around 370 tonnes less saturated fat</p>

Healthier popular favourites

In 2016, Orkla Foods Sverige and Orkla Confectionery & Snacks Norge set specific targets for reducing salt, sugar and saturated fat, and similar targets will be defined for more companies in 2017.

<p>Salt</p> 	<p>Targets:</p> <p>All Orkla’s food companies aim to identify relevant measures for reducing salt.</p> <p>All Orkla Foods Sverige’s products aim to meet the salt targets defined in the Green Keyhole rules and the Norwegian Salt Partnership by 2020.</p> <p>Orkla aims to eliminate 80 tonnes of salt from its Norwegian products in the period 2014-2018, including 21 tonnes from snacks and biscuits.</p>
<p>Sugar</p> 	<p>Targets:</p> <p>All Orkla’s food companies aim to identify relevant measures for reducing sugar.</p> <p>Orkla Foods Sverige aims to reduce the amount of added sugar and the total sugar content by 1,300 tonnes by 2020 (compared with 2015).</p> <p>Orkla Confectionery & Snacks Norge aims to substantially increase the number of confectionery and biscuit launches with less added sugar or that are sugar-free by the end of 2018.</p>
<p>Saturated fat</p> 	<p>Targets:</p> <p>All Orkla’s food companies aim to identify relevant measures for reducing saturated fat.</p> <p>Orkla Confectionery & Snacks Norge aims to lower the content of saturated fat by 1,100 tonnes in the period 2008-2018, and eliminate palm oil in its own manufactured products by 2017.</p>

**Orkla supports
The Green Keyhole Label**

The Green Keyhole healthy food labelling scheme is well known and highly trusted by consumers in the Nordic countries. In 2016 Orkla Foods Sverige saw a rise of around 37% in sales of Keyhole-labelled products. Orkla Foods Norge more than doubled its Keyhole products in 2016. Several different types of Stabbur-Makrell mackerel and TORO products were awarded the green label in 2016, in addition to the new Stabburet Glutenfri Leverpostei gluten-free liver paté. Grandiosa Fullkorn whole grain pizza was launched as the healthiest pizza in the freezer compartment and the only one bearing the Green Keyhole label. The pizza contains a maximum of 600 calories, and has a thin whole-grain crust. Orkla Foods Norge will continue to focus on Keyhole-labelled products in 2017.



Innovations that promote healthier living

By combining consumer insight and new knowledge in the field of health and diet, Orkla is developing tasty, innovative products with a beneficial nutritional profile.

Health and Nutrition is one of four priority areas for innovation at Orkla. The companies collaborate closely with external centres of expertise and are involved in around 20 research projects, eight of which are related to health and diet.

Research projects

- Orkla Foods Norge is participating in the Packing a Healthier Lunch research project, due to run until the end of 2017. The goal is to develop products with a lower content of salt and saturated fat.
- Through their partnership with the Igelösa Life Science Community in Sweden, the Orkla companies have access to experts who have long experience of researching and developing products and meal solutions that have a beneficial effect on health.
- The Netherlands company Sonneveld works closely with Wageningen University & Research on developing food products that can improve the diet of the elderly and ill.
- Several Orkla companies are collaborating with the Anti-diabetic Food Centre in Lund, Sweden on developing foods that can help reduce the risk of cardiovascular disease, obesity and age-related diabetes.

New knowledge in the field of health and diet is being used to develop flavourful, healthy products in response to key consumer trends.

Increased focus on organic and natural food

In the past few years, Orkla has intensified its focus on natural, additive-free food and products for persons with allergies. Several new products meet the increased demand for gluten-free products. Examples of launches in 2016 are Paulúns Glutenfri Supermüsli uten tilsatt sukker (gluten-free muesli with no added sugar) and Stabburet Glutenfri Leverpostei (gluten-free liver paté). TORO has a special range of gluten-free products, in addition to launching a gluten-free version of several of its popular products.

Growth in sales of organics

In Sweden, Orkla Foods launched a number of products in response to the natural, organic trend, including Felix Ekologiska Risgröt (organic rice porridge) made from natural ingredients, Felix Ekologiska Hummus (organic hummus) and Felix Mustig Soppa, a range of organic soups made from natural ingredients. Sales of foods bearing the EU certified organic food label rose significantly in 2016. Through its acquisition of Bioquelle in Austria, Orkla is expanding its offerings of organic foods.



Responding to the health trend with healthy food that tastes good

Orkla Foods Sverige's health brand Paulúns has been very successful, and was also launched in Finland and the Baltics in 2016. The products have been developed in close collaboration with nutritionist Fredrik Paulún, and contain natural ingredients, are free of additives and have no added sugar. Under the motto "Bare Bra Mat" (Just Good Food), Paulúns launched several new products in Sweden in 2016, including Chiafrö & Bovete Superflingor (chia seed and buckwheat cereals), Paulúns Supermix rice and Superknäcke, a crispbread made of sourdough with 26% seeds. Porridges and oven-baked muesli were launched in Finland, and Paulúns Granola in Lithuania. Orkla's sales of Paulúns products totalled NOK 299 million in 2016.

Meeting the demand for vegetarian food

More and more consumers want meat-free alternatives one or more days a week, for both health and environmental reasons. In the past few years, Orkla has strengthened its position in the vegetarian food sector in Sweden and Denmark. Moreover, one of Orkla's very biggest brands, MTR in India, is 100% vegetarian.

The vegan brand Anamma, which is part of Orkla Foods Sverige's portfolio, has more than doubled in turnover in the past three years. New products rolled out in 2016 include Anamma Vegofärs (minced vegetables) og Falafel, Felix Veggie, frozen vegetarian dishes and Felix Veggie Bowls, a range of chilled casserole dishes. In Denmark, the company Naturli' Foods has established a position as a leading supplier of vegan food, offering a broad range of products and holding a market share of 70% in the drink, yoghurt and cream segments. A total of 14 new products were launched in 2016, all made of organic ingredients and 100% plant-based.

«Better for you»

Orkla Confectionery & Snacks Norge has had several successful launches of healthier biscuits and chips in the past two years. In 2016 this work was further strengthened through the development of the Småsulten "better-for-you" snack products. The range was introduced in early 2017, and includes nut bars with less sugar and saturated fat and popcorn with a better nutritional profile.



Products to meet different health needs

Orkla Health offers products that meet specific health needs and are adapted to different stages of life. Examples include omega-3 for pregnant women, vitamin supplements for the elderly or fibre products for good gut health.

Orkla Health has a team of nutritionists and product developers who develop a wide variety of health products based on their own studies and other research. The company works closely with external centres of expertise in the Nordic region on health research in fields such as omega-3, sports nutrition and the challenges posed by stiff and painful joints.

Despite a growing focus on health, people in the European countries still eat too little fish. Under the Möller's and Triomar brands, Orkla Health continuously develops new products in new delivery formats or tastes designed to make it even easier to take a daily dose of omega-3. One such offering is Möller's God Start, a product for pregnant women and women who are planning to become pregnant. In 2016 Möller's cod liver oil was sold in over 20 countries, and interest in cod liver oil from Norway is rapidly rising.



Healthy bakery products

The Orkla Food Ingredients companies offer a range of products and ingredients that make it easier for professional bakers to offer healthy bread products. The two brands Whole & Pure and Fit4Life comprise a variety of bread mixes with a high fibre content and other wholesome nutritional properties. Examples of products launched by Idun Industri in 2016 are Fit4Life Havrebase (oat base), Havrefiber (oat fibre) and Hjertebrød (heart-friendly bread) rich in fibre and beta-glucans.

Smart meals from Nutrilett

Obesity and overweight are one of the biggest health challenges we face. Orkla's Nutrilett range offers a variety of products and solutions for losing weight. To make it easier for the consumer to understand when and how the different Nutrilett products should be used, the range was divided into three different categories in 2016: Get Started, Smart Meals and Snack Smart. One of the new products launched is the Smooth Caramel Biscuit and Quinoa Bar, a meal replacement that is free of gluten and lactose. The products have been improved by using more natural ingredients and reducing the caloric and sugar content. For those who need a little extra nudge and advice, Nutrilett established Willpower in 2016, a closed Facebook group for people who want guidance, inspiration and tips to help them on the road to a healthier lifestyle. This service was introduced in all the Nordic countries.



Labelling that makes it easier to make healthy choices

Labelling foods with clear and honest product information makes it easy for customers and consumers to see what Orkla products contain.

Good, easily accessible information on what food contains is essential to enable consumers to make healthy choices in stores. Orkla has therefore drawn up a strategy for nutrition labelling that applies to all its companies and product categories. These guidelines were introduced in 2014, and in 2016 had been fully implemented in almost all the companies. In some areas, Orkla's nutrition labelling strategy goes further than the official food labelling requirements. Consumers can find information on nutrition and health and the nutritional content of individual products on the company websites. The Orkla companies also have dedicated consumer service departments who respond to inquiries by telephone, e-mail, websites and Facebook. In 2016, Orkla established shared consumer services for all the Norwegian companies to improve accessibility on all platforms where consumers expect to be able to communicate with Orkla about its branded consumer goods.

The Abba Fish Patrol makes it easier to eat fish

Surveys show that Swedes do not eat enough fish. Many of them would like to eat fish more often, but think that preparing a fish dish is time-consuming and difficult. Orkla Foods Sverige wanted to do something about that misconception, and therefore established the Abba Fish Patrol in autumn 2016. Based on tips from family members and friends, the patrol travelled around visiting Swedish families, where it checked how much fish was being eaten in the household, and demonstrated how simple it is to prepare good, healthy, everyday fish dishes. With the Abba Fish Patrol, Orkla Foods Sverige wanted to dispel some of the myths about cooking fish and inspire people to increase their consumption of fish.



Good, responsible marketing of food

Orkla is committed to responsible marketing to children and adolescents, and has therefore adopted a restrictive policy in this area.

Orkla is actively involved in the Food and Drink Industry Professional Practices Committee (MFU) and was invited to a meeting hosted by the EU Commission's Directorate General Health and Food Safety (DG Sante) in Luxembourg in 2016 to present Norway's work to ensure responsible marketing to children and young people. These efforts have attracted favourable attention in the EU Commission, and Orkla was commended for the work that has been done in Norway and for its role in establishing the voluntary industry association MFU. Orkla has been a member of the MFU since its establishment and sits on the Board of the Committee.

Responsible marketing 2016

In 2016, the Orkla companies had no cases relating to the marketing of food and drink to children and young people. One case was reported regarding the use of claims in marketing Orkla products in 2016 and two cases concerning non-conformance with product labelling rules. The Orkla companies maintain a dialogue with the public authorities, and have made appropriate changes.



Marcus and Olivia - part of the Orkla family



03 Food and product safety

Safe food means safe consumers

Ensuring that food is safe at every stage of the value chain is crucial if consumers are to trust the food they eat. That is why Orkla's ambition is to match the performance of the best companies in the world when it comes to food safety.

Consumers attach growing importance to what they eat, where their food comes from and how it is produced. It is a basic prerequisite that the food is safe. As a leading food supplier, Orkla emphasises the need for good food safety procedures throughout the value chain. Orkla applies strict standards for the way raw materials are cultivated, produced and transported. In the production process where raw materials are transformed into finished goods, the food is prepared using controlled procedures, at the right temperature and in accordance with stringent quality assurance requirements, right up until the end product reaches store shelves.

Orkla's main objectives for its food safety work up to 2020 are to:

- Ensure a strong food safety culture in all Orkla companies and factories.
- Ensure that all factories meet the requirements of the Orkla Food Safety Standard.
- Ensure that all suppliers comply with Orkla's stringent food safety requirements.
- Intensify its efforts to ensure safe, healthy raw materials in every part of its value chain by working closely with farmers and adopting effective traceability systems.
- Strengthen its ability to deal with new risk factors in its value chain through collaboration with external centres of expertise.

Orkla applies the same product quality standards regardless of the country in which the product is manufactured or sold.

Sustainability pledge, Orkla

Orkla's approach

The Orkla Food Safety Standard (OFSS) forms the basis for food safety work at Orkla, and ensures a high uniform level of quality at all the Group's production facilities. The standard is based on the internationally recognised food safety standard established by the British Retail Consortium (BRC), and has been further developed by Orkla's central Food Safety Department to cover every risk factor of special relevance for Orkla's food production. All the food products that Orkla launches have undergone a thorough risk assessment during the development process to identify and control potential health hazards associated with packaging, ingredients and use. A special standard has been introduced for Orkla's sales and distribution companies. The companies are monitored through special audits carried out by Orkla's food safety team. In addition, Orkla insists that all suppliers comply with the Group's stringent guidelines for safe raw material production.

A common food safety culture ensures safe products

Orkla has effective control of food safety in its own operations. In step with the growing stringency of the OFSS, the compa-

nies have acquired increased expertise in this area. In 2016 the OFSS was introduced in the new companies that have joined the Group, and special projects were established to ensure that necessary improvements were made in several of these companies. A new shared document management system has been developed and implemented in several companies, making it easier to work as "One Orkla" in this area as well. There are plans to develop common systems for handling non-conformances and complaints.

In 2016 Orkla's food safety auditors visited 57 factories – from the Grandiosa factory at Stranda to the newly acquired Bio-quelle production facilities, which manufacture breakfast cereals and health products in Austria. Somewhat fewer audits were carried out than in 2015, partly due to the smaller number of factories, but primarily because there is less need for follow-up audits and the level of food safety at the factories is increasingly high. Orkla is very close to its goal of all factories meeting the Group's highest food safety requirements, with the exception of a few factories that are monitored closely to ensure that the necessary improvements are made.

Safe deliveries of raw materials

Orkla has a large number of raw material suppliers all over the world. The Group's partnership with these suppliers is conditional on their compliance with the Orkla Supplier Code of Conduct and the Group's rigorous food safety standards. Through a Group-wide supplier approval and monitoring system, Orkla ensures that its companies have the requisite tools and guidelines for carrying out risk assessments and approving and following up on suppliers of raw materials, packaging and finished goods manufactured under contract. The monitoring of suppliers by means of self-assessment forms and inspections performed by Orkla's audit team ensures a high level of awareness of the importance of good food safety standards.

New risk factors in the supply chain

Food fraud is a growing global challenge. As part of the efforts to deal with new risk factors in the value chain, Orkla included food fraud as a special topic in OFSS in 2015, in line with the international food safety standards. Orkla companies are required to carry out a risk assessment of all raw materials that arrive at the factory. In 2016, to facilitate the companies' work in this respect, Orkla developed a risk assessment model with tools for each raw material category, which has been made available to the companies.

Effective contingency management

Orkla has drawn up a contingency plan to deal effectively with unforeseen and undesirable incidents. In 2016, contingency exercises were held for the management teams of four selected companies, with focus on the importance of a good understanding of contingency preparedness, procedures for dealing with a contingency situation and media training. In addition, each factory holds annual contingency drills.

Orkla continuously measures changes in the number and type of contingencies. The trend has been positive in the past year, with fewer, less serious incidents reported in 2016.

Safe food from farm to fork

Orkla's food safety value chain



Raw materials

Raw material specification, risk assessment, supplier approval and monitoring.



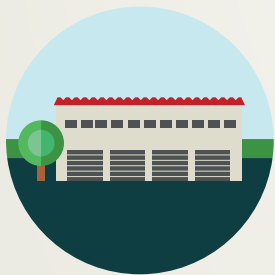
Transport

Checking of cleanliness, odour, maintenance and, if relevant, temperature.



Receiving inspection

Inspection, labelling, packaging and certification of raw materials.



Warehousing

In compliance with requirements for hygiene, safe storage and, if relevant, temperature.



Production

In compliance with the Orkla Food Safety Standard and HACCP.



Transport to customers

In compliance with requirements relating to cleanliness, odour, maintenance and, if relevant, temperature.

Results in 2016

Safe food production	Unit	2016	2015	2014
Audits of Orkla factories	Number of factories	57	76	83
Food safety training - Participation in the Orkla Food Safety Training Course	Number of employees	12	17	21
Safe deliveries of raw materials				
Supplier monitoring by means of self-assessment forms	Number of forms	1 783	1 555	1 456
Risk assessments conducted by Orkla companies	Number of risk assessments	1 172	1 089	1 183
Supplier audits	Number of physical audits	306	307	216
Training in supplier auditing	Number of employees	23	20	17

Training was also provided in HACCP, allergen handling, contingency preparedness and safe packaging.

Safe quality products

Ensuring that consumers are safe is a main priority for Orkla. That is why stringent quality and product safety standards are applied when developing cleaning products, textiles, painting tools and other household products.

In the same way as in Orkla's food production, the Orkla Care companies adhere to strict product safety guidelines in every part of their value chain, from innovation and product development to the manufacturing processes of Orkla's suppliers or Orkla's own factories, right up until the product reaches the consumer. The companies carry out an assessment of health and safety aspects related to each product as part of the product development process. Consumer safety work is based on the precautionary principle, and companies seek to replace ingredients that could potentially have a negative effect on health or the environment.

All Pierre Robert textile products have undergone a health and safety assessment. The same applies to detergents and household cleaning and personal care products manufactured by Orkla Home & Personal Care, wound care products from Orkla Wound Care and health products from Orkla Health. The companies keep close track of research on health hazards linked to raw materials that may be relevant, and have restrictive guidelines for the use of chemicals.

Well-documented ingredients

In its development of detergents and personal care products, Orkla Home & Personal Care uses only well-documented ingredients that have been approved under strict European laws and regulations. The company continuously strives to further develop and improve its products from a health and environmental standpoint. In the period 2015-2016, the company has focused on replacing perfumes that could

cause allergies and reducing use of controversial preservatives.

Safe plasters and first-aid products

Orkla Wound Care develops technical medical products under brands such as Salvequick, Cederroth First Aid and Dr San for use at workplaces and in households. The products are preservative-free and contain no known allergens, and are tested to ensure that they are safe to use on skin. Latex, which can cause an allergic reaction in some individuals, is used in the adhesive in a small number of products. For these products Orkla Wound Care has started a project to replace the latex adhesive with an alternative adhesive. All the company's products are manufactured in well-controlled processes that ensure that the products that are sold are safe to use.

Safe health products

Orkla Health develops dietary supplements and various health products. To ensure that the products are safe to use and have well-documented effects, the company has a staff of around 30 persons who work with quality and regulatory issues. Weight reduction products are developed in compliance with a stringent European regulatory framework, based on a carefully formulated composition that enables consumers on a calorie-restricted diet to feel confident that they are receiving adequate nutrition. Sports products are developed in accordance with international standards for what the body requires during training and competitions.



Photo: Pierre Robert Group



04 Responsible sourcing

Partnering for sustainable value chains

Orkla is committed to using raw materials that are produced with the best interests of people, animals and the environment in mind, and collaborates actively with its suppliers on solving sustainability challenges in the value chain.

Population growth and increasingly noticeable climate changes are putting growing pressure on natural resources. Farming, fishing and trapping methods that are not sustainable give rise to major social and environmental challenges. This can in turn affect the price, availability and quality of key raw materials. There is growing awareness of the importance of sustainable raw material production because the consequences of climate change are increasingly evident. Many consumers want to use their personal consumer power to promote sustainable development, a point of view that is reflected in increased demand for ethical products.

Orkla has long been actively engaged in collaboration with its suppliers on solving sustainability challenges in its value chain. The goal is to ensure that all important agricultural products and packaging used by the Group are sustainably produced – without causing deforestation – by 2020.

Orkla’s main objectives for its responsible sourcing efforts up to 2020 are to:

- Ensure that all suppliers comply with Orkla’s Supplier Code of Conduct.
- Ensure that important agricultural products, animal products, marine raw materials and packaging are produced sustainably.
- Contribute to long-term improvement in conditions for 10,000 farmers.

Orkla’s responsible sourcing work supports the achievement of the UN Sustainable Development Goals, **SDG 2 ZERO HUNGER, SDG 8 DECENT WORK AND ECONOMIC GROWTH, SDG 14 LIFE BELOW WATER, SDG 15 LIFE ON LAND and SDG 17 PARTNERSHIPS FOR THE GOALS**

Orkla will strive to develop sustainable value chains. In 2020, all sourcing will be carried out in compliance with Orkla’s sustainable production principles.

Sustainability pledge, Orkla

Orkla’s approach

Orkla collaborates with suppliers all over the world. Irrespective of country, all its suppliers are required to comply with the Group’s Supplier Code of Conduct and ensure that production is carried out in accordance with internationally recognised standards for human rights, working conditions, environment and anti-corruption efforts. The Group’s central purchasing function conducts an annual risk screening of all direct suppliers and a risk assessment of all new suppliers. Potentially risky suppliers are monitored by setting requirements and engaging in dialogue, and in some cases a business ethics audit is performed. The risk screening is carried out using a proprietary tool comprising criteria related to working conditions,

environment and anti-corruption. The tool was improved in 2016. The more detailed assessment of at-risk suppliers is based on a standardised method developed by the Supplier Ethical Data Exchange (Sedex).

Orkla is also engaged in efforts to address sustainability challenges related to raw material production. In 2015-2016, Orkla established cross-disciplinary raw material teams to carry out this work. In collaboration with the companies, the teams implement monitoring and development measures tailored to the challenges specific to each raw material. Responsible sourcing is also a topic covered in purchasing and sales training programmes.

A management team has been established to oversee the responsible sourcing work to ensure satisfactory progress. Orkla’s Group Executive Board also carries out an annual evaluation of the progress made in this work, and decides which activities are to have priority in the coming year.

A total of 85% of Orkla’s sourcing is from suppliers assessed as constituting a low risk of serious breaches of Orkla’s Supplier Code of Conduct. At the end of 2016, 282 of Orkla’s suppliers were registered in Sedex. Audits conducted in 2016 identified non-conformances related to inadequate fire safety procedures, pay and overtime compensation and a lack of management systems. No matters were found that resulted in the termination of partnerships with suppliers. In 2017, Orkla will intensify its efforts to monitor suppliers found to have non-conformances and other at-risk suppliers.

Sourcing at Orkla

The total value of Orkla’s sourcing in 2016 was NOK 22,000 million. Around 61% of purchases come from local suppliers in the countries in which Orkla operates. A total of 61% of purchases are made in the Nordics and Baltics, Orkla’s main markets. Orkla’s branded consumer goods companies buy raw materials, other materials and services from around 27,000 suppliers. Of these, 3,500 are significant in terms of purchasing volume.

Sourcing by geographical area

● Nordics	57%
● Baltics	4%
● Rest of Europe	31%
● Rest of the world	8%



Results in 2016

	Unit	2016	2015
Business ethics audits	Number	56	83
Non-conformances, total	Number of non-conformances	200	184
Influence on working conditions	Number of non-conformances	184	162
Influence on human rights	Number of non-conformances	4	3
Other non-conformances	Number of non-conformances	12	19
Remedied non-conformances	Number of non-conformances	30	41
Internal capability-building			
Training	Number of hours	653	540
Participation in training	Number of employees	325	198

Sustainable raw materials

The production of raw materials like fish and seafood, palm oil and cocoa can entail significant social and environmental challenges. Orkla therefore works actively to achieve improvements in the value chain for these raw materials.

For Orkla, good food starts with good, sustainably produced raw materials. However, some raw material chains are associated with risk relating to child labour and other serious human rights and environmental breaches. Orkla has therefore long engaged in dialogue and cooperation with suppliers who are involved in improvement projects. Risky raw materials include cocoa, palm oil, fish and seafood, animal raw materials, nuts and seeds, fruits and berries, vegetables and packaging.

The primary focus of Orkla's sustainability work in 2017 will be on ensuring that the Group's different raw material teams are well established and on continuing to implement plans for sustainable raw material production. As part of its efforts to reduce its environmental impact, Orkla will draw up principles for sustainable agricultural production. Orkla will continue to implement its policy for deforestation-free supply chains and to draw up and implement a new animal welfare policy.

Orkla supports a variety of certification systems and participates actively in industry initiatives involving companies, public authorities and specialised organisations. Through this work Orkla seeks to help establish good responsible sourcing practices in the industry. Among the organisations with which Orkla collaborates are the Ethical Trading Initiative Norway (IEH), AIM-Progress, Sedex and the Round Table on Sustainable Palm Oil (RSPO).

Supports certification systems

Orkla is convinced that labelling systems are an effective tool for protecting workers' rights and minimising negative environmental impacts. The various certification labels also make it easier for consumers to choose products that promote sustainable development. Orkla therefore supports a number of labelling schemes. The labels used on several Orkla products include:



Sustainable fish and seafood

The ocean covers 71% of the Earth's surface and is home to far more species than those living on land. Managing marine resources in a sustainable way that ensures viable species diversity is a responsibility that we all share.

According to the UN's Group of Experts on the Scientific Aspects of Marine Environmental Protection, overfishing and the destruction of habitats for marine species are among the primary threats to marine life. Moreover, man-made climate change is expected to affect fish stocks and cause major changes in the ocean's ecosystems.

Orkla has long been engaged in initiatives to protect the marine environment, and collaborates with global environmental regimes to ensure that the raw materials in its fish products are sustainably fished. A number of Orkla companies manufacture products that originate in the ocean. Well-known brands include Stabbur-Makrell, Abba, Kalles and Möller's Tran.

Orkla has established a central team for marine raw materials that assists companies in developing plans to promote sustainable fishing. In addition to buying certified raw materials, the team carries out an annual assessment of fish stocks and monitors Orkla's suppliers.

In 2016, Orkla Foods Sverige established a system that ensures that tuna can be traced back to the fishing vessel, and conducted audits of Thai tuna suppliers.

Results in 2016

The share of Orkla Foods' marine raw materials supplied by fisheries certified by the Marine Stewardship Council (MSC) increased from 75% in 2015 to 81% in 2016. A total of 192 products are MSC-certified. Brands that use 100% MSC-certified marine raw materials include Abba, Kalles (its entire cod roe range) and Boy, and Ahti and Vesta (herring products).

Targets

In 2017, Abba's whole range of tuna products will be MSC-certified. Orkla Foods Sverige's aim is to ensure that all fish and seafood sold under the company's brands are MSC- and/or ASC-certified by 2020 at the latest.



Abba offers full traceability for tuna

As from January 2017, Swedish consumers who buy tinned tuna from Abba can trace where the tuna comes from and learn more about the fish and how it is caught. They can even learn the name of the captain of the vessel that fished it. Starting in 2017, Orkla Foods Sverige can offer fully traceable tuna thanks to a unique partnership with Pacifical, an organisation that works to promote sustainable tuna fishing. Using a code printed on the lid of each tin of Abba tuna, consumers can trace the tuna from the fishing vessel captain all the way to the store shelf with just a few quick clicks on the abba.se website. This collaboration also means that Abba's entire range of tuna products will be MSC-certified. By choosing MSC, Orkla Foods Sverige is helping to ensure a sustainable future for the ocean and the fishing industry.

The entire Kalles Kaviar product range is environmentally labelled

By certifying the entire Kalles Kaviar product range for the Marine Stewardship Council (MSC) label, Orkla Foods Sverige aims to contribute to sustainable fishing and make it easy for consumers to make choices that are good for the environment. Kalles Kaviar Original fish roe spread has been MSC-labelled since 2013. Through three years of close collaboration with its suppliers and sub-contractors, Orkla Foods Sverige has now succeeded in MSC-labelling all eight varieties of Kalles Kaviar. The MSC label means that every part of the food chain is certified. The fish ingredients used in the products stem from environmentally-certified fish stocks that are fished from a certified vessel and processed in a way that does not harm the marine environment.

Read more about MSC at www.msc.org



Committed to preventing deforestation

Deforestation accounts for 10-15% of global greenhouse gas emissions. By actively engaging in its own supply chains, Orkla can make an important difference.

To help protect rainforests and combat climate change, Orkla adopted a zero deforestation policy in 2015. Orkla aims to ensure that all key agricultural products and packaging used by the Group are sustainably produced – without causing deforestation – by 2020.

In the Forest 500 assessment, published in December 2016, the UK think tank The Global Canopy Programme highlighted Orkla's policy of zero deforestation. The assessment comprised 500 companies, financial institutions and countries that have the power to stop global deforestation, and ranked their efforts. Orkla was one of the companies that scored highest in the assessment.

Orkla engaged in an active dialogue in 2016 with its stakeholders, including Greenpeace. This has provided good input for anti-deforestation work. Orkla and Greenpeace made a joint presentation at the Global Compact's Nordic network conference, hoping to inspire more companies to introduce a deforestation prevention policy, with clearly defined goals.

Intensified efforts to reduce use of palm oil

In 2016, Orkla took several steps to reduce the risk of deforestation in connection with the production of cocoa, soya, cardboard and paper. However, the raw material used by Orkla that represents the greatest risk of deforestation is palm oil, and efforts have therefore been concentrated on this commodity.

Orkla pursues a two-pronged strategy in its palm oil work. Orkla companies focus actively on reducing their use of palm oil and ensuring that the palm oil that is used is traceable and sustainably produced, at the latest by the end of 2017.

Palm-oil free branded consumer goods

The Nordic companies in Orkla Foods and Orkla Confectionery & Snacks have largely replaced palm oil with a healthier alternative that does not contribute to tropical deforestation. In the period from 2008 to 2016, they reduced their use of palm oil by around 90%. Several of the companies have reduced their use by close to 100%.

In 2016, Orkla Confectionery & Snacks eliminated palm oil in most of its biscuit products, including Ballerina, Singoalla and Brago. Orkla Foods Sverige replaced palm oil with rapeseed oil in Paulüns Granola. Palm oil has also been removed from Ekströms Vaniljsås vanilla sauce and Frödinge Kladdkaka cream cakes and Morotskaka carrot cakes. The vast majority of Orkla's foods, biscuits, snacks and confectionery in the Nordic grocery market are now palm oil-free. Orkla's total purchases of palm oil have been reduced by around 20,600 tonnes since 2008, including 900 tonnes in 2016.

Sustainable palm oil production

For Orkla Food Ingredients, Orkla Home & Personal Care and branded consumer goods companies outside the Nordic region, palm oil and palm-based derivatives are still important raw materials. The companies have mobilised efforts on a broad front to increase the percentage of oil certified by the Roundtable on Sustainable Palm Oil in the palm oil they use. Certification reduces the risk of deforestation and other undesirable practices. Orkla's main suppliers have also initiated a range of measures to monitor their sub-contractors, prevent and put out fires and promote sustainable cultivation. As a result of these measures, Orkla is well on its way to achieving its goal of 100% sustainably produced palm oil by the end of 2017.

Sustainable cocoa farming

Child labour is one of several challenges in cocoa production. Orkla works to promote sustainable cocoa cultivation in partnership with UTZ Certified.

Small cocoa farms in West Africa produce close to 70% of the world's cocoa. This cultivation poses several challenges, including the risk of child labour, potential health and safety hazards for workers and the risk of deforestation.

Cocoa is an important raw material in Orkla's chocolate production. Orkla manufactures chocolate in the Nordic and Baltic regions and aims to ensure that all the cocoa purchased by the Group is sustainably produced by 2020.

Orkla wishes to reduce the risk of child labour and other unacceptable practices, and to help improve the earning potential and living conditions of cocoa farmers. The Group companies are committed to promoting sustainable cocoa cultivation, for instance by purchasing certified cocoa through UTZ Certified, which is the world's largest independent, certified cocoa programme. Through this certification scheme, the aim is to ensure that cocoa farmers learn profitable work methods, and children have the opportunity to attend school.

Results in 2016

In 2016, 59% of Orkla's sourced cocoa was UTZ-certified, compared to 42% in 2015. Around 400 Orkla products feature the UTZ Certified label. Brands that use 100% UTZ-certified cocoa include Nidar's chocolate brands (Stratos, Troika, Smash! and several others), Nugatti and Sjokade spreads, chocolate from the Finnish company Panda and all chocolate from Estonian Kalev.

Targets

The entire TORO portfolio of baking mixes and chocolate drinks will switch to UTZ-certified cocoa in 2017. Sonneveld, an Orkla Food Ingredients company, aims to buy only UTZ-certified cocoa products in 2017.



Making organic cotton available to the public at large

The textile industry is a sector of complex challenges, but also has considerable potential for improvement. As Norway's leading supplier of underwear, the Orkla company Pierre Robert Group wants to lead the way in setting a good example.

Pierre Robert Group (PRG) has worked for years to promote responsible sourcing, and has been a member of the Ethical Trading Initiative since 2005. Good long-term relationships with suppliers have laid a strong basis for collaboration and improvement, and PRG has worked with more than one third of its suppliers for 11 years or longer. All the suppliers are screened in relation to ethical, social and environmental criteria, and monitored by means of reporting, external audits and personal visits. All Pierre Robert garments are labelled to show their country of origin, and the company is open about where the garments are manufactured and by whom, among other things by posting an interactive map on pierrerobert.no and open supplier lists.

In 2015, the company drew up an overall sustainability strategy

on the basis of which it carried out a number of measures in 2016. One of its focus areas is making the transition to more sustainable textile fibres. In 2016, PRG switched to using organic cotton certified under the Global Organic Textile Standard (GOTS) in its best-selling Cotton Boxer for women, as well as in its Cotton High Waist underpants. As a result, organic cotton underwear became available in all Norwegian grocery stores from 2017. Given a sales volume of over 400,000 panties per year, the effect this creates is significant. PRG chose to stay with its existing suppliers and help them complete the GOTS certification process, thereby contributing to further improvements in the industry.

All Pierre Robert garments in organic cotton are labelled with a GOTS licence number that is traceable at global-standard.org.

GOTS – Global Organic Textile Standard

GOTS stands for Global Organic Textile Standard and is an internationally recognised certification programme for organic textiles. GOTS is unique in that it sets both social and environmental requirements for every part of the value chain, including sub-contractors.

The GOTS label guarantees that:

- At least 70% of the textile consists of organic fibres; Pierre Robert textiles have a 92% organic fibre content
- The cotton is cultivated without the use of chemical sprays or fertilisers, and has not been genetically modified.
- Water consumption has been reduced by up to 90% compared with conventional cotton, and stringent requirements have been imposed with regard to waste water treatment and waste disposal
- The garment has been bleached with oxygen and not chlorine
- Hazardous chemicals, heavy metals and the like are prohibited
- The packaging contains no PVC, and the cardboard or paper is either made of recycled cardboard or is FSC/PEFC-certified
- Social criteria have been imposed to protect farmers and workers
- Every processor has been inspected by a neutral third party
- The garment is traceable to each processor

Read more at www.global-standard.org





Olivia- part of the Orkla family



05 Environment

Shared responsibility for the environment

Addressing the challenges posed by global climate change is a shared social responsibility. Orkla is committed to shouldering its share of responsibility and works actively to minimise its environmental footprint in every part of its value chain.

Global climate change is without a doubt the greatest environmental challenge faced by the world today. Production and consumption of food generate one fourth of greenhouse gas emissions and are a main source of water consumption. The combination of climate change, population growth and unsustainable production methods puts pressure on many food commodities and natural resources. This calls for efficient use of resources and the development of products with a smaller environmental footprint.

Orkla's ambition is to contribute to achieving the two-degree climate change target by doing its share of reducing greenhouse gas emissions. By curtailing energy and water consumption in its own operations, increasing the percentage of renewable energy, preventing food waste, helping to resolve environmental challenges in the supply chain and developing products and packaging that have a lower environmental impact, Orkla can make a substantial difference. This is important for both the environment and Orkla's profitability.

Orkla's primary environmental objectives up to 2020:

- Develop more environmentally friendly packaging and products with a smaller environmental footprint
- Reduce greenhouse gas emissions and energy and water consumption by 20%
- Reduce waste by 30%
- Zero production waste to landfills
- More effective transport solutions

Orkla's environmental work supports the achievement of the UN Sustainable Development Goals: **SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION** and **SDG 13 CLIMATE ACTION**

Orkla will minimise its environmental footprint by ensuring that the Group's activities and products are not harmful to the environment.

Sustainability pledge, Orkla

Orkla's approach

Orkla has adopted a common environment, health and safety (EHS) standard with guidelines that apply to all business areas and companies, and provides training on implementing the standard. The awareness and engagement of Orkla's own employees are a crucial prerequisite for successful environmental measures. Environmental work related to sourcing, logistics and production is run by Orkla's central operational organisation, Orkla Operations. Efforts to reduce environmental impacts through product development and by influencing consumer behaviour are organised by the individual companies, which also have overall responsibility for their own environmental work. The companies have prepared action plans for achieving Orkla's environmental objectives. Key environmental indicators are reported regularly and monitored by management at all levels. Orkla's central EHS function conducts regular internal environmental audits, and evaluates the Group's systems and procedures.

Orkla takes a systematic approach to its environmental work and prepares annual environmental accounts that show the changes in its companies' environmental impacts. Since 2008, Orkla has reported environmental data to the investor-initiated CDP-programme.

Orkla made progress in its environmental work in 2016, and there were no critical formal complaints or matters related to environmental laws and regulations.

Climate change impacts

The greenhouse gas emissions generated by Orkla's own food production are limited. The biggest impact occurs in the production of raw materials and at the consumption stage. Other sources are packaging production and transport. Emissions from Orkla's factories are primarily to air, from fossil energy used to produce electric power and heat.

In order to share best practices aimed at increasing energy efficiency and reducing water consumption, Orkla introduced a central energy initiative in 2015 as part of its Improved Resource and Energy Efficiency programme. In 2016, several Orkla factories carried out a survey of energy-saving potential. Around 80% of the companies have implemented energy improvement measures in the form of equipment improvements, redesign of processes, behavioural changes and operational changes. Many of the companies have reduced energy consumption by switching to LED lighting. Other important measures in 2016 were the optimisation of energy-intensive processes and investments in new, more energy-efficient production equipment. By buying Guarantees of Origin*, Orkla Foods Sverige has now ensured that it is using 100% renewable electricity in its factories, thereby reducing its CO₂ emissions by 20%.

*Guarantees of Origin are a certification system for electricity that proves that a given quantity of electricity has been produced from a specified renewable energy source. The system was introduced in 2001 by the European Union's first directive on the promotion of electricity produced from renewable energy sources (Directive 2001/77/EC) to give consumers a choice between renewable and non-renewable electricity.

Less food waste in production

Orkla is committed to ensuring that its products are always of top quality. In the case of Grandiosa, this means that the crust must be the right shape and size, and that the right amount of sauce and topping is spread in just the right way on the pizza. During the production of Grandiosa pizzas, cheese and pizza crusts can therefore go to waste. By improving production procedures and machinery settings, and increasing the awareness of the factory team of the importance of reducing waste, food wastage was reduced by 40 tonnes in 2016.



By replacing fossil fuel oil with environmentally friendly bio-oil, the Orkla company Jästbolaget cut its CO₂ emissions from production by approximately 96%. Through Orkla's power business Hydro Power, Orkla produced 2.4 TWh energy from hydropower in 2016.

Orkla's greenhouse gas emissions showed a positive trend in 2016, decreasing despite both a higher level of activity and new factories. Measures to improve energy efficiency have been initiated at many factories, and the emissions from fossil fuel were reduced due to lower consumption. Moreover, switching to the use of more renewable energy to produce electricity in the Nordic region and Europe had a positive effect in 2016.

Efficient use of resources

Around 25-30% of all food that is produced is not eaten, and food wastage is one of the major contributors to global environmental challenges. Orkla wants to help ensure that less food is thrown away, and focuses continuously on improving raw material use, increasing production yield and reducing food waste. The objective is for the Group factories to reduce food wastage by 30% by 2020. In 2017, Orkla will prepare an overall plan for reducing food waste in the value chain.

Fresh water scarcity creates significant and growing challenges in many parts of the world. Apart from the Indian company MTR Foods, Orkla's businesses are located in areas where there is low-to-medium risk of water scarcity. Nonetheless, reducing water consumption is also a way of cutting costs. To help ensure that the Group reaches its objective of 20% reduction in water consumption by 2020, the issue of water is covered in the internal programme «Improved Resource and Energy Efficiency». Activities in 2016-2017 will primarily be focused on awareness-raising within the Group and the introduction of systematic measurement and monitoring of internal water consumption. In 2016, MTR Foods invested in

equipment for purifying and recycling waste water for use in the production of steam. This has reduced daily water consumption by 20,000 litres, and is an important step towards realising the company's ambition of achieving water self-sufficiency.

In the case of some of the raw materials bought by the Group, drought can lead to smaller harvests and higher raw material costs. Orkla keeps close track of the raw material situation, and works systematically to reduce its commercial exposure to such risk. Among other things, Orkla has several alternative suppliers of important raw materials. Orkla requires all its suppliers to have effective procedures for preventing emissions and unnecessary water consumption. In future, the Group will increase its efforts to monitor water consumption and follow up on other key environmental topics with its suppliers.

Products with environmental benefits

Orkla can help to reduce the environmental impact of its products by making good choices when it comes to packaging, raw materials and product design. The launch of Jordan Ren Universalklut, an environmentally friendly, compostable, all-round cleaning cloth based on 100% regenerated cellulose, and highly concentrated Milo detergent for wool are examples of this focus.

Pierre Robert Group considers it important to use sustainable materials, and has replaced viscose with the natural material Tencel® in several products. Tencel is extracted from wood pulp from sustainable forests, and is considered to be one of the most environmentally friendly textiles. For instance, the amount of water used to produce Tencel is 10-20 times less than for viscose. Lilleborg develops professional cleaning products that enable customers to reduce their use of water. Economising on water is another important topic covered in Lilleborgs' training programmes.

Leftover bread becomes new bakery products

The Netherlands company Sonneveld had previously developed a product concept that enabled bakers to reuse old bread in new sourdough. Through a new joint study initiated by Orkla Food Ingredients' innovation centre, Sonneveld and several other players in the bakery industry have investigated whether bread returned by supermarkets can be used to make new bakery products. The results show that one third of all bread that is returned can be used to bake new bread through fermentation. BakeFive Bakeries, Wageningen University and Retailer Jumbo were among the participants in the project, which was called "Bread Sin".



Environmental measures for detergents

In the past few years, Orkla Home and Personal Care have introduced a new generation of concentrated laundry detergents that have produced substantial environmental savings. Concentrated liquid OMO and Blenda were launched in 2015, and in 2016 Milo was also introduced in a concentrated form. In the two years since the products have been on the market, use of chemicals in the detergents has been reduced by around 400 tonnes as a result of the lower dosage. Use of plastic packaging has been cut by 435 tonnes by using smaller bottles, equivalent to a reduction in greenhouse gas emissions of 1000 – 1500 tonnes of CO₂ equivalents.

Packaging with a reduced environmental footprint

Many consumers want the products they buy to have environmentally friendly packaging. In 2016, Orkla developed a model for its sustainable packaging work.

One of Orkla’s sustainability objectives is to develop more environmentally friendly packaging and products with a smaller environmental footprint. In 2016, Orkla developed a model for its sustainable packaging work, which defines five important dimensions: Rethink, Reduce, Replace, Recycle and Reuse. These dimensions reflect the activities that Orkla considers important in its categories with a view to achieving more sustainable packaging.

Rethink is about developing new and innovative packaging solutions, and engaging the consumer in new ways to ensure that the used packaging is sustainably handled. Examples are new materials, shapes and formats that contribute to a substantial reduction in the packaging’s environmental footprint.

Reduce is about reducing the amount of materials that is used, examining possibilities of eliminating parts of the packaging, and designing it in a way that results in less product waste and less packaging. New packaging design can also lead to more efficient transport with an associated reduction in carbon footprint.

Reuse is about developing smart refill solutions, exploring new ways of using them and reusing secondary packaging. This can also mean introducing packaging that the consumer can reuse for other purposes.

Recycle is about choosing packaging solutions that make it easier for the consumer to recycle them, and using the highest possible percentage of recycled materials when this is practical based on food safety and environmental considerations.

Replace is about not using packaging that is associated with tropical deforestation or other unacceptable production practices. It can also entail replacing materials based on fossil sources with renewable alternatives.

The importance of each dimension varies according to the type of packaging, category and country.

A circular economy

Increased recycling and reuse are the essence of a circular economy. In a circular economy, material resources remain in the economic cycle through recycling, reuse, repair and improvement. This offers new business opportunities where developments are driven by the profitability inherent in more efficient resource use.



Results*

GRI ref.		Unit	2016	2015	2014
Resource consumption					
Materials					
G4-EN1	- Raw materials	Tonnes	977 250	928 800	975 300
G4-EN1	- Packaging	Tonnes	99 000	92 000	107 350
G4-EN1	- Packaging made of renewable materials	%	46%		
G4-EN2	- Percentage of recycled packaging	%	53%		
Energy and water					
G4-EN3	- Internally generated, renewable energy sold	GWh	2 490	2 250	2 570
	- Total energy usage	GWh	869	848	841
G4-EN3	- Energy usage – fossil fuel	GWh	430	442	417
G4-EN3	- Energy usage – purchased	GWh	421	391	397
G4-EN3	- Energy usage from renewable fuel resources (scope 1)	GWh	22	13	27
G4-EN5	- Energy usage per FTE	MWh/FTE	49	58	56
G4-EN5	- Energy consumption per revenue turnover	MWh/NOK million	23	26	28
G4-EN8	- Total water withdrawal	Million m ³	6.8	6.0	6.4
G4-EN10	- Water – recycled	Million m ³	1	1	1
G4-EN10	- Water – recycled	%	14.1	15.1	14.2

Emissions

Emissions to air					
G4-EN15	- Greenhouse gas emissions (GHG) scope 1	tCO ₂ e	89 940	106 880	94 320
G4-EN16	- Indirect greenhouse gas emissions (GHG) scope 2	tCO ₂ e	54 050	52 750	61 990
G4-EN18	- GHG (S1+S2) per FTE	tCO ₂ e/FTE	8	11	10.4
G4-EN18	- GHG (S1+S2) per revenue	tCO ₂ e/NOK million	3.8	4.8	5.3
G4-EN21	- Sulphur dioxide	Tonnes	90	104	101
G4-EN21	- Nitrogen oxide	Tonnes	16	34	40
Water discharge					
G4-EN22a	- Internal treatment	Million m ³	0.8	0.9	1.6
G4-EN22A	- External treatment	Million m ³	2.5	2.6	2.9
G4-EN22a	- Direct to environment (water)	Million m ³	2.2	2.0	2.0
Emissions to water					
G4-EN22b	- BOD	Tonnes	4 250	4 350	4 380
G4-EN22b	- COD	Tonnes	3 070	2 820	5 110

Waste

G4-EN23	- Organic	Tonnes	82 820	77 530	84 000
G4-EN23	- Non-hazardous waste – sorted	Tonnes	11 600	11 310	11 530
G4-EN23	- Non-hazardous waste – mixed	Tonnes	8 960	8 020	8 390
G4-EN23	- Hazardous waste	Tonnes	160	160	240

*The figures for 2014 and 2015 have been adjusted due to information received after the reporting date. The figures for 2016 are provisional and will be verified during the spring of 2017 by CO2focus, and the final figures will be reported to the CDP in June 2017.



Benny and Heidi - part of the Orkla family

06 Occupational health and safety

Safe working conditions for all

A secure, safe working environment is a fundamental right of all workers. Orkla's ambition is to conduct its operations with zero injuries.

As an employer, Orkla is responsible for providing a good working environment where employees' health and safety are safeguarded.

Orkla sets the same requirements with regard to occupational health and safety in every country in which the Group operates.

Sustainability pledge, Orkla

Orkla's approach

Orkla's ambition is to conduct its operations with zero injuries. This objective will be achieved through effective risk management, systematic efforts to prevent injuries and work-related diseases and the active involvement of all employees.

Under Orkla's management structure, each company has an independent responsibility for its own environmental, health and safety (EHS) work. The general requirements that must be met by the companies are set out in Orkla's EHS policy. Orkla has adopted a common EHS standard and detailed guidelines for the Group's occupational health and safety efforts. These apply to all business areas and companies, and are intended to ensure controls and continuous improvement. Each business must draw up targets and activity plans, establish systems and control procedures, implement measures and report on its EHS activities. The principle of preventive action is fundamental to the Group's EHS efforts. Risk assessments are therefore a key element, and every Orkla unit must carry out such assessments. The risk assessment determines the action that must be taken, and helps businesses to optimise their improvement work by prioritising the most important measures and establishing effective action plans.

Orkla has an internal network of EHS experts. Collaboration and the transfer of best practices are key components of the improvement process, and the network helps to ensure effective implementation of the EHS standard. All management staff are expected to be strongly engaged in EHS work, and all employees are to receive relevant training and be involved in EHS activities at their workplace. In 2016, the Group and its companies provided around 21,200 hours of organised EHS training for some 6,500 employees.

Orkla factories are monitored by means of internal EHS reviews designed to facilitate learning through systematic observation and feedback. In the period 2015-2017, an EHS review of this type was carried out at all Orkla factories. EHS work is monitored at company and business area level through the submission of status reports to the management teams and the Group Executive Board and Orkla's Board of Directors.

Safety

In 2016, there were few occupational accidents in Orkla's operations that caused very serious injury. Most of the injuries consisted of cuts, machinery-related crushing injuries or injuries due to a fall from a low height. The matters are followed up by the respective companies. Recording and following up on all types of injuries and undesirable incidents are an important part of the Group's improvement work, as it promotes a greater understanding and awareness of risk throughout the organisation. All companies and factories carry out risk analyses that include assessing processes and new procedures, safe use of machinery and working conditions.

Both accident and near-miss statistics reported in 2016 show that the Group must continue to maintain full focus on injury prevention in every part of the organisation. Orkla achieved a Lost Work Day Rate (LWDR) (number of injuries leading to absence per million hours worked) of 5.4 in 2016 and a Total Recordable Rate (TRR) (number of injuries leading to absence, need for medical treatment or restricted work per million hours) of 10.8. The number of injuries declined compared with 2015. Although the number of occupational accidents at Orkla is not satisfactory, many companies saw a positive trend in 2016. Several companies recorded no injuries leading to absence during the year. The results show that improvements can be achieved by applying key EHS principles such as good order and cleanliness, engagement, skills upgrading and the willingness to learn from others. Orkla will therefore continue to focus on and emphasise the application of these important principles throughout the organisation, while also introducing new measures to ensure that further progress is made towards the goal of zero injuries. This work will continue in 2017.

Working environment and health

A health-promoting workplace is important for every single employee. Healthy employees have a positive impact on their working environment and are crucial to achieving good financial results. Orkla wants all its companies to establish principles for fostering health-promoting workplaces, adapting these principles to conditions in the respective countries. Systematic improvement efforts are carried out with particular emphasis on preventive action and rehabilitation.

The sickness absence rate for Orkla globally was 4.3% in 2016, slightly lower than in 2015. There have been minor changes in sickness absence in Orkla in the past few years, with the variations remaining constant throughout the year. The absence rate is highest in the winter months and lowest in the third quarter. On the other hand, sickness absence rates vary significantly from one country and company to another. In 2016, the sickness absence rate in the companies in Norway was 5.6%, on a par with the rate in 2015. The rules for recording sickness absence and following up persons on sick leave vary from country to country, but it is nonetheless obvious that sickness absence, especially in some of the Norwegian and Swedish companies, is too high. There is continuous focus on improvement measures, where important principles are active follow-up of persons on sick leave

and preventive action. In practice, this means that individual companies must put in place good processes in which management and employees participate actively in establishing measures adapted to their workplace.

EHS training for management and employee representatives is now based on a combination of e-learning and group sessions. In 2016, special training was also provided for

management staff, with focus on sickness absence follow-up and health-promoting measures. There has been particular emphasis on following up on employees with frequent short absences and employees with functional impairments to ensure their return to work. These activities will continue in 2017.

Results 2016

GRI ref.	Sickness absence	2016	2015	2014
G4-LA6	% sickness absence in Norway	5.6	5.8	6.1
G4-LA6	% sickness absence in Nordics (excl. Norway) and Baltics	4.5	4.6	4.0
G4-LA6	% sickness absence in rest of the world	3.1	2.7	3.1
Injuries				
G4-LA6	H1 in Norway	3.5	3.4	5.3
G4-LA6	H1 in Norway (excl. Norway) and Baltics	7.7	7.4	8.7
G4-LA6	H1 in rest of the world	3.7	4.9	7.0
G4-LA6	H2 in Norway	9.1	6.0	11.8
G4-LA6	H2 in Norway (excl. Norway) and Baltics	15.4	19.4	20.2
G4-LA6	H2 in rest of the world	5.6	6.9	7.8
G4-LA6	Work-related fatalities	0	0	0





Birgitte and Astrid - part of the Orkla family

07 Human resource development and corporate culture

A strong corporate culture

Orkla strives to create a strong corporate culture characterised by respect, diversity, equality and human resource development.

As employer, Orkla has a responsibility to respect important human rights such as freedom of opinion, freedom of organisation and the right to fair working conditions. Being a responsible employer is also pivotal to its success as an organisation.

Orkla will create workplaces where employees are treated with respect, and will help to ensure that its employees develop and perform to their full potential.

Sustainability pledge, Orkla

Orkla's approach

Orkla's general strategy and basic values are described in the Orkla Compass. In 2015–2016, meetings were held for around 10,000 employees to discuss what the vision and values mean in practice. Orkla's human rights policy describes the overarching principles governing the way the Group companies must handle human rights that are important to their daily operations. Orkla has also established guidelines and systems for key topics such as capability-building, corporate democracy, personal data protection and anti-corruption.

Activities related to human resource development and corporate culture are run by the management of the individual companies in accordance with Orkla's guidelines and national regulatory frameworks, with the support of HR staffs at central and local level. Orkla monitors the companies' work by conducting regular reviews with the senior management of each business area.

In 2016, Orkla carried out a survey of the companies' procedures for addressing important human rights topics. The results of the survey will be used in 2017 to improve Orkla's internal guidelines and procedures for protecting employee rights. To ensure that Orkla's principles and guidelines are properly introduced in new companies that join the Group, a toolkit was prepared in 2016 for HR work in connection with acquisitions.

A responsible, attractive workplace

At the end of 2016, Orkla had 18,154 employees in 235 companies in 26 countries. Almost all of them were permanently employed. A total of 39.4% are administrative employees and 60.6% are blue-collar workers. Compared with 2015, there was a net increase of 3,484 in the number of employees, due to a combination of company acquisitions and restructuring. The largest new companies in 2016 were the Czech food company Hamé and the English paintbrush manufacturer Harris.

Orkla wants to be an attractive employer that offers good working conditions and fair and competitive employment

conditions. At a minimum, employees must have conditions that meet their basic needs, employment contracts must be in writing, and employees' working hours must be in compliance with laws and regulations, industry standards and management-union agreements. Orkla uses external benchmarking tools for pay and conditions, and companies have procedures to ensure that statutory requirements are met. In 2016, Orkla had two cases relating to working environment and workers' rights in Sweden. The Swedish labour inspectorate required Orkla Confectionery & Snacks Sverige to improve its overtime procedures and procedures for involving employees in occupational health and safety work. The company has carried out improvements to ensure that its internal procedures in these areas are in compliance with applicable rules. Orkla had no other cases related to human and workers' rights in 2016.

Companies in the Group engage in a variety of activities to promote collaboration and job satisfaction. In 2016, these activities ranged from meetings focused on Orkla's vision and values to events such as a football championship for the companies in Orkla Foods Ingredients, the celebration of the Netherlands company Sonneveld's 60th anniversary and an event marking International Women's Day at the Indian company MTR Foods. In 2016, Orkla was named the best in its industry in Universum's ranking of Norway's most attractive employers.

Capability and human resource development

Continuous capability development is essential to strengthen the Group's competitiveness. Orkla attaches importance to developing both specialised and management skills, and to creating an everyday work environment in which every employee is able to make optimal use of his or her expertise.

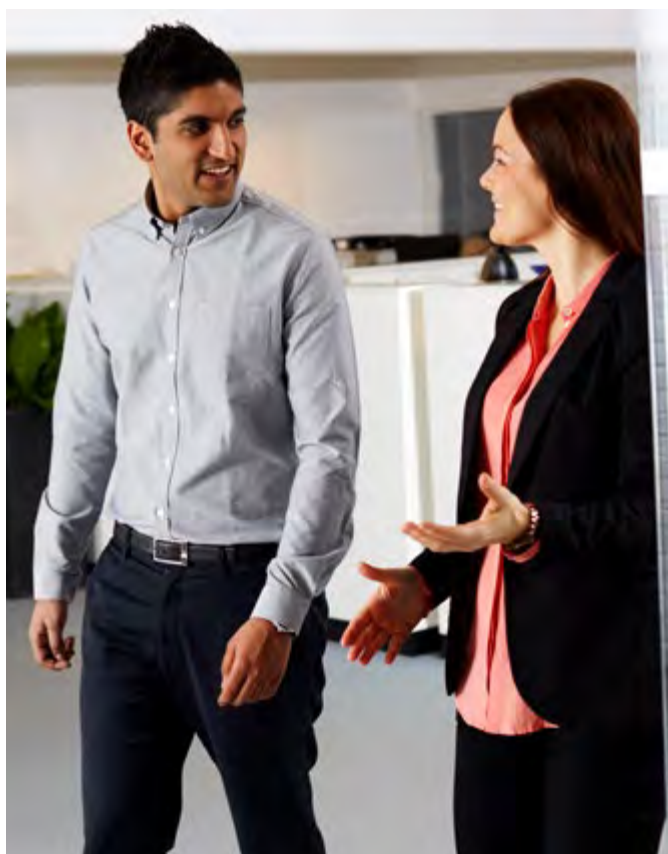
Orkla is well-known for the quality of its training and development programmes. In 2015–2016, a central competence board and a board of experts were appointed for each of Orkla's academies. Several of the academies have improved both their specialised programme content and use of digital tools. In 2016, a leadership development programme was carried out for the Group's 220 most senior executives, in cooperation with the business school IMD. The purpose of the programme was to establish a common leadership platform and create optimal conditions for realising Orkla's business strategy. A new leadership development programme was also established for managers who are new to their role. The aim is to foster leadership based on Orkla's leadership principles and provide participants with tools and methods to enable them to exercise their leadership role.

The employee performance assessment interview between manager and employee is an important means of enhancing the performance of each employee and his or her capability and career development. Orkla aims to ensure that all its employees receive regular feedback on their work and that individual performance targets are linked to general business goals. The percentage of employees who took part in formal development interviews in 2016 declined from the previous year, largely because the new companies that joined the

Employees by geographical area



● Norway	3 208	18%
● Sweden	2 970	16%
● Denmark	1 503	8%
● Finland and Iceland	820	4%
● Baltics	2 096	12%
● Rest of Europe	5 569	31%
● Rest of the world	1 988	11%
Total	18 154	100%



Group did not have this type of procedure. The percentage of blue-collar workers who had interviews rose. Some of the factories do not conduct employee performance assessment interviews with individual blue-collar workers, but follow up on their development through a combination of an ongoing dialogue with the employee and regular group meetings. Orkla has developed a harmonised process for employee evaluation and follow-up, which includes an IT-based support tool. In 2016, this tool was used for some 6,000 management staff and key personnel. The efforts to ensure close, uniform follow-up of employees will continue in 2017.

Leadership and employee consultation

Good formal arrangements for dialogue between management and employee representatives are important to ensure collaboration on business strategy and appropriate handling of matters affecting employee interests. Employees are represented on Orkla’s Board of Directors. A corporate agreement has also been established between Orkla and employee unions aimed at ensuring a constructive dialogue and collaboration and fulfilling the obligations laid down in statutory and contractual frameworks. Further details regarding the corporate democracy system may be found in the Annual Report, under “Governing Bodies and Elected Representatives”. Moreover, most of the Group companies have established working environment committees or other formal management-employee liaison committees. In the light of Orkla’s collaborative arrangements, the risk of breaches of the right of organisation and collective bargaining is considered low.

Organisational changes that might affect employees’ employment situation are discussed with employee representatives. In 2016, Orkla’s management and the employee representatives agreed on new, common principles for how the dialogue on restructuring projects is to be conducted, and internal guidelines were drawn up. In 2017 Orkla, in collaboration with the employee representatives, will carry out a survey of the way the co-determination right is dealt with in the companies outside Scandinavia.

In connection with its efforts to develop a long-term, competitive manufacturing footprint, Orkla announced the closure of eight factories in 2016. Management at Group and company level involved the employee representatives in implementing these changes through regular consultation meetings. The employees who lost their jobs in connection with the factory closures have been assisted in seeking new employment or enrolling in training programmes. In connection with the management-employee dialogue on the structural changes, the processes are being evaluated with emphasis on learning and improvement.

Diversity and equality

Orkla has a corporate culture characterised by respect and equality. These values are important in order to compete successfully for manpower, and to utilise employees’ full potential in the best interests of the Group and the individual. Orkla’s stance on diversity, equality and non-discrimination is described in the Group directive on corporate responsibility and Orkla’s human rights policy.

When determining employee pay, Orkla attaches importance to the individual's skills, the complexity of the position, his or her job performance and competitiveness in the market, regardless of gender, background or functional capability. In 2015 Orkla adopted a tool for job classification and determination of compensation, and in 2016 implemented measures to harmonise the procedures for determining compensation across the Group companies. In 2016, Orkla also began work on implementing a common database for recording pay data that will make it easier to identify undesirable compensation disparities.

Orkla strives to attain a good gender balance at all levels of the organisation, and attaches importance to this aspect when recruiting and developing employees. Measures that make it easier to combine a career and family life are an important factor in promoting gender equality. The Group requires that a minimum of one female candidate is nominated when recruiting candidates to management team positions at company or business area level.

Ensuring gender equality and promoting diversity are a management responsibility and part of management's day-to-day activities. Diversity and equality are topics covered in Orkla's leadership training and training in the Orkla Code of Conduct. In 2016, activities were carried out to provide training in and raise awareness of this issue in MTR Foods, Orkla Foods Lietuva, Orkla Foods Finland, Kalev, Orkla Confectionery & Snacks Sverige, Orkla Confectionery & Snacks Finland, Pierre Robert Group and Credin in Denmark.

There has been a positive change in the percentage of women in Orkla's management in the past three years, particularly among the top executives at company and business area level. This improvement is attributable to strong awareness of the importance of diversity and equality when recruiting candidates for management team positions and the high percentage of women in some of the companies that joined the Group in 2016. Efforts to promote diversity and equality will continue in 2017.

Integrity

Value creation at Orkla must be achieved in compliance with the Group's Code of Conduct and applicable legislation. The Group's overarching goal is to develop a corporate culture characterised by good judgement and the ability to deal with difficult situations. Orkla has zero tolerance for corruption, price-fixing agreements, market sharing or other practices that hamper free competition. Orkla's anti-corruption manual, competition law manual, human rights policy and Code of Conduct describe the Group's standards and guidelines relating to key integrity issues. The management of each company is responsible for communicating the Orkla Code of Conduct to every employee and making all employees who may be exposed to risk aware of the requirements in the anti-corruption and competition law manuals.

Orkla routinely conducts e-learning programmes on anti-corruption and competition law for management and employees considered to be exposed to risk. The companies

also provide special training in these fields, and training in anti-corruption and competition law is included in several of Orkla's central competence-building programmes for senior executives and key personnel.

In its Supplier Code of Conduct, Orkla requires suppliers to have zero tolerance for corruption. Suppliers are monitored on the basis of a risk assessment, and it is a long-term goal that all Orkla's suppliers sign the Group's Code of Conduct. As part of the Group's due diligence procedures in connection with acquisitions and major investments, Orkla assesses the risk of becoming involved in breaches of anti-corruption and competition law. Orkla companies must take necessary risk-mitigating action to prevent independent business partners, including customers and joint venture partners, from participating in corruption or other illegal or unethical activities in connection with their business dealings with Orkla.

In 2016, Orkla has worked to reinforce internal controls related to the collection, processing and storage of personal data. This work will continue in 2017, and includes a revision of the Group's policies and establishment of an internal network designed to ensure uniform procedures for personal data protection, in compliance with the requirements in the EU's personal data protection regulation.



Results 2016

GRI ref.		2016	2015	2014
	Number of employees	18 154	14 670	12 921
	Capability and human resource development			
G4-LA9	Average number of hours of organised training per employee ²	8.2	4.8	4.0
G4-LA11	Number of employees receiving regular performance assessment interviews ^{1,2}			
	- Total	63%	71%	
	- Management	93%	99%	
	- Administrative employees	83%	95%	
	- Sales personnel	81%	91%	
	- Blue-collar employees	49%	42%	
	Diversity and equality			
G4-LA12	Percentage of women employees:			
	- Total	48.5%	45.6%	44.8%
	- Administrative employees	48.6%	46.7%	48.8%
	- Blue-collar employees	48.4%	44.7%	41.5%
G4-LA12	Percentage of women in management positions			
	- Orkla's Group Executive Board	9%	9%	0%
	- Management teams at Group, business area and company level	35.1%	32%	27.3%
	- Total managers at all levels (manager defined as employees with personnel responsibility)	37.5%	36.1%	35.6%
G4-HR3	- Formal complaints or cases related to breaches of anti-discrimination rules	0	0	0
	Integrity			
G4-SO4	Training in anti-corruption ²			
	- Number of employees who have undergone training during the year	671	3 600	808
	- Percentage of employees who have undergone training during the year	3.7%	24.5%	13.9%
G4-SO5	Cases related to breaches of anti-corruption rules	0	0	0
G4-SO7	Cases related to breaches of competition law	0	0	0
G4-HR2	Training in human rights issues ²			
	- Total number of hours of training	22 800	14 500	19 185
	- Percentage of employees who have undergone training during the year	39%	34%	27%

¹Reporting procedures adopted in 2015

²Estimate based on figures reported by Orkla companies in November 2016



Sebastian and Jeanette - part of the Orkla family

08 Orkla and society

A good stakeholder dialogue

Orkla wants to contribute to a sustainable value chain and can by collaborating with others make a difference.

Engaging in a close dialogue with stakeholders helps Orkla to understand others' views, build trust and adapt to changes in society. Joining forces with other companies, customers, authorities, research communities and interest organisations also makes it possible to seek bigger solutions and make more progress than the individual stakeholders would be able to achieve on their own.

Orkla's dialogue and cooperation with external and internal stakeholders support the achievement of the UN's Sustainable Development Goals: **SDG #17 PARTNERSHIPS FOR THE GOALS**

Through dialogue and collaboration with important stakeholders, Orkla will promote good public health and sustainable value chains.

Sustainability pledge, Orkla

Orkla's approach

Orkla seeks to maintain an active dialogue with stakeholders who are affected by the Group's products and activities, or who in other ways are significant for Orkla's development. The most important stakeholders are employees, customers and consumers, investors, authorities, local communities, interest organisations, research communities and suppliers. The dialogue is conducted at both Group and company level at meetings and in other forums for direct communication, through consumer and customer surveys, participation in networks and industry organisations and in joint projects.

Dialogue with stakeholders in 2016

Orkla is engaged in dialogue with authorities and politicians at national level and in the EU on trade policy framework conditions and other matters relating to its operations. Important issues in 2016 were collaboration to promote better public health, good labelling to show the contents of food products, responsible marketing of food and drink and framework conditions for food production.

In 2016, Orkla met with the retail industry, investors and voluntary organisations to discuss the Group's sustainability work. Several of the companies also pursued a dialogue with grocery chains, other customers and external centres of expertise to obtain input for the further development of their own sustainability work.

Important topics addressed in Orkla's dialogue with stakeholders in 2016 are summarised in a separate illustration and discussed in the respective topical chapters.

A driving force in industry collaboration

In order to resolve the global challenges posed by climate change, raw material scarcity and lifestyle diseases, changes must be made to achieve more sustainable production and consumption. This requires the will and ability of business and industry, public authorities and specialised experts to work together to find new solutions and establish favourable framework conditions. Orkla and its companies take part in a number of collaborative projects in the fields of nutrition and health, environment and responsible sourcing. These projects are described in separate chapters.

Economic ripple effects

Many of the Orkla companies are major employers, and both employees and management staff are largely recruited from the country in which the business is located. By developing profitable companies, Orkla creates positive ripple effects

The Orkla Food Barometer

Orkla wishes to take part in the debate on diet and be able to bring new insights to this important issue. It therefore established the Orkla Food Barometer in 2016, as an annual Nordic diet survey. The survey was conducted in November 2016 by the data analysis agency Kantar TNS Norge. A nationally representative sample of the population of Norway, Sweden, Denmark and Finland was interviewed about their attitudes towards and knowledge of food and diet. Topics included industrial food, eating habits, healthiness, ecology and sustainability. The Orkla Food Barometer will enable Orkla to make comparisons between countries and monitor developments and trends over several years. The survey findings were presented at an external breakfast seminar in Oslo in January 2017.



for society in the form of skills-building, new jobs at supplier companies and in the public sector, and payment of taxes and charges.

At the end of 2016, the capital employed in Orkla's operations totalled NOK 43 577 million, an increase of 5.7% from the previous year. The geographical breakdown of capital employed is shown in the diagram below. More than half of the capital was employed in Norway, in part through Orkla's investments in Sapa, Jotun and Hydro Power. Due to a number of company acquisitions outside the Nordic region, the share of capital employed in the rest of Europe increased in 2016.

In connection with its efforts to develop a long-term, competitive manufacturing footprint, Orkla announced the closure of eight factories in 2016. In these processes, Orkla has emphasised the importance of openness and dialogue with key stakeholders, such as employees, authorities and local communities.

Orkla received NOK 17.9 million in government support in 2016, in the form of subsidies for research and development and labour and environmental initiatives. The Group also received NOK 173.6 million in raw material price compensation, under an arrangement that enables Orkla's Norwegian businesses to compete with foreign competitors on equal terms.

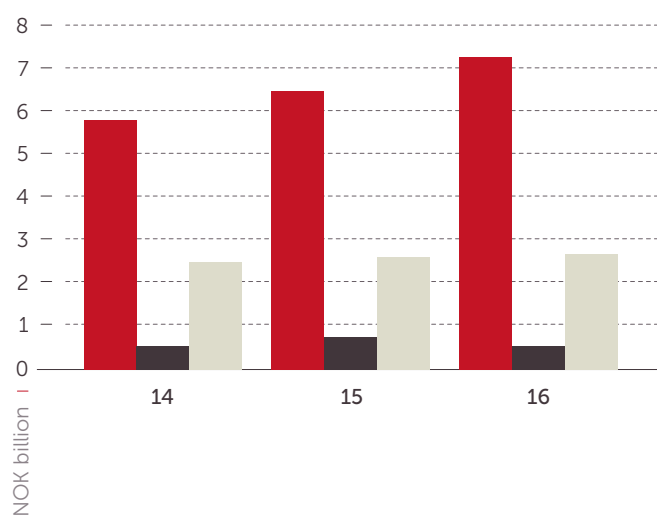
Capital employed by geographical area



● Norway	24 289	56%
● Sweden	5 969	14%
● Denmark	4 185	10%
● Finland and Iceland	2 371	5%
● Baltics	1 754	4%
● Rest of Europe	4 282	10%
● Rest of the world	727	1%

Total	43 577	100%
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Value creation at Orkla



■ Employee wages (payroll expense)
■ To society in the form of taxes (cash flow)
■ To Orkla shareholders in the form of dividends and buyback/sale of treasury shares

Strong social engagement

The Orkla Friends Fund was introduced in connection with the launch of Orkla's vision "Your friend in everyday life". In 2016, several Orkla companies donated grants from the Fund for causes within the categories of Nutrition and Health and Corporate Responsibility.

In 2016 Orkla Friends Fund grants were awarded to the following projects:

- **Collaboration with JA Norway (Ungt Entreprenørskap)**

Orkla wants to support the creativity of young people and has entered into a partnership with JA Norway. Under the partnership agreement, Orkla will be represented on the jury for and will present the Orkla Innovation Award at the 2017 Norwegian championship for youth enterprises.

- **The Young Sustainability Influence insight project**

Orkla and The Innovation Effect jointly established the Young Sustainability Influence insight project, through which Orkla looks to young people for new, forward-looking sustainability solutions.

- **TORO provides funding for the Salvation Army for cinema tickets for children**

TORO has established a long-term partnership with the Salvation Army through the Soup to the People project.

Through the Orkla Friends Fund TORO provided a grant of NOK 100,000 to the Salvation Army that was earmarked for cinema tickets for children.

- **Contributing to a more active daily life for children and young people**

Through the Orkla Friends Fund, Orkla House Care supports the Bankeryd handball association and the Hagaboda parasport association, which work to give children and young people with disabilities a more active daily life.

- **Equipping street teams with football shoes**

For several years Orkla Foods Norge has been engaged in cooperation with the football club organisation Norsk Topp-fotball targeting serious substance abusers, and has now made an additional contribution through the Orkla Friends Fund. The organisation has received a donation of NOK 100,000 earmarked for shoes for the football players, who often do not have proper shoes, either for playing football or for other recreational use.



Hunting for sustainability ideas among young people

In the autumn of 2016 Orkla, in partnership with The Innovation Effect, established the Young Sustainability Influence project. The Innovation Effect is a company that connects students to companies with innovative projects and the Skills2Grow innovation programme. Through this project Orkla hoped to gain ideas for new, forward-looking sustainability solutions. Over a period of eight weeks, a dedicated team of four students conducted a survey of the views of students, entrepreneurs and various start-up companies regarding Orkla's future scenario. The survey findings were presented live on stage on 23 October during Oslo Innovation Week. Based on the insights they gained, the students drew up various proposals for how a focus on sustainability can make Orkla more attractive to the new generation of consumers.

Local engagement

Many of the Orkla companies are actively engaged in their local communities. Through collaboration with local authorities, schools and organisations, Orkla helps to support projects that benefit the community.

Several of the companies support sports events for children and teenagers, ranging from the Kalles Kaviar Football Cup in Sweden, street handball in Denmark and ice hockey for disadvantaged Finnish families to Hamé's Children's Day in the Czech Republic. Many companies also participate in a variety of initiatives to promote good food and a proper, nutritious diet.

Projects supported by the companies include:

- Orkla Foods Sverige supports the work of Håll Sverige Rent (Keep Sweden Clean) for a cleaner environment. The ocean is the first focus area for the three-year partnership.
- Orkla Foods Norge has supported street football teams for several years, an initiative aimed at bringing drug addicts and other substance abusers back to society. The company provides good, nutritious food in connection with football matches and gatherings.
- Orkla Foods Norge has teamed up with the Salvation Army on the Soup to the People project, in which it helps to provide soup for the many individuals that the Salvation Army assists every day.
- Orkla Confectionery & Snacks Sverige supports the Swedish Prostate Cancer Association and its work to prevent testicular cancer.

- MTR Foods in India partners with the Akshaya Patra Foundation in providing school lunches for children in Karnataka. By ensuring that children have nutritious food, the project aims to promote education and learning, thereby reducing child illiteracy.

- Through the Clean Milk, Healthy Cows campaign, MTR Foods provides disadvantaged Indian dairy farmers with five-litre stainless steel milk pails. The campaign is carried out in cooperation with the Karnataka Milk Federation.

In 2016, several of the companies conducted joint campaigns with the retail industry, where part of the profit has gone to charitable causes. Examples are TORO's Soup to the People campaign, and CBP's joint campaign with local Danish bakeries to raise funds for the Children's Cancer Foundation in Denmark.

In 2016, Orkla and the Group companies contributed a total of around NOK 14 million in support for community projects, including about NOK 4 million in the form of products and other non-financial support. Moreover, the Orkla companies contributed around NOK 6.5 million to external research projects related to nutrition and health.



Less food waste

Reducing food waste is high on the agenda at Orkla. Through a joint programme with the Food Bank Norway and the Matmissionen social supermarket in Sweden, Orkla companies give surplus food to those who need it, instead of throwing the food away. In 2016, Orkla Foods Norge was one of the biggest contributors to the Food Bank Norway, which gives food and other grocery products to voluntary organisations that help the disadvantaged. Orkla Foods Sverige supports Matmission, a grocery store where impoverished individuals can pay a reduced price for goods with a sell-by date that will soon expire. Matmissionen is a collaborative project between Stockholm City Mission and Afood, and Orkla Foods Sverige is one of several financial donors.

Important topics addressed in Orkla's dialogue with stakeholders in 2016



Suppliers

- Compliance with Orkla's Supplier Code of Conduct
 - Sustainable palm oil production
 - Sustainable fish and seafood
- Improving conditions in the cocoa sector in the Ivory Coast
 - Working conditions for berry pickers in Sweden
 - Quality certification of fish oil



Employees

- Restructuring of businesses
- Orkla's vision and values



Interest organisations

- Sustainable palm oil production
- Deforestation-free supply chains
 - Reduction of food waste
- Red-listing of fish species
 - Animal welfare
- Green value creation



Research communities

- Analysis of the environmental footprint of key raw materials
- Development of healthy, sustainably produced food
 - Reduction of salt, sugar and saturated fat in food products
- Healthy bread mixes with a good nutritional profile
 - Omega-3 and fish



Important topics addressed in Orkla's dialogue with stakeholders in 2016



Authorities

- Partnership to promote better public health
- Reduction of salt, sugar and saturated fat in food products
 - Product labelling rules
 - Keyhole healthy food labelling
 - Deforestation-free supply chains
 - Sustainable food production
- The UN Sustainable Development Goals
- The UN Guiding Principles on Business and Human Rights
- Marketing of food and drink to children and adolescents
 - Framework conditions for food production
- Ongoing dialogue with supervisory authorities



Customers and consumers

- Sustainable raw materials
 - Orkla's Sustainability Strategy up to 2020
- Reduction of food waste
 - Nutritional labelling
 - Allergies
 - Animal welfare
 - Product safety
 - Contingencies
 - Product issues



Local communities

- Environmental initiatives
- Restructuring of businesses
- Collaboration on vocational training
- Municipal development projects



Investors

- Orkla's Sustainability Strategy up to 2020
- Risk management
- Orkla's approach to corporate responsibility

