

01 Orkla's sustainability work

Movement for a sustainable lifestyle

Orkla wants to create sustainable economic growth by mobilising the entire organisation and developing products and solutions that are good for people and the environment.



One fourth of the world's adult population is overweight¹, and lifestyle diseases are spreading. At the same time, the value chain for food and other grocery products generates a large part of the world's greenhouse gas emissions and is one of the main sources of water consumption. The combination of climate change and population growth is putting pressure on raw materials and natural resources. These challenges call for intensified efforts to promote a healthy lifestyle and a transition to sustainable production and consumption. We at Orkla want to contribute to sustainable development by improving our products and value chains, and by offering sustainable choices to customers and consumers. This is both a responsibility and a prerequisite for long-term growth.

Orkla's footprint

Orkla's grocery products are purchased regularly by several million consumers, and affect their diet, health and well-being. Even small improvements in products can have a positive effect. By developing products and services for a healthy lifestyle, Orkla can make important contributions to public health. Orkla's food production makes us one of the biggest purchasers of agricultural and fish raw materials in the Nordic region. At the same time, we impact on the environment by using energy and water and buying packaging and transport services. Orkla is also involved in certain global raw material chains that present complex economic, social and environmental challenges. By switching to renewable energy, using resources efficiently, reducing food waste and making targeted efforts to achieve

sustainable raw material production, Orkla can contribute to a sustainable value chain for food and grocery products.

Orkla is a major employer, with its own extensive production operations and activities in many countries. By investing in skills development and working systematically to ensure good occupational health and safety, Orkla makes a positive contribution to its employees' job satisfaction, health and personal development. Moreover, the Orkla companies create positive economic ripple effects for local communities in the form of jobs, tax revenues and sourcing from local suppliers.

Sustainable economic growth

The global health and sustainability challenges are leading to gradual changes in consumer preferences, availability of raw materials, political framework conditions and competition that have consequences for Orkla's operations. In a 2017 survey, for example, one third of consumers in the Scandinavian countries replied that sustainability is a factor in their purchasing decisions². Through long-term emphasis on developing products with beneficial health effects and lower environmental impact, we at Orkla have laid a crucial foundation for winning consumer preference and driving revenue growth. Moreover, our focus on sustainable raw material chains and reduced environmental impact are key to securing long-term access to raw materials, achieving cost-efficient operations and building trust in Orkla's operations and branded products. Our systematic improvement work in connection with occupational health and safety also has considerable commercial significance as it promotes stable operations and reduces sickness absence costs.

¹World Health Organization (WHO), 2017

²Sustainable Brand Index, Analysis report Orkla, 2017

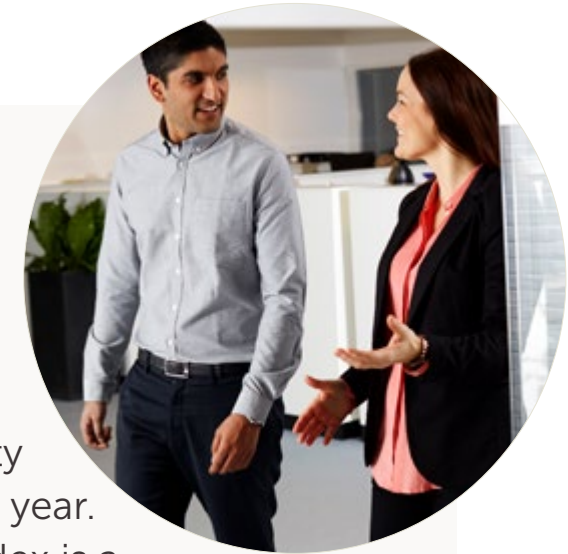
Orkla's sustainability strategy was drawn up in 2014 and comprises common general goals for our work up to 2020. In 2017, we revised the strategy and defined new long-term goals up to 2025. The sustainability strategy covers five main topics: safe products, nutrition and wellness, sustainable raw materials, environmental engagement and care for people and society. These are areas where we, by virtue of our operations, have substantial influence and responsibility, and where our efforts will be pivotal to the Group's future growth and profitability.

Orkla's sustainability goals entail a gradual transition to use of renewable energy, increased resource recovery and products that promote a healthy, sustainable lifestyle. These are ambitious goals that we intend to achieve by mobilising our entire organisation, making sustainability work an integral part of our operations, and promoting dialogue and cooperation with consumers, customers, suppliers, external centres of expertise and public authorities. To underscore the significance of broad-based involvement and engagement, we have chosen to call Orkla's sustainability efforts "a movement for a sustainable lifestyle".

The work to meet our sustainability goals is largely carried out in Orkla's many companies, with the support of the Group's specialised functions. Orkla has an internal sustainability network that facilitates exchanges of experience and collaboration across companies and countries. In addition, the Group functions have established several initiatives at central level in the past few years to share lessons learned and best practices, establish common approaches and systems and optimise use of available resources. This internal collaboration will be further strengthened in 2018.

One of Europe's most sustainable companies

In 2017, Orkla was listed in the Dow Jones European Sustainability Index for the seventh consecutive year. This internationally recognised index is a key yardstick used by investors and other stakeholders to assess companies' non-financial performance.



One of the world's most sustainable companies

Orkla is included in the Corporate Knights Global 100 index of the world's most sustainable companies, which was presented at the World Economic Forum in Davos in January 2018.

The ranking is based on an analysis of nearly 6 000 companies. For the first time, Orkla is included in the index, as one out of two Norwegian companies.

The status of Orkla's sustainability work

Orkla has achieved improvement in all five topical areas. In the past few years, the companies have successfully launched a host of healthy, vegetarian and organic food products, healthier snacks, health foods, well-being products, cleaning products with gentle ingredients and products that are good environmental choices. Several of the companies also carried out campaigns or other communications initiatives in 2017 to raise consumer and customer awareness of the importance of healthy, sustainable choices.

Our efforts to ensure safe products adhere to strict standards, and the risks that arose in 2017 were handled in accordance with Orkla's contingency preparedness procedures, at no risk to consumer health. Orkla factories also maintain good control of the risk of emissions and other undesirable environmental impacts, and are making good progress towards reducing energy consumption, water consumption and food waste from production. Orkla has ambitious goals of reducing greenhouse gas emissions by making more efficient use of resources and switching from fossil fuels to renewable energy. As a major producer of renewable electricity, Orkla generates more than six times its own consumption of electric power. By implementing the system for Guarantees of Origin (GOs), we ensure that all our European locations and factories use renewable electricity. Our target for reducing greenhouse gas emissions for 2014-2020 has thereby already been achieved. In 2017, Orkla set new greenhouse gas reduction targets up to 2025. Orkla is making good headway in monitoring suppliers to ensure that raw materials are produced safely and responsibly.

In 2017, in cooperation with suppliers and external centres of expertise, we took further steps towards our goal of sustainable raw material production, but a great deal still remains to be done in this field. Orkla's human rights policy was revised in 2017, and we have begun implementing new, more systematic due diligence procedures of Orkla's responsibility for its own employees. Efforts related to competence development, occupational health and safety and anti-corruption were also further strengthened in 2017.

The results of our sustainability work in 2017 and the targets for our further efforts are described in greater detail in separate chapters on each main topic.

Orkla's sustainability reporting

The choice of topics and indicators for reporting Orkla's sustainability work is based on a materiality assessment, in accordance with the guidelines of the GRI G4 Core reporting standard and the Oslo Stock Exchange's guidance on reporting on corporate responsibility. In the assessment we have emphasised the long-term commercial and social impact of Orkla's efforts and the topics' significance for stakeholders' assessments and decisions. The stakeholder groups we consider most crucial to Orkla's chances of succeeding, and to which most importance has therefore been attached in the materiality assessment, are investors, authorities, consumers, customers and employees.

The materiality assessment was originally carried out in 2015, but was reviewed and updated in 2017. The number of main topics was reduced from seven to five to give the assessment a

simpler, clearer structure. Some of the topics have been re-named, and we have adjusted our assessment of the topics’ importance slightly. Among other things, two new topics, “promote healthy, sustainable consumption” and “preparedness for emerging safety risks” have been identified as material. “Animal welfare” has also been identified as an important new topic. These changes were made in connection with the revision of Orkla’s sustainability strategy. We have identified which sustainability topics Orkla’s stakeholders are particularly interested in, based on consumer surveys, analyses carried out by external sustainability analysts and publicly available information.

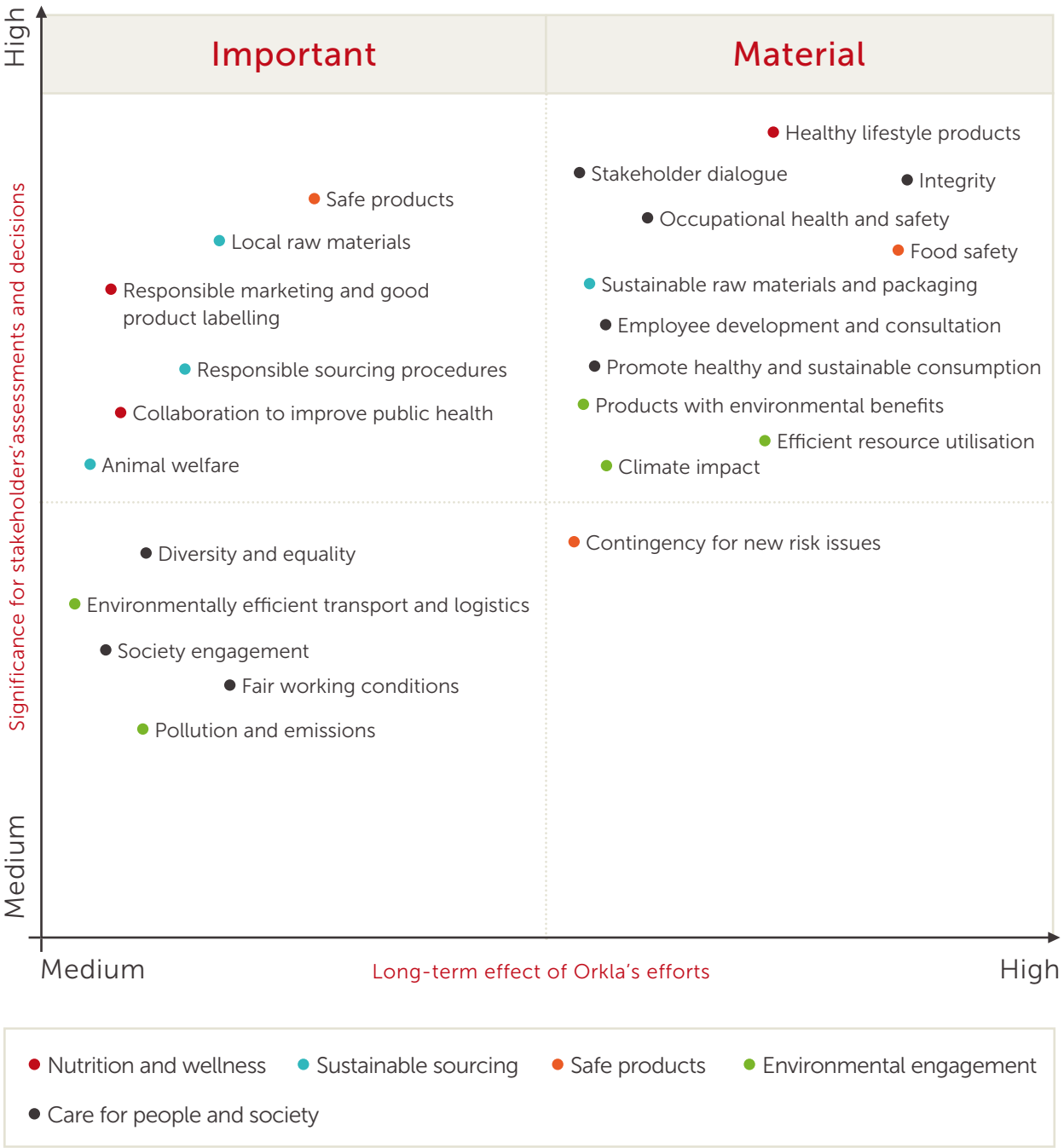
Orkla’s sustainability reporting covers all topics defined as important and material, but greatest importance has been attached to the material topics. The reporting covers the same topics as before, with some changes in topic names and reporting structure as a result of the updated materiality assessment. 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](http://www.orkla.com/Sustainability/Results%20and%20reporting).

Under sections 3-3a and 3-3c of the Norwegian Accounting Act, Orkla is required to report on corporate responsibility and selected responsibility topics. An account of the Group’s efforts to address the relevant topics in 2017 may be found in the following chapters:

- “Orkla’s sustainability work”, page 54 (corporate responsibility)
- “Sustainable sourcing”, page 79 (human rights, workers’ rights, social conditions and environment in the supply chain)

- “Environmental engagement”, page 89 (environment)
- “Care for people and society”, page 99 (human rights, equality and non-discrimination, working environment, injuries, accidents, sickness absence, workers’ rights in Orkla’s operations, social conditions)

Materiality assessment



Unless otherwise stated, the key figures in Orkla's sustainability reporting cover all businesses in which Orkla owned more than a 50% stake as at 31 December 2017. The key figures for emissions and energy and water consumption will be verified by the independent company CO2focus in the course of spring 2018. For information on the sustainability work carried out in the associate and joint venture Jotun, we refer to the company's own report.

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 must 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 21 of this report.





The UN Global Compact and the UN 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, environment and anti-corruption. Through Orkla's sustainability work, we contribute actively to the achievement of several of the global Sustainable Development Goals launched by the UN in 2015 and which run until 2030.

We have assessed the following goals as being of particular relevance for Orkla:

SDG 2 Zero hunger

SDG 8 Decent work and economic growth

SDG 13 Climate action

SDG 15 Life on land

SDG 3 Good health and well-being

SDG 12 Responsible production and consumption

SDG 14 Life below water

SDG 17 Partnership for the goals.

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:



Peter A. Ruzicka
President and CEO

«The United Nations Sustainable Development Goals represent a once-in-a-life-time 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.»

02 Nutrition and wellness

Making it easier to live healthily

The global health challenges are considerable, and broad-based efforts are being mobilised to reduce the prevalence of lifestyle diseases. Orkla wants to be part of the solution and help to promote a good, healthy diet among the population at large.



The big picture

More and more people suffer from lifestyle diseases due to an unhealthy diet. It is now widely accepted that the food industry, the retail sector, specialist groups and public authorities must join forces to combat the global health challenges. To a greater extent, the authorities expect the food industry to take responsibility for improving public health and to be a part of the solution. Health and wellness are a strong consumer trend, and retailers are calling for healthier alternatives in a growing number of product categories.

Our influence

As one of the biggest operators in the European grocery market, Orkla is committed to being part of the solution. We can exert influence both by being a driving force in collaborative initiatives to promote better public health and by developing healthier versions of foods and products that are part of people's daily diet. By offering health and wellness products and services, we make it easier to live healthily. All our business areas have given nutrition and consumer health a prominent position on their agenda. Our companies are working actively to adapt their product portfolios to health-related consumer trends. In the future, we expect a large part of growth to be generated by launches related to nutrition and wellness. This applies to everything from healthier alternatives to indulgence products such as biscuits, bars and snacks and products tailored to various health needs.

Orkla's sustainability pledge
«Make healthy living easier»

Main goals up to 2020

In 2014, Orkla set the following goals for its nutrition and health work 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



Promote responsible marketing

In 2017, Orkla set new goals for its work up to 2025. We have intensified our focus by setting quantitative targets for the Orkla companies' contribution to increasing sales of health and wellness products and reducing consumption of salt and sugar. Our nutrition and wellness work supports the achievement of the UN Sustainability Development Goal SDG3.

**Sustainability targets up to 2025**

Double the consumption of products and services for better health

- Double the consumption of products and services that promote a healthier lifestyle¹
- 15% less salt and sugar²
- Inspire people to adopt a healthier lifestyle

Our approach

The Orkla companies' product development and innovation work is based on local needs and taste preferences. Through research projects and close collaboration with external centres of expertise, the companies acquire new knowledge of health and diet. Orkla is also an active partner for the authorities and conducts a fruitful dialogue with them at both EU level and in several of the countries in which the Group operates. Health and nutrition are one of four priority areas for innovation in Orkla. The companies also work systematically to improve products' nutritional profile, and engage actively in development to reduce the content of salt, sugar and saturated fat. Their work is overseen by Orkla at central level through internal reporting and procedures for business area reviews. Results are reported regularly to the Orkla Board of Directors.

¹Concerns selected product types. Base year 2017.

²Concerns a reduction in total consumption of salt and sugar in Orkla food products. Base year 2015.



Healthier popular favourites

At Orkla we devote a great deal of time, money and effort to developing healthier foods and products containing less salt, sugar and saturated fat. Our companies continued to make good progress in this work in 2017.

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 some individuals. In Norway, Orkla is engaged in productive, well-functioning collaboration with the health authorities and the grocery trade. Through the agreement of intent to promote healthier food, we have committed to specific targets for reducing salt, sugar and saturated fat in our products. Among other things, Orkla will contribute towards reducing Norwegians' daily salt intake from ten to eight grams by 2021. Over a period of several years, Orkla companies in the Nordics, Baltics, Central Europe and India have gradually reduced the amount of salt, sugar and fat in a number of their products.

Developments in 2017

In 2017, as part of its partnership agreement with the health authorities, Orkla helped to develop a common measurement system for monitoring the industry's efforts to promote healthier food. The Orkla companies in Norway and Sweden have reduced the sugar content in several products, both on their own initiative and in joint projects with customers in the grocery trade. We are making good headway in the process of



removing salt from our Norwegian products, and significantly reduced the salt content of several types of biscuits, snack products, pizza and other foods. In Sweden, the amount of salt in several varieties of biscuit was lowered, while the Indian company MTR Foods reduced the salt content of many of its best-selling products. Orkla is helping to reduce people's intake of saturated fat by replacing palm oil with healthier alternatives. As a result of many years of work, most of Orkla's food products, biscuits, snacks and chocolate in the Nordic grocery market are now palm oil-free. In 2017, palm oil was also replaced in soups and stocks from Vitana and certain ready-to-eat dishes from MTR Foods in India.



The way forward

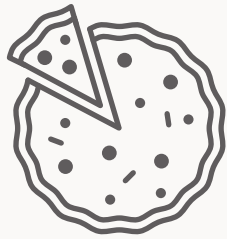
In 2018, Orkla will continue its efforts to reduce the content of salt, sugar and fat. Sugar reduction will be the highest priority in the future for companies in every business area.



Reducing salt in children's biscuits

Orkla Confectionery & Snacks Norge aims to eliminate 21 tonnes of salt from its snacks and biscuits by 2018. It is particularly important to cut down on salt in products that are eaten by children. In 2017, therefore, the company devoted substantial effort to reducing the salt in Bokstavkjeoks (alphabet cookies) (40% less salt) and Tom & Jerry biscuits (40% less salt). As from January 2018, there will also be 30% less salt in KiMs Elias snacks. Since 2015, a total of approximately 70 tonnes of salt have been eliminated from Orkla's Norwegian products, and we are close to achieving our goal of a reduction of 80 tonnes by the end of 2018.

Healthier popular favourites – results 2017



80 tonnes less salt

In 2017 Orkla contributed to an annual reduction in salt consumption of around 80 tonnes by developing products with less salt. In the past five years, the content of salt has been cut by an amount equivalent to an annual reduction in consumption of approximately 1200 tonnes

Less salt in pizzas, ready-to-eat meals, biscuits and ketchup.



1040 tonnes less sugar

The effect of our efforts in 2017 was an annual reduction in sugar intake equivalent to 1040 tonnes. In total, Orkla's portfolio of sugar-free and reduced-sugar products is contributing to a reduction in the population's sugar intake of around 16 000 tonnes.

Less sugar in bread toppings, between-meal smoothies, jams and ketchup. Cordials, throat lozenges, between-meal snacks, jams and breakfast cereals with no added sugar.



960 tonnes less saturated fat

By developing products with a healthier fat composition, Orkla contributed to an annual reduction in consumption of saturated fat of approximately NOK 960 tonnes in 2017. In the past five years, the consumption has been reduced by approximately 4600 tonnes.

Less saturated fat in soups, stocks, ready-to-eat meals and crisps.



Innovations that promote a healthier lifestyle

Based on a combination of local consumer insight and new health knowledge, Orkla launched a number of new products in 2017 which promote a healthier lifestyle.

In 2017, several of the Orkla companies increased their focus on vegetarian, natural food with no additives and "better-for-you" products.

Vegetarian food

Demand for vegetarian and plant-based foods is on the rise, and more and more people are choosing to eat meatless meals one or more days a week. In 2017, Orkla Foods Sverige maintained its focus on vegetarian products, and saw a 60% increase in sales of vegetarian products under the Felix and Anamma brands. Innovations in 2017 included FELIX Veggie Morotsbullar carrot balls and vegetarian burgers. Through the Naturli' Foods company, Orkla has established a position as a leading supplier of vegan food and drink in Denmark. The Naturli' products, all of which are 100% plant-based and organic, are well known to Danish consumers. The portfolio comprises products ranging from drinks based on rice, soy, coconut or almonds, to spreadable toppings and plant-based toppings to meatless dinner options and ready-to-eat dishes. A host of new launches in 2017 includes Naturli' Smørbar, a 100% organic, plant-based spread, and Funky Fields, an innovative range of soy-based dinners.

Natural food with no additives

More and more consumers are asking for natural products that contain no additives. In 2017, Orkla Foods continued to focus on natural health through the Paulúns brand in Sweden, Finland and Latvia. In Denmark, the products were launched under the Det Gode Liv brand. Selected products have also been launched in Norway under the Bare Bra brand. The products, which have been developed in close cooperation with nutritionist Fredrik Paulúns, are made exclusively from natural raw materials, have no added sugar and consist of carefully selected healthy ingredients. Innovations in 2017 include Paulúns Superbar, Paulúns Paleo Super Granola and Paulúns Superbowl, a range of wholesome, tasty, ready-to-eat dishes made with all-natural ingredients. The dinners come in three varieties, all of which are high in protein and meet up to 40% of daily vegetable requirements.



Danish supermarket introduces vegan mince

As from 2018, Danish consumers can easily buy plant-based mince as an alternative to minced meat. All 600 stores in the Dansk Supermarked chain sell Naturli' Hakket from Orkla. The product is made entirely of plant-based ingredients such as wheat, soy, beets, coconut oil, almonds, tomatoes and mushrooms, which provide the same structure, protein content, colour and taste as ordinary minced meat. The price of Naturli' Hakket is comparable to that of traditional minced meat, the product can be used for the same purposes, and it is widely available to the general public through Dansk Supermarked's distribution system. When the launch was announced to the market, the Danish Vegetarian Association proclaimed to Danish media that it was a "global sensation".



McDonald's chooses vegetarian burgers from Anamma

Vegetarian and vegan are a strong trend, and a growing number of consumers want to eat plant-based food. McDonald's Food Team has partnered with Anamma, an Orkla Foods Sverige brand, to develop an entirely new vegan burger for McDonald's menu. The burger, which is produced in Sweden, is already a success in Finland, where it was test-launched in a limited number of restaurants in the autumn of 2017. In late December, McVegan was widely launched on McDonald's menu in both Sweden and Finland. The partnership with McDonald's is long-term and offers a multitude of opportunities to develop more new dishes and tastes.



Better-for-you products

Orkla Confectionery & Snacks has adopted a common strategic approach to developing better-for-you products, and in 2017 all its companies set goals for this work up to 2021. Orkla Confectionery & Snacks Norge has launched several better-for-you products under the Småsulten brand, and is considering launching these products in other countries as well. The popular Kornmo Original biscuit has been on the market for 70 years. In the last couple of years, the brand has been expanded to include healthy crispbreads in two flavours and whole grain cookies made of 50% whole grains and naturally sweetened with fruit. A brand new biscuit, Kornmo 7, was launched in 2017. It contains no added sugar, and is made from just seven familiar, healthy ingredients. Kornmo is one of the Orkla brands with the strongest organic growth, due to several successful launches.

A global health brand

In the past few years, Möller's cod liver oil has been introduced in a number of European countries and has developed into one of the biggest omega-3 companies in Europe. Over five million bottles are sold each year, half of which are now sold outside Norway, the biggest market. In Poland, Möller's has achieved strong growth since its introduction in 2004. Möller's cod liver oil was also introduced recently in Greece, the Czech Republic, Russia and Spain. Its substantial growth has been spurred by increased emphasis on naturalness, health and omega-3 and, not least, to greater focus on Möller's cod liver oil's unique value chain. Just as in 1854, the fish are still caught off the coast of Lofoten and Vesterrålen in North-Norway.

Weight wellness – from powder to services?

What kind of services can Orkla Health deliver in future to help people improve their health? This topic will be addressed in a new innovation project and several workshops, with support from the Research Council of Norway under the auspices of the Norwegian Centre for Design and Architecture (DOGA). In collaboration with the Designit agency, Orkla Health will explore and map the customer journey in the areas of weight, sport and gut health. Orkla Health has traditionally delivered powder as one of Nutrilett's main products, but perhaps one of its next solutions will be to deliver personal guidance sessions by a nutritionist, or "personified health". The goal of the project is to create a service that makes it easier for consumers to lead a healthy life, while creating a strong, unique bond with the consumers.

Research projects

Several studies related to Orkla brands are currently in progress, and the companies are involved in 20 research projects, of which 9 are health-related.

The way forward

The main priorities in the focus on healthy food up to 2025 are:

- Fish and vegetarian food (Orkla Foods)
- Better-for-you products (Orkla Confectionery & Snacks)
- Weight wellness and omega-3 (Orkla Care)
- Whole grain and vegetarian products (Orkla Food Ingredients)

Making healthy living easier

We at Orkla are committed to providing clear, honest product information, which is a prerequisite for making healthy choices. Our companies also conduct campaigns to inspire consumers to adopt a healthier lifestyle.

All Orkla products comply with the same nutrition labelling guidelines. In some areas we have chosen to exceed the official requirements in food labelling rules and regulations. Information on nutrition and health and products' nutritional content is available on the companies' websites. Orkla also has consumer service centres that answer enquiries.

Developments in 2017

Orkla has a shared consumer service centre for its companies in Norway, and in 2017 this service was also established in Sweden. In doing so, we have improved accessibility to all channels where consumers expect to find Orkla's branded products. In 2017, Orkla implemented a common CRM consumer service system in the four Nordic countries, making it easier to work together across national borders.

Several of the companies have conducted campaigns to inspire consumers to make good, healthy choices. Orkla Foods Sverige established the Abba Fish Patrol, which has travelled around for the past two years visiting Swedish families, checking how much fish they were eating and



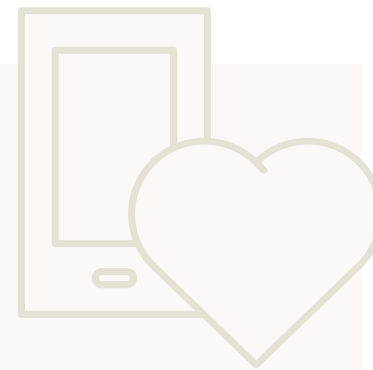
demonstrating how easy it is to prepare tasty, wholesome fish dishes. Orkla Health has drawn up an overall health strategy with greater emphasis on consumer guidance and products that help consumers adopt a healthy diet.

Continued commitment to the Green Keyhole healthy food label



Consumers in the Nordic countries have great confidence in the Green Keyhole healthy food labelling system. In the past few years, Orkla has increased its commitment to the system by launching a growing number of Green Keyhole-labelled products. Companies in Norway, Sweden and Denmark have a total of 120 products featuring the Green Keyhole label, and Orkla's sales of these food products totalled around NOK 500 million in 2017, 25% growth compared with the previous year.

Investing in a health app



In 2017, Orkla Venture invested in the world's leading smart technology and health start-up company, Your.MD. This Norwegian-English health app uses artificial intelligence, big data and a chatbot to provide users with answers to various health questions. Your.MD has also developed a One-Stop Health platform where users can access quality-assured products and services from local partners. Your.MD has been downloaded 2.1 million times and has around 1 million monthly users in 120 countries.

Good, responsible marketing

Orkla is committed to responsible marketing to children and young people, and has therefore adopted a restrictive practice. In Norway, Orkla played a pivotal role in establishing the Food and Drink Industry Professional Practices Committee (MFU), a voluntary collaborative body, and sits on the Board of the Committee. In 2017, the companies had one case related to the marketing of food and drink to children. One case concerning the use of claims in Orkla product marketing was reported in 2017 and three cases concerning product labelling non-conformances. The Orkla companies are engaged in a dialogue with the authorities and have made relevant changes.

The way forward

The main priorities up to 2025 are to:

- drive demand for Green Keyhole-labelled products (Orkla Foods)
- inspire consumers by highlighting the pleasure of healthier snacks (Orkla Confectionery & Snacks)
- conduct campaigns that inspire people to adopt a healthier lifestyle (Orkla Care)
- inspire customers to choose more healthy products (Orkla Food Ingredients)



03 Safe products

Safe products are a question of trust

Top-quality, safe products are something that we take seriously at Orkla. We therefore apply stringent food and product safety requirements in every country in which we manufacture or sell our products.



The big picture

Consumers are increasingly interested in knowing what they're eating, where their food comes from and how it is produced. Many people are also concerned about additives, and want to know what the products that they surround themselves with in their home contain. There is growing demand for transparency and traceability throughout the value chain, while the risk picture is increasingly complex. This necessitates a strong quality culture and the competence to identify and deal with new safety risks in the value chain early on.

Our influence

Orkla products are bought regularly by several million consumers all over the world. A prerequisite for the products being chosen again and again every single day is that consumers like and trust them. As a producer we have a fundamental responsibility for ensuring that all our products are safe to use. By maintaining effective systems and procedures for food and product safety we can help ensure good health and good industry practice.

Always safe food

Orkla takes an uncompromising stance when it comes to food safety. We set the same strict quality and food safety standards in every country in which we produce or sell Orkla products. Through the Orkla Food Safety Standard, we ensure that high, uniform standards are maintained at all the Group's factories, whether they apply to production of Grandiosa pizzas at Stranda, Norway or ready-to-eat dishes and spices from the vegetarian company MTR Foods in Bangalore, India.

Main goals up to 2020

In 2014, Orkla set the following goals for its food safety work up to 2020:



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 our efforts to ensure safe, healthy raw materials in every part of our value chain by working closely with farmers and adopting effective traceability systems.



Collaborate with external centres of expertise to be able to deal with emerging safety risks in our value chain even more effectively.

In 2017, we set new goals for our work to ensure safe products up to 2025. The goal of a stable, high level of food safety in all food companies has been maintained, and clearly defined targets have been established for the companies that manufacture other types of products. This work supports the achievement of the UN global Sustainable Development Goals SDG 12 and SDG 17.

Orkla’s sustainability pledge
«Be prepared to solve emerging safety risks»

- Orkla’s 2025 sustainability targets**
- 100% of our food producing factories meet the requirements of the Orkla Food Safety Standard
 - 100% approved suppliers
 - All products are safe to use

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 safety at all the Group’s factories. The standard is based on the internationally recognised food safety standard established by the British Retail Consortium /BRC), and covers all risk factors of particular significance for the companies’ food production. The standard is regularly revised by Orkla’s central food safety department. All the food products launched by Orkla 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, all suppliers are required to comply with the Group’s stringent guidelines for safe raw material production. 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. Follow-up of suppliers by means of self-assessment forms and inspections performed by Orkla’s audit team ensures high supplier awareness of the importance of good food safety standards.



Developments in 2017

Stronger food safety culture

Through systematic focus on training and skills-building programmes, Orkla has established a good food safety culture in its own companies and production facilities. In 2017, training was further enhanced through the addition of a new course in root cause analysis and instruction in use of the new document management system. Training was provided for sales and distribution companies in the new version of the Orkla Food Safety Standard, along with courses on the standard, allergen management, the supplier monitoring system and the HACCP. A total of 340 employees participated in the courses held in 2017. The companies also provided extensive training in food safety procedures for its employees.

Monitoring and integration of new companies

Orkla has effective control of food safety in its own operations. As a result of several new acquisitions, we devoted considerable time and effort in 2017 to the follow-up, training and integration of new businesses. A total of 79 factory audits were carried out, 21 more than in 2016. In 2017, Orkla's central food safety department was involved in several acquisition processes in the Group, a function that is an important part of food safety work.

Transfers of best practice

Food safety is one of the areas in which we increasingly work as "One Orkla" by developing common systems and working methods across the companies. In 2017, Orkla Foods established a common quality organisation for the companies in Norway, Sweden and Denmark. The companies in the other business

areas also collaborate closely, using shared solutions for customer cooperation and product databases. Expertise is also shared in networks and at conferences. In 2017, Orkla held a food safety conference in Riga. The event was attended by over 100 key quality and food safety professionals from 40 Orkla companies and 18 different countries to exchange experiences and share best practices.

Safe suppliers

Orkla has required its suppliers of raw materials and finished goods to comply with strict requirements for many years. Monitoring procedures are well established in Orkla's purchasing and quality departments. All the companies must carry out a risk assessment of raw materials received by factories, using special tools developed by Orkla.

Food fraud is a growing global challenge, and a problem against which it is hard to safeguard the Group. In the summer of 2017, it was discovered that fipronil insecticide had been used unlawfully in egg production at several poultry farms in the Netherlands. A number of countries were affected by the scandal, including Norway. After fipronil was found in the egg yolk powder used in some varieties of Idun dressings, Orkla Foods chose to recall the products. The incidence of the contaminant was lower than the maximum level set by the EU health authorities, so consumption of the products entailed no risk to health.



Winning trust through effective contingency management

Orkla has drawn up a contingency plan in order to deal effectively with unforeseen and undesirable incidents, and we continuously measure changes in the number and type of contingencies. In 2017, contingency exercises were held for the management teams of three selected companies, with focus on the importance of a good understanding of contingency preparedness, procedures for dealing with contingencies and media training. Furthermore, each factory holds annual contingency drills. In 2017 there was a larger number and broader range of contingencies than in 2016, but no serious incidents occurred that caused severe injury or illness to consumers.

Results in 2017

	Unit	2017	2016	2015
Safe food production				
Audits of Orkla factories	Number of factories	79	58	76
Food safety training - participation in Orkla Food Safety Training Course	Number of employees	12	12	17
Safe deliveries of raw materials				
Monitoring of suppliers by means of self-assessment forms	Number of forms	1790	1783	1555
Risk assessments conducted by Orkla companies	Number of risk assessments	1165	1172	1089
Supplier audits	Number of physical audits	320	306	307
Training in supplier auditing	Number of employees	18	23	20
Competence building				
	Number of course participants	340	576	-
	Number of course hours	2384	3605	-



High-quality grocery products

We at Orkla are committed to ensuring that all our products are safe for consumers. We apply stringent quality and product safety standards when we develop cleaning products, textiles and personal care products.

Just as in our food production, the Orkla Care companies adhere to strict product safety guidelines in every part of their value chain. All the companies assess product safety as part of the innovation process, and close to 100 per cent of the products have undergone a health and safety assessment.

The work is based on the precautionary principle, and the companies systematically replace ingredients that could have a negative effect on health or the environment. The companies track relevant external research to stay up to date on potential risks to health. There were no cases concerning breaches of product safety rules in 2017.

Developments in 2017

In 2017, Pierre Robert Group adopted the Global Organic Textile Standard (GOTS), the widely recognised certification programme for organic textiles, and was certified to use the Nordic Swan Ecolabel on many of its most important products. This has strengthened monitoring, inspection and documentation of



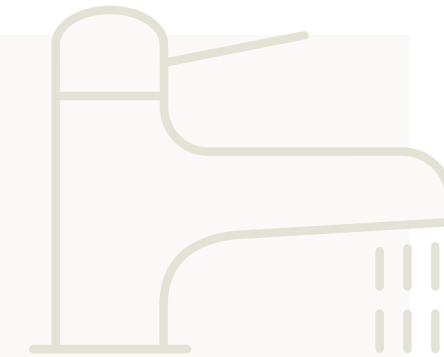
compliance with comprehensive social and environmental requirements that help to ensure safe products. The requirements of both certification programmes encompass the entire value chain. This means that the products are both more sustainably produced and safer for human beings and the environment.

Orkla Home & Personal Care has for many years attached importance to having environmentally friendly products, and has been an active user of the Nordic Swan Ecolabel ever since 1993. Environmental assessments are a component of all product development, and the company uses only well-documented ingredients when developing cleaning products and detergents and personal care products. In 2017, the company changed the nozzle on JIF spray bottles to limit misting. The type of preservative has been changed in several products, including Milo and JIF Allrent.

Lilleborg develops and sells effective, sustainable hygiene and cleaning systems for the professional market. In 2017, the company contributed products and expertise in a research project carried out by the National Institute of Occupational Health. In this connection, Lilleborg reviewed all its spray products, updated user information and labels and changed the nozzles of several products. The company has worked actively to develop new cleaning methods for many years, and a washing robot was one of the launches in 2017.

Washing robot from Lilleborg makes cleaning more sustainable

Increased use of robotic technology is a growing trend in the cleaning sector. In 2017, Lilleborg launched a high-technology cleaning robot designed for the professional market. The Intellibot washing robot cleans up to one thousand square metres per hour, purifies the water while it cleans and can run for up to four hours before it needs to be recharged. The robot, which is equipped with a touch screen, sends a message to the owner's tablet or mobile phone when it has finished the cleaning job. For cleaning agencies, this means more efficient operations and the cleaning process is more sustainable due to its lower consumption of water, cleaning products and chemicals.



Ecolabelled products

Orkla Care has around 300 products that bear the Nordic Swan Ecolabel

- Pierre Robert Wool Collection – 132 garments
- Lilleborg – 90 products
- Orkla Home & Personal Care – 77 products

The Nordic Swan Ecolabel is an official Nordic environmental label that guarantees that products meet environmental and climate-related criteria throughout their life cycle.



04 Sustainable sourcing

Partnership for sustainable raw materials

We at Orkla are committed to ensuring that the raw materials we use in our products are sustainably produced. We want to use our influence to create positive change in partnership with our suppliers.



The big picture

The impacts of climate change are growing, and are causing more extreme weather in more and more places in the world. Combined with population growth, this puts added pressure on natural resources and affects the price and availability of key raw materials used in many consumer products. The production of certain raw materials can also pose significant social and environmental challenges. A growing number of people want to exercise their personal consumer power and are choosing products that are produced with the best interests of human beings, animals and the environment in mind.

Our influence

It is important to us at Orkla that the raw materials we use are sustainably produced. Orkla sources raw materials for close to NOK 25 billion per year. Our food production makes us one of the biggest purchasers of agricultural and fishing raw materials in the Nordic region. By working closely with local farms that grow potatoes, cucumbers, beets and other vegetables, we can help promote sustainable farming. At the same time, we are meeting consumer demand for food products based on local raw materials. Around 60% of Orkla's overall sourcing comes from local suppliers in the markets in which we operate.

Some of the raw materials that Orkla buys may present social and environmental challenges. Potentially "at-risk" raw materials are vegetable oils, marine raw materials, cocoa, nuts and seeds, fruits, berries and vegetables, animal raw materials, additives and packaging. By setting clearly defined standards

and collaborating closely with suppliers, Orkla works to solve the challenges in the value chain and contribute to establishing good industry practices for sustainable sourcing.

8,000 tonnes of Swedish cucumbers for Felix and Önos

Cucumbers are an important raw material for Orkla Foods Sverige. Every summer, around 8,000 tonnes of cucumbers are harvested on Swedish farms in Skåne, Blekinge and Öland. The farmers are IP-certified, and minimise their use of energy, pesticides and chemical fertilizers. Each cucumber plant produces enough cucumbers for seven jars. The cucumbers are prepared in a variety of ways at Orkla Food Sverige's factory in Eslöv, which has a long-standing tradition of cucumber processing since the 1930s. There, the cucumbers are transformed into around 80 different food products under the Felix and Önos brands. According to the Nordic dietary survey, the Orkla Food Barometer, as many as 90% of Swedish consumers consider it important that the product they buy is produced locally.



Main goals up to 2020

In 2014, Orkla set the following goals for its sustainable sourcing work up to 2020:

- 

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.

In 2017, we set new targets for our supply chain work up to 2025. We have included more raw materials and are strengthening our efforts to increase recovery of packaging materials. Our sustainable sourcing work supports the achievement of the UN Sustainable Development Goals SDG 2, SDG 8, SDG 14, SDG 15 and SDG 17.

Orkla’s sustainability pledge

«Deliver products made from sustainable raw materials.»

Orkla’s 2025 sustainability targets

- Ensure respect for workers’ rights
- Aim for 100% raw materials from sustainable sources
- Aim for 100% recyclable packaging
- Engage for healthy oceans and sustainable fishing

Our approach

Orkla has established responsible sourcing procedures to ensure that production in every part of the value chain is carried out in accordance with internationally recognised standards for human rights, working conditions, environment and anti-corruption efforts. We require our suppliers to comply with Orkla’s Supplier Code of Conduct and to monitor their subcontractors. Orkla conducts an annual risk screening of all important, direct suppliers using a proprietary tool comprising working condition, environment and anti-corruption criteria. Potentially risky suppliers are subjected to more detailed assessment based on a standardised method developed by the Supplier Ethical Data Exchange (Sedex). Orkla considers it important to engage in a constructive dialogue with its suppliers to promote good practices and continuous improvement.

The work to promote use of sustainable raw materials is carried out by interprofessional raw material teams who, in

cooperation with Orkla companies, implement monitoring and development measures tailored to the challenges specific to each raw material. Orkla supports a variety of certification programmes and participates actively in industry initiatives involving companies, public authorities and specialist organisations. Organisations with which Orkla collaborates include the Ethical Trading Initiative Norway (IEH), AIM-Progress, Sedex and the Round Table on Sustainable Palm Oil (RSPO).

Orkla's central purchasing department is tasked with promoting responsible sourcing in close cooperation with the various companies. Their work is regularly evaluated by a steering group comprising the heads of Orkla's relevant specialist functions. In 2017, new long-term targets were drawn up for this work and approved by Orkla's Group Executive Board.

Developments in 2017

Supplier monitoring

Orkla is making good progress in following up on its suppliers to ensure that they deliver safe, responsibly produced raw materials. Given the large number of suppliers, it is essential to prioritise the most at-risk suppliers and raw material chains. In 2017, audits revealed minor non-conformances related to health, safety, working hours and compensation. The suppliers with identified non-conformances are preparing improvement plans. Pierre Robert Group participated in a pilot project run by the IEH in which they tested a new training programme in cooperation with one of their Chinese suppliers. Through this project, 110 of the persons employed by the supplier, a manufacturer of GOTS-certified, organic women's underwear, have received training in important workers' rights.

Sustainable raw materials

In collaboration with suppliers and external centres of expertise, we took further steps in 2017 towards our goal of sustainable raw material production. Orkla has chosen UTZ as its cocoa certification system, and a growing share of raw materials are now certified. We have entered into closer cooperation with one of our largest cocoa suppliers on improving conditions for small cocoa farmers in the Ivory Coast. The programme will start up in 2018. We have continued our efforts to replace palm oil with healthier alternatives. In 2017, Orkla Health completely eliminated palm oil as an ingredient in all the bars it produces. We also continued our supplier monitoring and RSPO certification work. In 2017, Orkla conducted a survey of the status of challenges in our palm oil supply chain. The survey showed that our suppliers are taking effective steps to reduce the risk of deforestation, but there are still significant social and environmental challenges. The IEH has established a joint project to improve working conditions in the cashew nut supply chain. Orkla is participating in this project which will run for three years. We have also engaged in a dialogue with animal welfare and agricultural organisations aimed at developing an animal welfare policy for the Group.

The way forward

Efforts to promote sustainable production of raw materials will continue. Orkla will develop principles for sustainable agricultural production and a plan for a long-term improvement programme for selected agricultural raw materials. Orkla's new policy for animal welfare covers purchases of eggs, dairy products and meat, and will be implemented in 2018.



Improving farmers' living conditions

For several years, MTR Foods has worked actively to promote the production of clean milk and improve conditions for impoverished Indian dairy farmers. In 2017, through the Clean Milk, Healthy Cows campaign, MTR Foods distributed five-litre stainless steel milk pails to 3 000 Indian dairy farmers. The campaign is being conducted in cooperation with the Karnataka Milk Federation.



Sustainable vegan food

Orkla's vegan brand, Anamma, makes it easier for consumers to make climate-smart choices. The majority of the products are soy-based and made from beans cultivated in Europe and North America. Anamma collaborates closely with its suppliers and uses only certified soy ingredients in its products. The product packaging largely consists of bio-based plastic made from sugar cane. In 2017, Orkla Foods Sverige carried out an analysis comparing the climate impact of vegan mince with that of minced beef at every stage of the value chain, from cultivation, transport and production, to the end product. The results showed that the climate impact of Anamma's vegan mince was approximately 90% lower than that of minced beef, and the analysis is now being used to raise customer awareness of the environmental benefits of vegan food.

Management of a blue planet

At Orkla we have long engaged actively in initiatives to protect the marine environment and promote sustainable fishing.

We are committed to ensuring that the fish we use in our products are healthy and tasty. That's why Orkla partners with global environmental programmes to ensure sustainable fishing that is better for both the fish and the environment. Several of the Orkla companies are also involved in various forms of collaboration aimed at promoting a healthy, clean marine environment.

Developments in 2017

Orkla's goal is to be able, by 2020, to document that all of its fish raw materials have been sustainably fished. More than 90% of all Orkla Foods' fish raw materials are certified under the Marine Stewardship Council (MSC) eco-label. Orkla Foods Sverige buys only MSC-certified tuna, and has established a system for tracing Abba tuna back to the boat that fished it. By means of a code printed on the packaging, the consumer can easily follow the tuna's journey all the way back to the captain of the fishing boat that caught it. In 2017, Orkla Health began a long-term process to achieve MSC certification of cod liver oil. Other examples are Hamé, which uses MSC-certified cod livers and fish raw materials from suppliers affiliated with the International Seafood Foundation. The share of Orkla Foods' marine raw materials sourced from MSC-certified fisheries increased from 81% in 2016 to 92% in 2017.



Möller's cod liver oil from sustainable cod

In addition to delivering the documented health benefits of omega-3, Möller's cod liver oil is based on some of the best, healthiest raw materials the ocean can offer. Möller's cod liver oil is made of fresh liver sourced from Norwegian Arctic cod, a sustainable fish stock. The cod is fished off the coast of Lofoten and Vesterålen in northern Norway. In 2017, Orkla Health, the company behind the brand, decided to switch to MSC-certified raw materials. This means that Möller's cod liver oil is produced exclusively from fish caught by sustainable fisheries that are strictly regulated to conserve the fish stock. In 2018, Orkla Health will explore the possibility of also applying an international sustainability standard such as MSC or Friend Of The Sea in its production of fish oil capsules.



Researching tomorrow's packaging

In 2017, Orkla participated in the Future Pack research project, which seeks to develop new expertise and technology to make future plastic packaging more eco-friendly, with a higher proportion of bio-based and recycled plastics. Another focus of the project is product recycling. By participating in Future Pack, we at Orkla want to build up expertise on how we can reduce our dependency on plastic in the future and move plastic into a circular economy. The project has a time frame of four years and is financed by the Research Council of Norway and participating companies. It was initiated by the non-profit company Grønt Punkt Norge AS and is headed by Norner Research AS.

Less plastic in the ocean

Marine pollution is one of the world's fastest growing environmental problems, and today there are more than 150 million tonnes of plastic in the ocean.

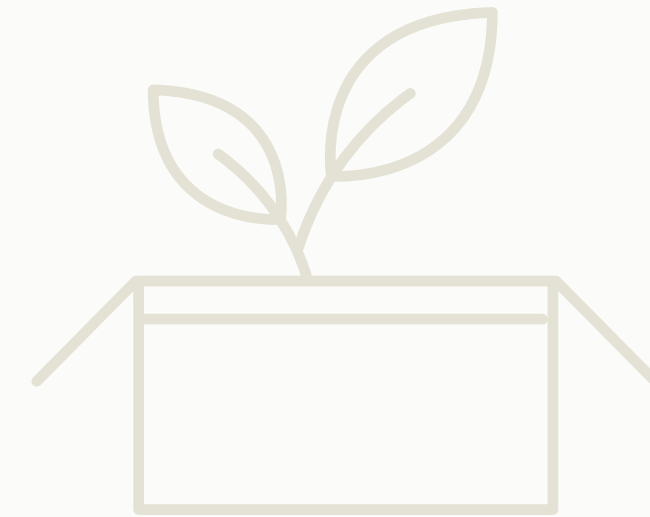
At that rate, there will be more plastic than fish in the ocean by 2050. It is therefore imperative to find solutions for preventing the flow of more plastic into the ocean, and to clean up existing plastic pollution. Orkla wants to be a part of the solution. Although we are just one part of the value chain, we consider it essential to understand the entire value chain and how we can best help to ensure that packaging from our products does not end up as waste in our natural environment.

Developments in 2017

Orkla has set clearly defined goals for avoiding use of micro-plastic in its products and combating marine pollution. In 2017, Orkla Home & Personal Care participated in the Norwegian innovation programme Floke, in which business and industry, research institutions, environmental organisations and NGOs join forces to create solutions for a cleaner ocean. Pierre Robert Group and Lilleborg are participating in a research project headed by SINTEF that seeks to understand the environmental impacts of microplastic fibres in the ocean, and be able to make good environmental choices. For several years, Orkla Foods Sverige has collaborated closely with the Keep Sweden Tidy campaign. Orkla was also actively engaged in efforts to combat marine pollution in Norway, and became a member of Keep Norway Tidy in 2017.

Packaging with a reduced environmental footprint

One of Orkla's sustainability objectives is to develop more eco-friendly packaging and products that leave a smaller environmental footprint. Here are some examples of launches in 2017:



100% compostable, disposable wipe

Jordan Easy Wipes are manufactured from 100% cellulose and are a completely natural product. The material in the disposable wipes is compostable and can be discarded with food waste after use.



40% smaller climate impact

Felix Asia Bowls with climate-smart packaging. The bowls are made of a new material consisting of approximately 70% recycled plastic.

Less plastic

Concentrated laundry detergents and cleaning products in smaller bottles significantly lower consumption of plastic and reduce CO₂ emissions from transport.



Less production of plastic

As many as 85% of the bottles used for Swedish best-selling dilutable fruit drinks FUN Light and BOB are recycled under the deposit return scheme.



Refills mean 80% less plastic

A shower soap refill – like this Dr. Greve product – is a good environmental alternative that requires 80% less plastic than the original shower gel bottle.



60% renewable plastic

FELIX Veggie Morotsbullar carrot balls are made of Swedish carrots and are completely additive-free. The packaging is made of 60% renewable plastic.

Making it easier to make sustainable choices

In 2017, Pierre Robert Group introduced Nordic Swan Ecolabelled wool and GOTS-certified organic cotton undergarments for children in the grocery trade.

Nordic Swan Ecolabelled favourite

Pierre Robert's colourful wool garments for children are a favourite of many families with children. In 2017, the popular woollen underwear was certified under the Nordic Swan Ecolabel. The labelling system sets stringent requirements for every step of the production process, from the sheep that produce the wool to sustainable packaging. Moreover, the garments last longer and are safe to wear next to the skin. The Nordic Swan Ecolabel is both a well-known, reliable certification and a recognised product labelling system that makes it easier for Norwegian families to make more sustainable choices in their busy everyday lives. Pierre Robert is the first manufacturer to supply Swan-labelled wool to the Norwegian grocery trade.

Organic cotton underwear

In 2017, Pierre Robert switched from using conventional cotton to GOTS-certified organic cotton in every garment in its underwear collection for children. GOTS-certified cotton requires less water than conventional cotton, and is produced with no



pesticides, harmful chemicals or emissions. The certification system sets comprehensive environmental and social standards, aimed at ensuring decent working conditions for the workers making the clothing and protecting the environment as best possible throughout the value chain. This means that, through the GOTS system, Pierre Robert has worked to promote sustainability at every stage of the production process, and that every part of the value chain of Pierre Robert's cotton undergarments for children is now GOTS-certified. The collection comes in fun colours and designs that children like. Since 2016, Pierre Robert has also produced women's boxer and high-waist panties in GOTS certified organic cotton.

GRI-ref.		Unit	2017	2016	2015
Responsible sourcing procedures					
G4-EN32	Percentage of new suppliers ¹ screened for environmental risk	%	100	100	100
G4-EN33	Number of suppliers ¹ assessed with regards to environment by means of audit or self-assessment.	Number	373	275	259
G4-EN33	Number of suppliers ¹ with environmental non-compliance(s)	Number	8	7	11
G4-EN33	Percentage of environmental non-compliance(s) that has been remedied	%	55	33	74
G4-LA14	Percentage of new suppliers ¹ screened for labour practice risk	%	100	100	100
G4-LA15	Number of suppliers ¹ screened for labour practice impacts by means of audits or self-assessment	Number	67	39	38
G4-LA15	Number of suppliers ¹ with labour practice non-compliance(s)	Number	35	23	23
G4-LA15	Percentage of labour practice non-compliance(s) that has been remedied	%	26	38	60
G4-HR10	Percentage of new suppliers screened for human rights risk	%	100	100	100
G4-HR11	Number of suppliers assessed with regards to human rights by means of audit or self-assessment	Number	67	39	38
G4-HR11	Number of suppliers ¹ with human rights non-compliance(s)	Number	7	4	3
G4-HR11	Percentage of human rights non-compliance(s) that has been remedied	%	0	75	0
G4-EC9	Proportion of sourcing from local suppliers ² .	%	63	61	64
Sustainable raw materials					
G4-EN1	Consumption of raw materials	Tonnes	1 044 500	977 250	928 800
	Percentage of certified cocoa (UTZ Certified MB or Fairtrade) of total purchased	%	67	59	42
	Percentage of certified marine raw materials (MSC eller ASC) of total purchased for Orkla Foods	%	92	81	75
	Percentage of certified palm oil and palm kernel oil of total purchased	%	42	42	
	- RSPO SG	%	26	26	
	- RSPO MB	%	12	10	
	- RSPO Credits ³	%	4	6	
	Percentage of Nordic Swan Ecolabelled textile products	%	11	0	0
	Percentage of organically certified (GOTS) organic cotton of total purchased	%	28	10	0
	Percentage of verified mulesing-free merino wool of total purchased	%	100	100	100
Sustainable packaging*					
G4-EN1	Packaging consumption	Tonnes	136 590	99 000	92 000
G4-EN1	Percentage of packaging made of renewable materials	%	35	46	-
G4-EN2	Percentage of recycled packaging	%	70	53	-
	Percentage of recyclable packaging	%	90	-	-

¹Share of important suppliers. Important is defined as returning suppliers from which Orkla´s annual purchases exceed NOK 500 000. In 2017 this encompassed around 3 000 suppliers.

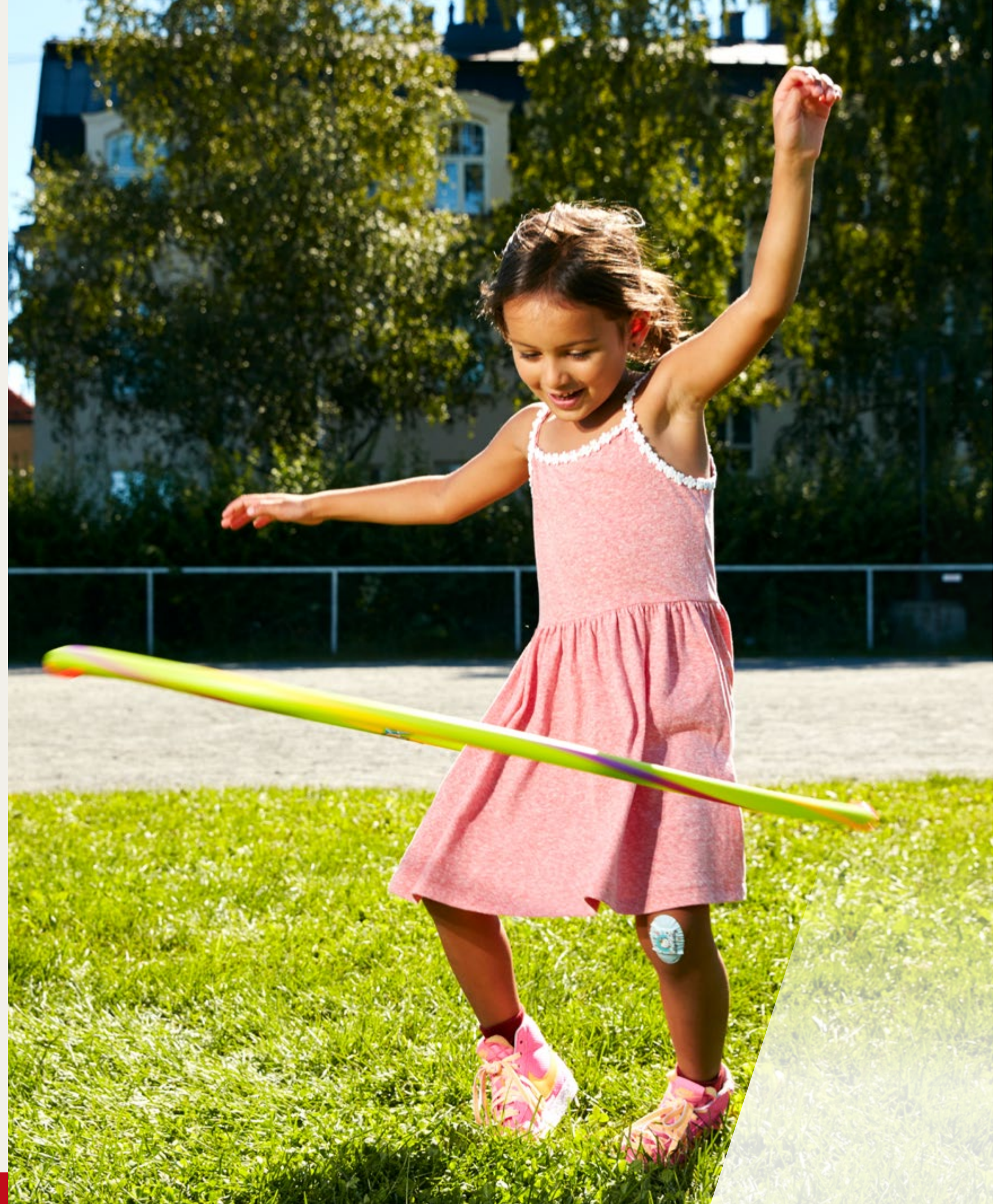
² Local suppliers are defined as suppliers in countries where Orkla has its own production

³ For 2016, Green Palm Certificates *Figures for 2017 include several recent acquisitions that were not previously included in the reporting. The data collection method was also improved in 2017.

05 Environmental engagement

Strong engagement for the environment

Climate change is one of the greatest challenges of our time. Orkla wants to contribute to meeting this challenge, and in 2017 raised its ambitions by setting several new climate targets.



The big picture

Climate change is without a doubt the greatest environmental challenge of our time. The changes we are experiencing are taking their toll on livelihoods and global food production. With the adoption of the UN Sustainable Development Goals and the Paris Agreement, the level of ambition for global climate work has been significantly raised. Awareness of the importance of sustainable consumption is also on the rise, and many people are asking for products that represent good environmental choices. Issues such as packaging, plastic waste and food wastage generate broad-based engagement. Companies are increasingly expected to be able to document their own and their products’ climate footprint.

Our influence

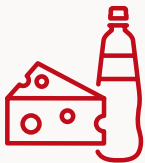
One quarter of all greenhouse gas emissions are generated by the production and consumption of food. Orkla therefore actively strives to minimise its environmental impact in every part of its value chain. The greenhouse gas emissions from Orkla’s own food production are limited, and our energy consumption consists chiefly of electricity and heating in factories. The biggest impact on the environment comes from the production of raw materials. Orkla can contribute by improving its use of raw materials and preventing food waste. We also focus on reducing the environmental impact of our branded products by making good packaging, raw material and product design choices. Launching products that make it easier for consumers to make sound environmental choices will be an increasingly important aim for Orkla.

Main goals up to 2020

In 2014, Orkla set the following goals for its environmental work up to 2020:



Reduce greenhouse gas emissions and energy and water consumption by 20%



Develop more environmentally friendly packaging and products with a smaller environmental footprint



Reduce waste by 30%



Zero production waste to landfills



More efficient transport solutions

In 2017, we set new targets for our environmental work up to 2025. During this period Orkla aims to make the transition to low-carbon operations by focusing on product innovation, investing in renewable energy and reducing energy and water consumption and waste. Orkla’s environmental work supports the achievement of UN Sustainable Development Goals SDG 12, SDG 13 and SDG 17.

Orkla’s sustainability pledge
«Innovate to save the environment»

- Orkla’s 2025 sustainability targets**
Make the transition to low-carbon operations
- Reduce greenhouse gas emissions by 60%*
 - Reduce energy and water consumption by 30%*
 - Aim for fossil-free energy
 - Halve food waste*
 - Innovate products and processes

*Applies to own operations. Base year 2014

Orkla’s approach

Orkla has adopted a Group-wide environment, health and safety (EHS) standard and guidelines. It applies to every business area and company, and employees are given training in use of the standard. The awareness and engagement of Orkla’s own employees are essential to the success of environmental initiatives. The environmental work related to sourcing, logistics and production is headed by Orkla Operations at central level, in close collaboration with the factories. Efforts to reduce environmental impacts through product development and by influencing consumers are organised in the various companies. All the companies have prepared action plans to reach the environmental targets. Key environmental indicators (energy use, water consumption and waste) are monitored regularly by

management at all levels. Orkla’s central EHS function carries out regular audits and evaluations of the businesses’ systems and procedures. Progress in EHS work is reported regularly to Orkla’s Group Executive Board and Board of Directors. Orkla prepares annual environmental accounts that show the changes in the companies’ environmental impacts, and has reported environmental data to the investor-initiated CDP programme since 2008.



High score for climate change management

In the annual report published by the investor initiative CDP, Orkla is ranked among the top ten per cent of companies in the world in 2017 for its climate change management. Orkla has improved its performance and scored an A-. In CDP’s assessment, importance was attached to factors such as companies’ ability to reduce greenhouse gas emissions, set meaningful targets and track progress. “This excellent result indicates Orkla ASA has implemented a range of actions to manage climate change, both in its own operations and beyond,” CDP writes in its assessment. Since 2008, Orkla has reported environmental data to CDP, which has evolved into the leading system for global climate and environmental reporting. More than 800 institutional investors are behind CDP.

Climate impacts

In 2017, Orkla decided to set Science-Based Targets (SBT) for reducing its greenhouse gas emissions. By doing so, we will take our share of the greenhouse gas reductions that are necessary to limit global warming to a maximum of 2°C at the end of this century.

Orkla's direct greenhouse gas emissions increased in 2017. This is due to the high level of activity and acquisitions of a number of factories, including plants in the Czech Republic, Latvia and China. Disregarding acquisitions, emissions would have been at the same level as in 2016. In 2017, we set ambitious new targets for reducing greenhouse gas emissions by 60% by 2025. As an important means of reaching this target, we buy Guarantees of Origin (GOs) for renewable electricity for all electricity used at Orkla's European facilities. The Guarantees of Origin are linked to Hydro Power, Orkla's own hydropower business, and already in 2017 resulted in a significant reduction in the indirect greenhouse gas emissions linked to Orkla's own operations.

In order to transfer best practices for increasing energy efficiency, Orkla developed a central energy initiative in 2015 as part of the Improved Resource and Energy Efficiency programme. Under this programme, a growing number of efficiency improvement projects are carried out in all the

business areas. As part of the continuous improvement activities, several of the factories implemented various types of process improvements in 2017 that have reduced energy use. In addition, investments were made in new, more energy-efficient production equipment. The fact that several companies have switched to LED lighting contributed to a reduction in energy use in 2017. The energy consumption of some companies was also reduced because production operations were moved to other factories. Overall energy consumption has been reduced by 7.5% since 2014*.

Most of Orkla's operations are located in areas with a low to medium risk of water shortage, but changes in the weather situation could increase that risk in future. In 2017, a number of environmental initiatives were carried out to reduce water consumption. Several companies have reported on measures such as training for their employees, process improvements in factories or investments in water purification and recycling.

The way forward

Orkla will intensify its focus on climate in 2008, among other things by developing an action plan for reducing greenhouse gas emissions that is to be approved by the Science Based Targets initiative. By applying for membership in the RE100 initiative, Orkla will help to promote use of renewable energy.

*Adjusted for recent acquisitions and increase in revenues.

Less food waste through efficient resource use

Orkla continuously seeks to reduce food wastage and increase production yield, and made progress in this work in 2017. Some of the companies also participate in external collaborative projects to find common solutions for reducing food waste.

Around one third of all the food that is produced is not eaten, and food waste is one of the major contributors to global environmental challenges. We at Orkla are committed to sparing the environment, optimising resource use and preventing the throwing away of good products. We have therefore worked to reduce food waste for many years, and have implemented initiatives and programmes at central level to increase production yield and reduce food waste in our own operations. Orkla has designed a special model for its waste reduction work. In 2017, this model was tested in a pilot project for Orkla Confectionery & Snacks and Orkla Foods factories that use potatoes as a raw material. The results of the pilot project were positive, and in 2018 Orkla will establish new working groups to share best practices and waste management improvement initiatives. Overall, the actions implemented have contributed to a reduction in organic waste by 13% since 2014.

Collaborating to reduce food waste

Orkla Foods Sverige is one of the companies that have engaged actively in several joint initiatives to reduce food waste in every part of the value chain. Through participation in the industry

initiative Hållbar Livsmedelskedja, Orkla Foods Sverige seeks to promote sustainable production and consumption of food products, with focus on food waste as a key topic. The company has conducted campaigns with films and recipe suggestions for chefs aimed at raising their awareness of food waste.

Giving away surplus food

To prevent good products from being thrown away, Orkla Foods Sverige gives its surplus food to the Nordic Social Supermarket run by the City Mission of Stockholm. At this supermarket, disadvantaged persons can buy goods approaching their expiration date at a reduced price. In Norway, through Orkla's partnership with Matsentralen food redistribution centres, Orkla companies can give surplus food to people in need. Matsentralen distributed food from Orkla equivalent to 350,000 meals in 2017.

The way forward

Orkla will continue its efforts to reduce food waste in its own operations and engage in joint initiatives with customers and other industry players.

Halving food waste

In 2017, Orkla signed a historical partnership agreement on food waste between Norwegian authorities and the entire food industry. The goal of the agreement is for the parties to join forces in halving food waste in Norway by 2030, in line with the UN Sustainable Development Goal. This agreement, which is unique in a global context, has attracted attention and interest in Europe. Orkla's ambitions go even further. Our target is to halve food waste in all our companies by as early as 2025.



Products with environmental benefits

In 2017, Orkla developed a tool for measuring products' climate footprint. Many of the companies have launched products with eco-smart packaging and other innovations that represent good environmental choices.

Food production accounts for around 25 per cent of global greenhouse gas emissions. Orkla wants to assume its share of responsibility for reducing emissions. Orkla Foods in Sweden, Finland and Norway – in collaboration with the RISE Research Institute of Sweden – have therefore developed a tool for calculating the climate footprint of food products. The tool is intended to support efforts to develop products with lower climate impacts, while also providing a basis for communicating products' environmental benefits. Employees have undergone training programmes, and the tool is now in use in several Orkla companies.

In 2017, many of the companies launched products with a lower environmental impact. Orkla Home and Personal Care launched Klar, a range of cleaning and laundry products that are good environmental choices from every perspective. Pierre Robert was the first to supply Nordic Swan Ecolabelled wool garments to grocery stores. The company also launched several new garments, including children's underwear made of GOTS-



certified cotton. GOTS stands for Global Organic Textile Standard and is an internationally recognised certification programme for organic textiles. Jordan Easy Wipes are 100 per cent compostable. The Swedish company Grumme offers a range of cleaning products with the Good Environmental Choice Ecolabel, and JIF Allrent has introduced highly concentrated cleaning products that require less plastic packaging. Felix Asia ready-to-eat meals and Pauluns Supermeal, where the bowls are made of 70 per cent recycled plastic, are good examples of products sold in eco-smart packaging.

The way forward

Efforts to develop products with a smaller environmental footprint will be further strengthened in 2018 by increasing internal knowledge-sharing, participating in external development programmes and stepping up efforts in the individual companies.



Klar (ready) for a greener everyday life

Klar is a range of effective, sustainable, pleasantly scented cleaning products. The products in the portfolio contain carefully selected ingredients and no unnecessary chemicals. They're simply an effective, smart and greener alternative. The bottles are made entirely of recyclable plastic, which means that the plastic has been sorted at source by the consumer and then recovered and recycled. The products are manufactured in Denmark, using 100% renewable energy from windmills. The range is 100% vegan and certified for the Nordic Swan Ecolabel. The Klar range was launched by Orkla Home & Personal Care in the autumn of 2017 and has been well received in the market.





Home-made is not always the most eco-friendly

Making food from scratch does not always mean that it is environmentally friendly, as was shown in an analysis Orkla carried out in collaboration with the RISE Research Institute of Sweden. Through a life-cycle assessment of TORO tomato soup, we compared the environmental impact of the product with the environmental effects of making tomato soup from tinned tomatoes. The analysis shows that the environmental impact of TORO tomato soup is around 80% lower. Given the six million soup packets sold each year, this means an annual reduction in CO2 emissions of around 600 tonnes. The main reason why TORO tomato soup is more environmentally friendly is that the tomatoes used to make the soup are dried close to where they are grown, eliminating the need to transport large quantities of water.



Ecolabelled products,
in figures:

300 *Nordic Swan Ecolabelled products*

640 *Certified organic products*

480 *Products with other
environmental certifications*



GRI-ref.		Unit	2017	2016	2015
Climate impact*					
G4-EN15	Greenhouse gas (GHG) emissions Scope 1	tCO ₂ e	123 570	93 640	104 570
G4-EN16	Indirect greenhouse gas (GHG) emissions Scope 2	tCO ₂ e	71 770	56 100	55 220
G4-EN16	Indirect greenhouse gas (GHG) emissions Scope 2 incl. Guarantees of Origin		18 530	121980	130 240
G4-EN17	Estimated GHG emissions from raw materials Scope 3	tCO ₂ e	**	1 250 600	1 107 400
G4-EN18	Emissions of GHG (S1+ S2) per FTE	tCO ₂ e/FTE	10.7	8.3	10.9
G4-EN18	Emissions of GHG (S1+S2) per revenue	tCO ₂ e/ NOK million	4.9	4.0	4.8
G4-EN20	Emissions of ozone-depleting substances (ODS) used in cooling media	Tonnes	7 750	4 830	9 070

Efficient resource use*

G4-EN3	Internally generated, renewable energy sold	GWh	2 760	2 490	2 250
G4-EN3	Total energy usage	GWh	1 073	917	868
G4-EN3	Energy usage – fossil fuel	GWh	598	468	454
G4-EN3	Energy usage – purchased	GWh	449	430	403
G4-EN3	Energy usage from renewable fuel resources Scope 1	GWh	23	18	9
G4-EN5	Energy usage per FTE	MWh/FTE	56	49	56
G4-EN5	Energy usage per revenue turnover	MWh/NOK million	26	23	25
G4-EN8	Total water withdrawal	Million m ³	8.0	6.7	6.7
G4-EN8	Water withdrawal from municipal water works	Million m ³	4.9	4.1	4.1
G4-EN8	Water withdrawal from groundwater	Million m ³	3.2	2.4	2.3
G4-EN8	Water withdrawal from collected rainwater	Million m ³	0.002	0.002	0.002
G4-EN10	Water – recycled	Million m ³	0.97	0.96	0.91
G4-EN10	Water – recycled	%	12.0	14.4	13.6

*Figures for 2017 include several recent acquisitions that were not previously included in the reporting. In addition, adjustments have been made to figures for 2015 and 2016 based on updated data from the companies.

**Figures will be reported in connection with reporting to CDP in June 2018

GRI-ref.		Unit	2017	2016	2015
Emissions					
G4-EN21	Emissions of sulphur dioxide	Tonnes	12	14	14
G4-EN21	Emissions of nitrogen oxide	Tonnes	98	84	81
G4-EN22	Water discharge – internal treatment	Million m³	1.6	0.7	0.8
G4-EN22	Water discharge – external treatment	Million m³	3.8	2.9	2.9
G4-EN22	Water discharge – direct to environment	Million m³	2.0	2.2	2.1
G4-EN22	Emissions to water – BOD	Tonnes	5 430	4 400	5 150
G4-EN22	Emissions to water – COD	Tonnes	6 050	3 360	4 380
G4-EN23	Organic waste***	Tonnes	81 800	95 590	92 780
G4-EN23	Non-hazardous waste – sorted***	Tonnes	12 800	17 140	13 400
G4-EN23	Non-hazardous waste – mixed***	Tonnes	11 660	12 060	10 620
G4-EN23	Hazardous waste	Tonnes	260	230	180
G4-EN24	Significant spills	Number	0	0	0
G4-EN29	Fines and sanctions for non-compliance with environmental laws and regulations	Number	0	0	0
G4-EN29	Fines for non-compliance with environmental laws and regulations	NOK million	0	0	0

*Figures for 2017 include several recent acquisitions that were not previously included in the reporting. In addition, adjustments have been made to figures for 2015 and 2016 based on updated data from the companies.

**Figures will be reported in connection with reporting to CDP in June 2018

***Figures for 2015, 2016 and 2017 cover all companies in Orkla in 2017

06 Care for people and society

Strong local engagement for sustainability

Orkla wants to create good jobs and to contribute to solving important societal challenges in partnership with others.



The big picture

Sustainability challenges, growing global competition and technological advances call for adjustment and new thinking about how value is created. At the same time, many countries are affected by high unemployment, rising economic inequality and the fact that some groups are not included in the labour force. These challenges underscore the vital role played by business and industry in creating new jobs, promoting an inclusive working life, increasing productivity and respecting fundamental rights. Close collaboration between the private sector, the government and other key social players will be crucial to creating growth that is sustainable in an economic, environmental and social sense.

Our influence

Orkla is a major employer with operations in around 30 countries. This entails a responsibility for safeguarding the health and safety of our employees, and respecting important human rights such as freedom of expression, freedom of organisation and the right to fair working conditions. At the same time, Orkla can help to solve the sustainability challenges related to the value chains of which we are a part. By developing good jobs and engaging in efforts to promote improvement in the countries in which we have a presence, we can contribute to welfare and create positive ripple effects for thousands of people. This is important, moreover, for creating a strong organisation and attaining our business goals.

Main goals up to 2020

«Care for people and society» comprises the topics of responsible employer, occupational health and safety, integrity, stakeholder dialogue and social engagement. In 2017, we set ambitious goals for our long-term work to address these topics. The main goals up to 2020 are:



40% women in management



A sickness absence rate of less than 4%



No injuries resulting in absence



Establishment of a common approach to stakeholder dialogue in all important markets

Orkla’s 2025 sustainability targets

Create strong local engagement for sustainability

- Be a responsible employer
- Create healthy workplaces with zero injuries
- Create a culture of integrity everywhere
- Create local engagement that makes a positive difference

Orkla's sustainability pledge

«Be the change we want to see»

Orkla's approach

Orkla's Responsible Employer and Human Rights Policy sets out overarching guidelines for the way we are to create good work-places, respect important human rights and promote a corporate culture characterised by openness, respect and consideration. Orkla also has more detailed internal standards and guidelines for several of the topics covered by the policy. In 2017, new, common targets were drawn up for our work up to 2025 which address the following topics: Responsible employer, occupational health and safety, integrity and stakeholder dialogue and social engagement. These targets and the internal policies in this area have been approved by the Orkla Executive Board and apply to all business areas and companies. The work must be of a preventative nature, with emphasis on the precautionary principle and the principle of continuous improvement.

Responsibility for this work lies with the management of the individual business unit with the support of the Human Resources (HR), Corporate Social Responsibility (CSR), EHS and Legal Affairs functions. Orkla oversees the companies' efforts by means of business area reviews and internal reports to the Group's CSR function, which submits annual progress reports to Orkla's Board of Directors. Orkla's Executive Vice President for Group Functions and Legal Affairs has overarching responsibility for ensuring that the work on the four topics is regularly evaluated and that the governing documents are revised as necessary.



A responsible employer

In 2017, Orkla intensified its efforts to promote respect for fundamental rights in the workplace.

Orkla's Responsible Employer and Human Rights Policy was revised in 2016-2017 in a process in which the companies' management and employee representatives were involved. The National Contact Point Norway for the OECD Guidelines for Multinational Enterprises and Save the Children Norway also contributed input in this process. New guidance, awareness-raising and risk assessment tools were developed to support implementation of the policy.

Orkla wants to be an attractive employer that offers good working conditions and fair and competitive conditions for all employees, and uses external benchmarking tools for pay and conditions. The companies carry out a wide range of activities to promote employee collaboration and job satisfaction. In 2017, this included upgrading premises and switching to activity-based office landscapes in several of the companies, professional gatherings, exercise activities and initiatives to improve employee well-being.

Orkla is committed to fostering an open, constructive dialogue in the workplace, and in the past few years has improved its internal procedures for dealing with and reporting complaints and whistle-blowing matters. In 2017, there were a



total of 14 cases related to possible breaches of workers' rights, two of which concerned possible discrimination in connection with wage setting or employment. Blameworthy circumstances were found in six of the cases, and relevant action has been taken to remedy the situation. Three of the cases are still under consideration.

The way forward

Implementation of Orkla's revised Responsible Employer and Human Rights Policy will continue in 2018. In this connection, the companies will carry out a risk assessment and draw up a plan of improvement measures. A Group-wide employee survey will be conducted, the results of which will be used to identify improvement initiatives and involve the employees in developing the company.

Human resource development, employee consultation and diversity

Orkla further strengthened its focus on upgrading employee skills and promoting employee consultation in 2017, and the percentage of women in management positions continued to increase.

Orkla wants to help provide good possibilities for development at all levels and in every country, and expanded the range of courses and other training offered in 2015-2017. As part of Orkla's specialised academies, the Group developed new skills development programmes for Human Resources (HR) and sales staff in 2017. An internal certification programme was also carried out for middle managers and specialised production and logistics staff, and a new leadership development programme for new management staff was established to give them a good introduction to Orkla's values and leadership principles.

The Group's professional development activities are regularly evaluated by Orkla's Human Resource Development Board. In 2017, Orkla drew up a competence development strategy up to 2025. A new portal solution was also developed that will make it easier to administer, implement and track course activities across companies and countries.

In 2015-2016, Orkla developed a harmonised process and common IT tools for evaluating and following up on management staff and key employees. Implementation continued in 2017, and the process now covers more than 6,000 employees. The companies also have their own procedures for following up on employees, and close to 40% of the companies have achieved the target of ensuring that regular development interviews are conducted with all employees. Nonetheless, the percentage of employees who took part in formal development interviews declined, due to the fact that several of the companies that became part of the Group in this period did not have such procedures.

Employees' possibility of influencing their own workday

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. In 2017, the corporate agreement that governs collaboration between Orkla and employee unions was extended for another two years. In addition, several of the companies have improved their employee consultation procedures. Around 75% of Orkla employees work in companies that have established formal bodies for cooperation between management and employee representatives. Orkla wants to ensure that all the companies in the Group have such collaborative bodies, and to this end drew up clearer guidelines in 2017. In view of Orkla's various arrangements, the risk of breaches of the right of organisation and collective bargaining is considered to be low. The main topic

addressed in the management-employee representative dialogue in 2017 was the restructuring projects described on page 111.

Aiming at gender parity

Orkla is committed to promoting diversity and equal opportunity. In 2017, training programmes or other improvement initiatives were carried out in a number of companies. When determining employee pay, Orkla attaches importance to the individual's skills, the complexity of the position, and his or her job performance and competitiveness in the market, irrespective of gender, background or functional capability. The procedures for determining compensation across the Group companies have been harmonised, and Orkla is currently implementing a common database for recording pay data for all its employees, which will make it easier to identify undesirable compensation disparities.

The percentage of women in Orkla's management has increased in the past few years. This improvement can be ascribed to high 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 recent years. 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 woman candidate is nominated when recruiting candidates to management team positions at company or

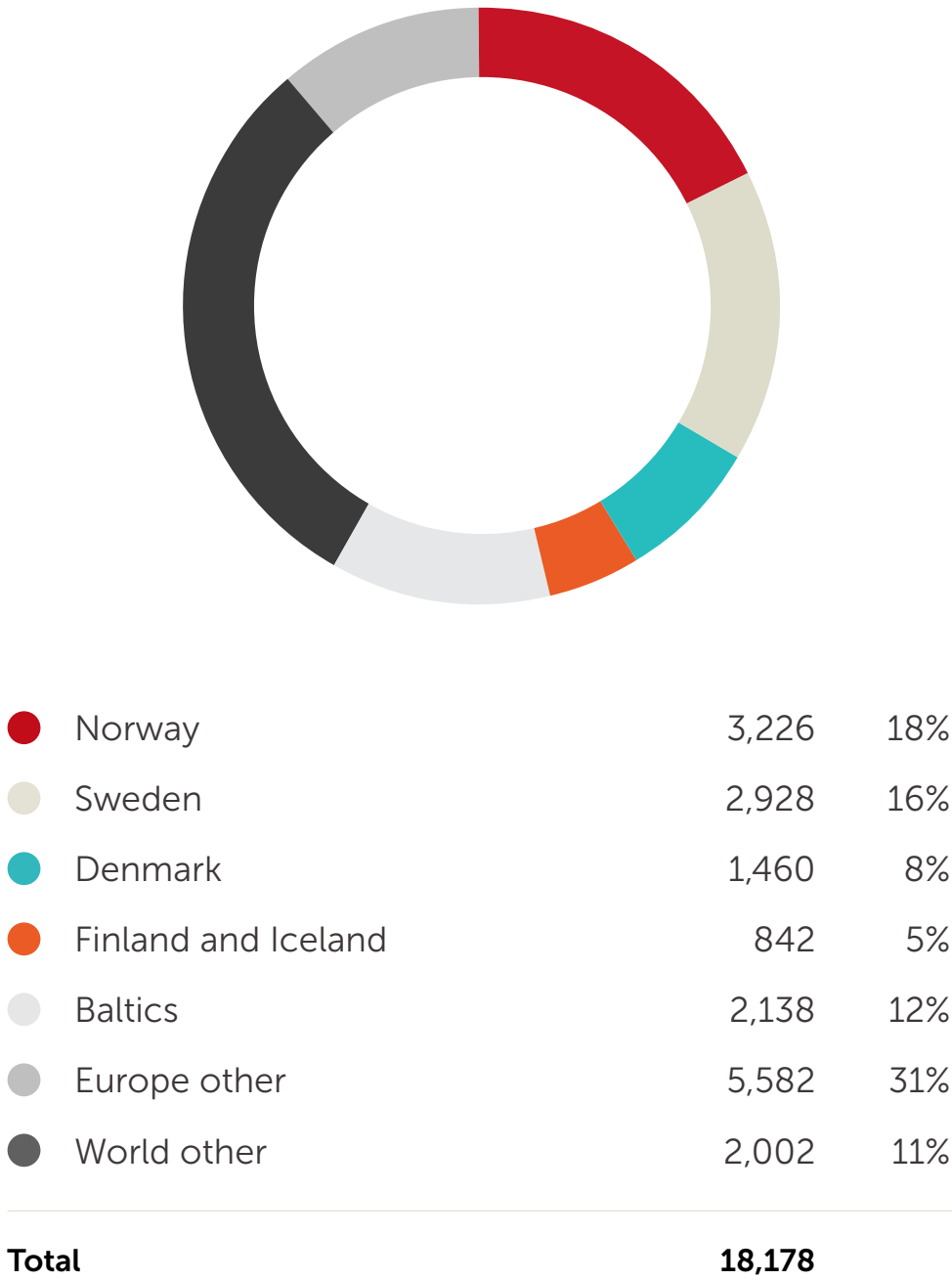


business area level. In 2017, ten of Orkla's women managers participated in FiftyFifty, a network initiated by the Norwegian company Storebrand to identify effective measures to increase the percentage of women in management.

The way forward

Efforts to promote human resource development, employee consultation and diversity will continue in 2018, with emphasis on ensuring that the companies that have recently joined the Group establish procedures in line with Orkla's guidelines. Training material has also been developed to increase management's knowledge of these important topics in all the companies.

Geographical spread of employees



Occupational health and safety

Orkla applies the same occupational health and safety requirements in every country in which the Group operates, and the companies work systematically to prevent injuries and promote good occupational health.

A safe, healthy working environment is a fundamental right for all employees, and essential to ensuring stable, efficient operations. Orkla seeks to ensure such an environment by means of effective risk management and systematic efforts to prevent injury and work-related diseases and by involving all its employees in the environment, health and safety (EHS) work. Orkla wants all its companies to establish principles for health-promoting workplaces, adapting the principles to conditions in the individual countries.

The companies' EHS work is based on the requirements and guidelines set out in Orkla's EHS Standard. Systematic improvement work focuses on establishing a high level of knowledge and awareness, taking preventive action and ensuring effective rehabilitation. Risk analysis provides the basis for establishing effective action plans, and all the companies have developed such plans. The most prevalent risks across companies and countries are considered to be related to ergonomics, use of machinery, falls, storage and handling of

chemicals, the psychosocial working environment and inadequate knowledge of safety risks and procedures.

Systematic training and follow-up

In 2017, Orkla strengthened its central EHS expertise and follow-up of companies. Orkla monitors its factories' performance by means of EHS audits, with a view to promoting learning through systematic observation and feedback. In 2015-2017, such audits were carried out at all Orkla factories. All the new companies that join the Group are quickly introduced to Orkla's EHS standard. Orkla held several internal network gatherings for EHS professionals in 2017. Collaboration and transfers of best practice are an important part of the improvement work, and network members help to ensure effective implementation of the EHS standard in their own companies. In 2017, the networks focused on promoting a greater understanding of EHS risks in the companies, and on training in risk assessment and use of Orkla's tools. In 2017, around 30 000 hours of organised EHS training were provided for some 9 500 employees by the Group and companies.

The EHS work is monitored at company and business area level through the submission of status reports to the management teams, the Group Executive Board and Orkla's Board of Directors.

Health-promoting work

There was an increase in overall sickness absence in Orkla in 2017 compared with the year before, from 4.3% in 2016 to 4.8%*

*Figures for 2017 include several recent acquisitions that were not previously included in the reporting.

in 2017. On the other hand, sickness absence varied substantially, both from country to country and from company to company. The companies work continuously to achieve improvement, with emphasis on following up absence and preventive activities. In addition to the broad range of activities related to training and improvement of internal procedures, several of the companies carried out special initiatives in 2017 to promote good health. Visible leadership and follow-up of employees are crucial to achieving results, and working environment surveys are used as a tool in identifying key areas for improvement. Preventing sickness absence requires a long-term perspective. In the Norwegian companies, a joint initiative was launched in 2014 to improve follow-up of sickness absence, and has produced positive results in the years that followed. Similar initiatives were introduced in Swedish companies in 2016, and showed a positive effect as early as in 2017.

Injuries

There was an increase in the number of injuries resulting in absence compared with 2016. The Lost Work Day Rate (LWDR) in 2017 was 5.7*, compared with 5.4 in 2016. In 2017, there were few work accidents in which employees were seriously injured. Most of the injuries were of a less serious nature, such as cuts, knocks or crushing injuries. All the incidents were followed up in the respective companies. In 2017, Orkla received fines from local supervisory authorities totalling NOK 3.4 million for non-conformances in three companies. Recording and following up on all types of injury and undesirable incidents are a pivotal element of improvement work, and help to create greater understanding and awareness of risk within the organisation.

Although the number of occupational accidents in Orkla is not satisfactory, many companies saw improvement in the course of 2017. Many of the companies recorded no injuries leading to absence during the year. In 2017, the companies took a number of steps to prevent injuries. In addition to extensive training and improvements in internal procedures, various types of safety measures were implemented such as increased use of personal safety equipment, better labelling and replacement of old equipment. An example of good practice was seen in Orkla Confectionery & Snacks Latvia, which became part of Orkla in 2015. The company has worked systematically to implement Orkla's EHS standard, carried out risk assessments, provided training for employees and introduced a range of improvement measures in their production operations. These actions have resulted in a 54% reduction in the number of injuries from 2015 to 2017.

The way forward

Both the sickness absence rate and the number of injuries are too high, and show that there must still be full focus on preventing injury and promoting health in all parts of the organisation. Experience shows that by applying key EHS principles, such as housekeeping, engagement, skills upgrading and the willingness to learn from others, we can achieve improvement. We must therefore continue to focus on and emphasise the application of these important principles throughout our organisation, while also introducing new measures to ensure that further progress is made towards our goal of zero injuries.

*Figures for 2017 include several recent acquisitions that were not previously included in the reporting

Integrity

Orkla wants to build a corporate culture characterised by integrity and good business practices, and in 2017 strengthened its efforts to promote good judgement and prevent ethical risk.

Corruption and other unethical business practices limit the possibilities for economic development and hamper competition on equal terms. In 2017, the Group defined clearer common goals for its long-term efforts to foster an ethical corporate culture. Orkla has zero tolerance for corruption, price-fixing agreements, market sharing, or other measures that impede free competition. Orkla's anti-corruption manual, competition law manual and Code of Conduct describe the Group's standards and guidelines in this area. The anti-corruption manual was updated in 2017, and a tool was developed to make it easier to identify and monitor risk factors.

Orkla conducts training programmes on anti-corruption and competition law for management and employees considered to be exposed to risk. A new training programme was developed in 2017, and has been implemented in several companies. Under Orkla's Supplier Code of Conduct, suppliers are required to have zero tolerance for corruption. Suppliers are monitored on the basis of a risk assessment, which was improved in 2017. In connection with acquisitions and major investments, Orkla assesses the risk of becoming involved in breaches of anti-corruption and competition law, and Orkla

companies must take risk-mitigating action to prevent independent business partners from participating in corruption or other illegal or unethical activities in connection with their business dealings with Orkla.

In 2016-2017, Orkla reinforced internal controls related to the collection, processing and storage of personal data. Among other things, the Group's policies were revised, internal guidelines were drawn up and extensive training was provided in this field. The Group's procedures for handling personal data on employees and consumers were reviewed and improved.

The way forward

Efforts to provide internal training and raise ethical awareness will continue in 2018. Orkla will also continue to implement new, improved tools for identifying and monitoring risk related to breaches of legislation and internal guidelines. This will include the continued implementation of the Group's programme for compliance with the EU's personal data protection regulation.

Strong local engagement for sustainability

Orkla wants to promote a sustainable value chain and a healthy, sustainable lifestyle. Through dialogue and collaboration with others, our goal is to make a genuine difference.

Given our presence in close to 30 countries, Orkla has a possibility of creating positive change. By partnering with others, we can contribute to resolving global health and sustainability challenges.

An active stakeholder dialogue

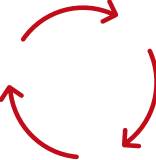
Engaging in a close dialogue with stakeholders helps Orkla to understand others' views, create trust and work together to achieve improvement. Orkla's main stakeholders are its employees, customers and consumers, investors, public authorities, local communities, interest organisations, research communities and suppliers. The dialogue is conducted through meetings and other forms of direct communication, consumer and customer surveys, participation in networks and industry organisations and collaborative projects.

In 2017, Orkla continued to pursue its dialogue with authorities and politicians at national level and in the EU on trade policy framework conditions, other factors relating to its operations, and efforts to promote good public health. Orkla also held dialogue meetings with the grocery trade, investors and

voluntary organisations to discuss the Group's sustainability work. Important topics in stakeholder dialogue in 2017 have been summarised in a separate illustration and described in the respective topical chapters. In 2017, there were five complaints concerning the companies' operations, primarily related to noise or odours arising from production.

Promoting healthy, sustainable consumption

Orkla participates in several collaborative projects aimed at developing solutions for sustainable production and consumption:



Circular business models

Orkla Home and Personal Care is participating in a research project with NHH –Norwegian School of Economics and the BIR waste management company to define the circular business models of the future.



The environmental impact of food

Orkla Foods Sverige is participating in a joint project run by the RISE Research Centre of Sweden aimed at developing new tools for the documentation and sharing of information on the environmental impact of food.



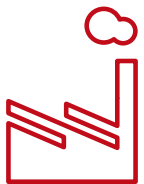
Plant proteins

Orkla Foods Norge is one of several participants in the FoodProFuture research project, headed by Nofima. The purpose of the project is to develop a knowledge platform for the sustainable production and exploitation of plant proteins.



Insect farming

Orkla Foods Norge participates in ENTOFÔR, an international research project headed by the Norwegian Institute of Bioeconomy Research (NIBIO) and the National Institute of Nutrition and Seafood Research (NIFES) which seeks to develop expertise on insect farming based on feed generated from waste.



Renewable energy solutions

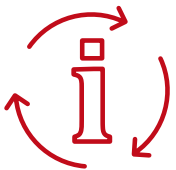
Orkla is a partner in HighEFF, a centre that researches renewable energy solutions for Norwegian industry.

Several of the Orkla companies have carried out activities to motivate consumers and professional customers to make healthy, sustainable choices:



Labelling systems

Increased use of labelling systems for health, environment and sustainable raw material production



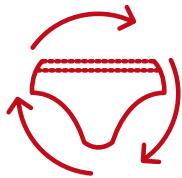
Recycling

Efforts to improve information on how packaging should be sorted



Less food waste

Orkla FoodsNorge and Norwegian NGO Future in Our Hands have taken action to increase consumers' knowledge of the shelf life of various foods and motivate them to reduce food waste



Recovery

Pierre Robert Group has teamed up with Fretex to increase the recovery and recycling of underwear and other textiles.

Health

Orkla has launched a long-term campaign to increase people's knowledge of brain health.



In collaboration with neurologist and author Kaja Nordengen, Möller's has developed a brain training programme that can be found at <https://www.mollers.no/hjernetrim/>.

These and a number of other initiatives are described elsewhere in this report.

Local community engagement

Many Orkla companies are important employers. By developing profitable businesses, Orkla creates positive ripple effects for society in the form of skills-building, new jobs at supplier companies and in the public sector, and payment of direct and indirect taxes. Through collaboration with local authorities, schools and organisations, the companies also help to support projects that benefit society. Projects that have received support from Orkla companies or the Orkla Friends Fund in 2017 include:

Toro – Soup to the People. Since 2016, Orkla Foods Norge has donated more than 600,000 portions of TORO soup to the Salvation Army to support the organisation's work to provide food to people who really need it.

Fotballstiftelsens Gatelag. The street football teams are a low-threshold programme organised by local football clubs for substance addicts. Orkla Foods Norge is the largest private sector donor, providing food and drink and guidance on a healthy diet.

Healthy lifestyle. Orkla Foods Lietuva has teamed up with the organisation Tikra Mityba and the Sveikos Mitybos Standartas initiative to promote a healthy lifestyle among children and young people in Lithuania.

Giving children good experiences. Hamé collaborates with a number of orphanages and other children's institutions on providing children with good experiences at summer camps and in other social activities.

Sponsoring school meals. Through its partnership with the Akshaya Patra Foundation, MTR Foods in India helps to ensure that more than 7 000 schoolchildren in the Karnataka region enjoy nutritious meals.

No bullying! Orkla Confectionery & Snacks Sverige and Orkla Foods Sverige collaborate with the Friends organisation to ensure that children and young people all over Sweden learn the importance of preventing bullying.

Orkla restructures its operations

To ensure that its operations are competitive in the long term, Orkla made a number of investments and changes in its manufacturing footprint in 2017. This has resulted in increased production and improvements at its facilities

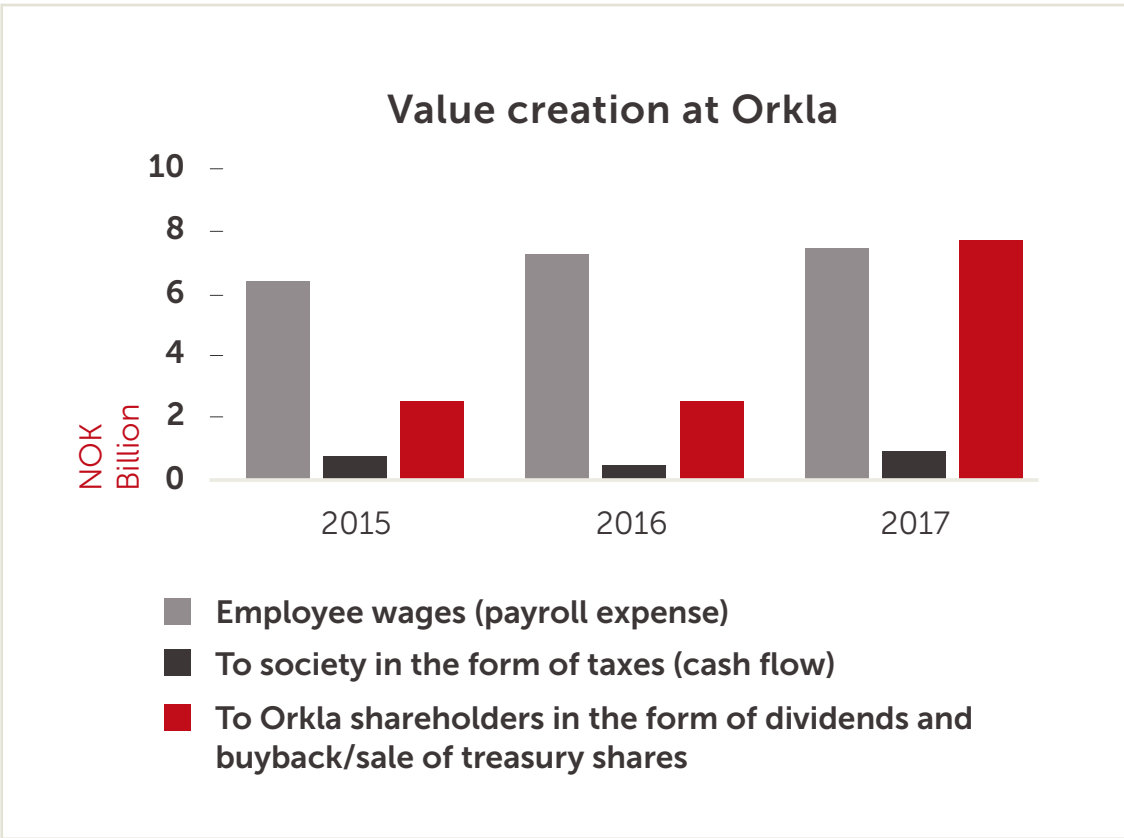
in Stranda and Ski in Norway, in Eslöv, Kumla and Falun in Sweden, Tallinn in Estonia, Bysice in the Czech Republic and Covasna in Romania. The increased investments create positive ripple effects in the form of new jobs and purchasing contracts with local suppliers. Orkla has closed down facilities in



Gimsøy and Kristiansund in Norway, Vadensjö in Sweden, Kastrup in Denmark, Riga in Latvia, Caracal in Romania, Kaunas in Lithuania and Coseano in Italy. Around 300 employees have been impacted by the changes. The employee representatives have been involved through regular consultation meetings, and employees who have lost their jobs have been helped to seek new employment or pursue further education. Orkla has also emphasised the importance of openness and dialogue with important stakeholders in the local community.

The way forward

Efforts to establish a good, uniform approach to stakeholder dialogue will continue in 2018, as will our work to promote healthy, sustainable consumption.

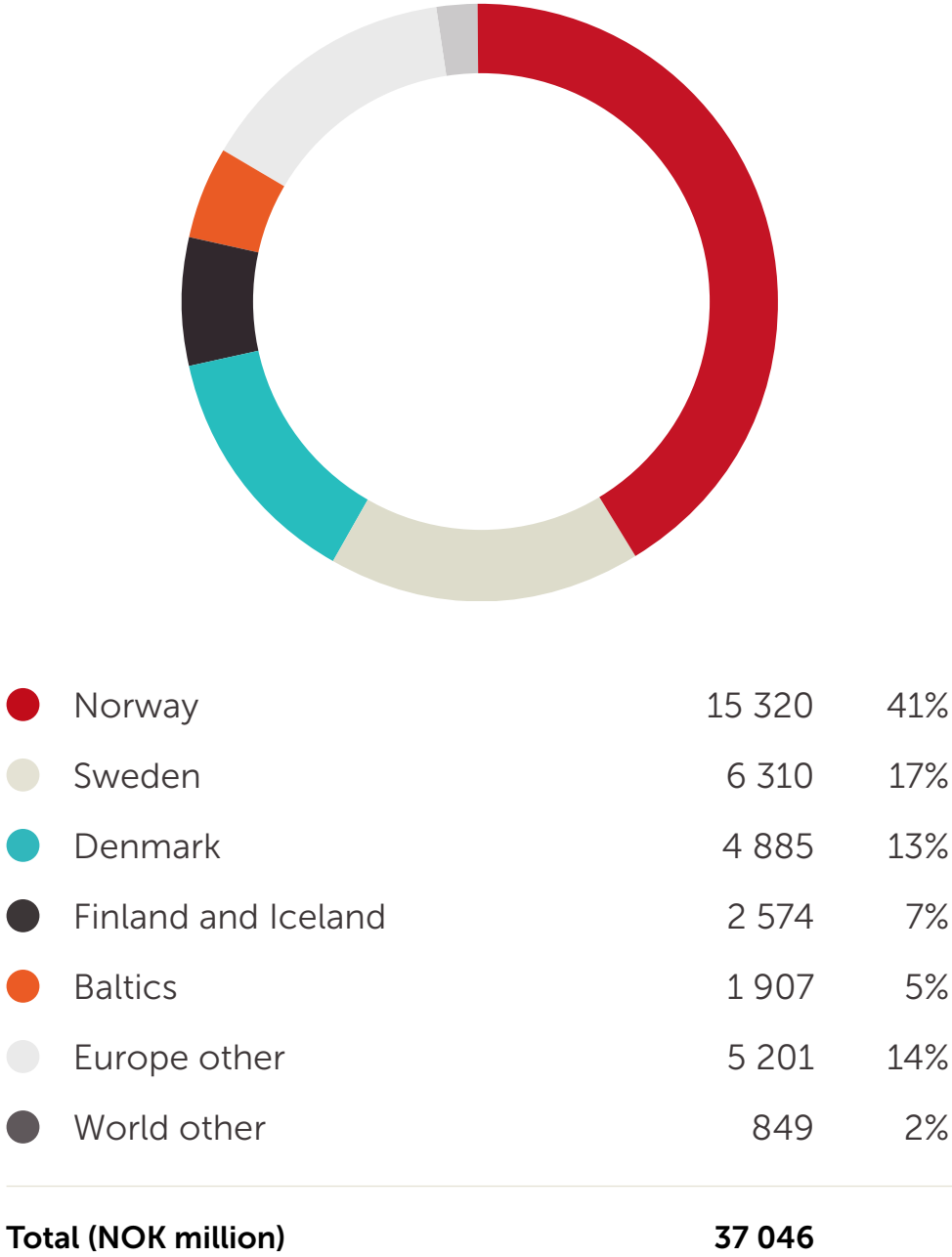


Meaningful campaigns

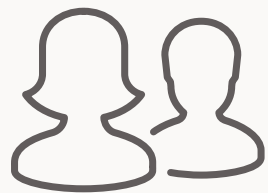
Several of the companies use brand marketing to promote social causes. Examples in 2017 include Orkla Foods Sverige’s collaboration with the Swedish Breast Cancer Association, where a Risifrutti campaign was used to increase women’s awareness of the importance of regularly examining their breasts for cancer. Orkla Health continued its long-term partnership with the Sykehusklovnene (Hospital Clowns) organisation. For every box of Vitaminbjørner vitamin bears that is sold, NOK 1 krone goes to the organisation’s work to spread joy among hospitalised children. Orkla Confectionery & Snacks Sverige continued its long-term cooperation with Maskrosbarn, whereby OLV brand marketing is used to promote the organisation’s work to support children growing up in families affected by substance abuse or mental illness.



Capital employed by geographical area



Important topics addressed in Orkla's dialogue with stakeholders in 2017



Employees

- Restructuring of businesses
- Business strategy



Authorities

- Partnership to promote better health
- Negative effects of the tax on chocolate and confectionery
- Deforestation-free supply chains
- Sustainable food production
- Green Keyhole healthy food labelling
- Marketing of food and drink to children and adolescents
- Building projects
- Ongoing dialogue with supervisory authorities



Customers and consumers

- Nutrition and wellness
- Food allergies
- Recycling of packaging and waste
- Reducing food waste
- Sustainable raw materials
- Animal welfare
- Product safety
- Contingencies
- Product issues



Suppliers

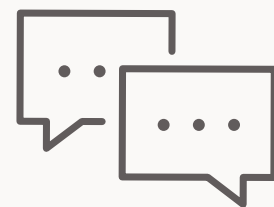
- Compliance with Orkla's Supplier Code of Conduct
- Sustainable palm oil production
- Sustainable fish and seafood
- Improving conditions in the cocoa sector in the Ivory Coast
- Sustainable packaging

Important topics addressed in Orkla's dialogue with stakeholders in 2017



Local communities

- Environmental initiatives
- Restructuring of businesses
- Working environment
- Collaboration on vocational training
- Building projects



Interest organisations

- Reduction of food waste
- Reduction of marine pollution
- Recycling of plastic
- Textile recycling system
- Renewable energy
- Sustainable palm oil production
- Deforestation-free supply chains
- Animal welfare
- Sustainable fishing



Research communities

- Products' environmental impact
- Development of healthy, sustainably produced food
- Circular business models
- Recycling of plastic
- Reduction of salt, sugar and saturated fat in foods
- Healthy bread mixes with a good nutritional profile
- Omega-3 and fish



Investors

- Orkla's sustainability strategy
- Risk management
- Orkla's approach to corporate responsibility

GRI-ref.		Unit	2017	2016	2015
Responsible employer					
	Employees				
	- Total number of employees	Number	18 178	18 154	14 670
	- Percentage of administrative employees	%	40.5	39.4	46.5
	- Percentage of blue-collar workers	%	59.5	60.6	53.5
G4-LA1	Changes in workforce				
	- Number of new employee hires	Number	1810	-	-
	- Employee turnover (new employees/total number of employees)	%	10		
G4-LA9	Average hours of training per year per employee*	Hours	7.0	8.2	4.8
G4-HR2	Total hours of employee training on human rights topics*				
	- Total number of hours of training	Hours	26 700	22 800	14500
	- Percentage of employees trained during the year	%	45	39	34
G4-LA11	Percentage of employees receiving regular performance and career development reviews*				
	- Total		59	63	71
	- Management	%	97	93	99
	- Administrative employees		76	83	95
	- Sales employees		83	81	91
	- Blue-collar workers		45	49	42
G4-LA12	Percentage of women employees				
	- Total	%	48.7	48.5	45.6
	- Administrative employees		47.4	48.6	46.7
	- Blue-collar workers		49.7	48.4	44.7
G4-LA12	Percentage of women in management				
	- Orkla's Group Executive Board	%	11	11	11
	- Management teams at Group, business area and company level		34.3	35.1	32.0
	- Total managers at all levels (manager defined as employee with personnel responsibility)		40.0	37.5	36.1
G4-HR3	Formal complaints or cases related to breaches of anti-discrimination rules	Number	2	0	0
G4-HR12	Formal complaints or cases related to workers' and human rights in Orkla's operations	Number	12	2	-

*Reporting from companies representing 88% of the Group's employees.

GRI-ref.		Unit	2017	2016	2015
Occupational health and safety					
G4-LA6	Sickness absence**				
	- Sickness absence, total		4.7	4.3	4.4
	- Sickness absence, Norway	%	5.3	5.6	5.8
	- Sickness absence, Nordics (excl. Norway) and Baltics		4.4	4.5	4.6
	- Sickness absence, rest of world		4.8	3.1	2.7
G4-LA6	Injuries**				
	- Lost Workday Rate (LWDR)		5.7	5.4	5.6
	- Lost Workday Rate (LWDR), Norway		3.8	3.5	3.4
	- Lost Workday Rate (LWDR), Nordics (excl. Norway) and Baltics		7.2	7.7	7.4
	- Lost Workday Rate (LWDR), rest of world		5.3	3.7	4.9
	- Total Recordable Rate (TRR) total		12.7	10.8	10.1
	- Total Recordable Rate (TRR), Norway		9.3	9.1	6.0
	- Total Recordable Rate (TRR), Nordics (excl. Norway) and Baltics		16.2	15.4	19.4
	- Total Recordable Rate (TRR), rest of world		8.7	5.6	6.9
	- Work-related fatalities		0	0	0
Integrity					
G4-SO4	Anti-corruption training				
	- Number of employees trained during the year	Number	1807	671	3 600
	- Percentage of employees trained during the year	%	9.9	3.7	24.5
G4-SO5	Formal complaints and cases related to breaches of anti-corruption rules	Number	0	0	0
G4-SO7	Formal complaints and cases related to breaches of competition law	Number	0	0	0
Stakeholder dialogue and social engagement					
G4-EC1	Support for external organisations and projects				
	- Direct financial support	NOK	17.3	16.5	15.7
	- Value of products and work		12.3	4	3.4
G4-EC4	Financial support received from government during the year				
	- Subsidies for research and development activities, labour and environmental measures	NOK	14.6	17.9	18.3
	- Raw material price compensation		161.2	173.6	137.1
G4-EC6	Percentage of management team members recruited from the country where the business is located	%	95	-	-
G4-SO6	Total value of political contributions	NOK	0	0	0

**Figures for 2017 include several recent acquisitions that were not previously included in the reporting