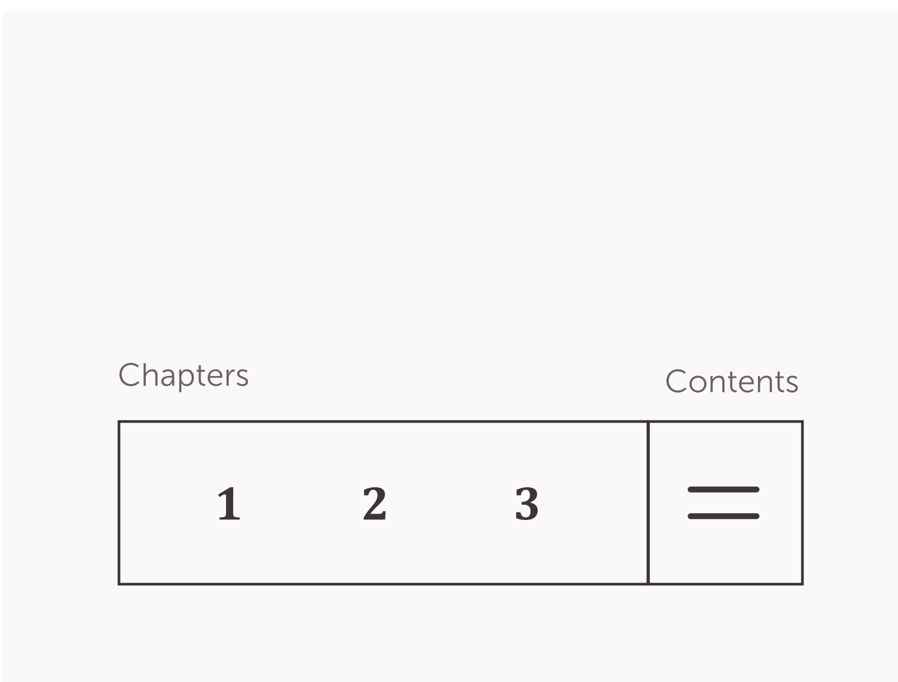
Orkla

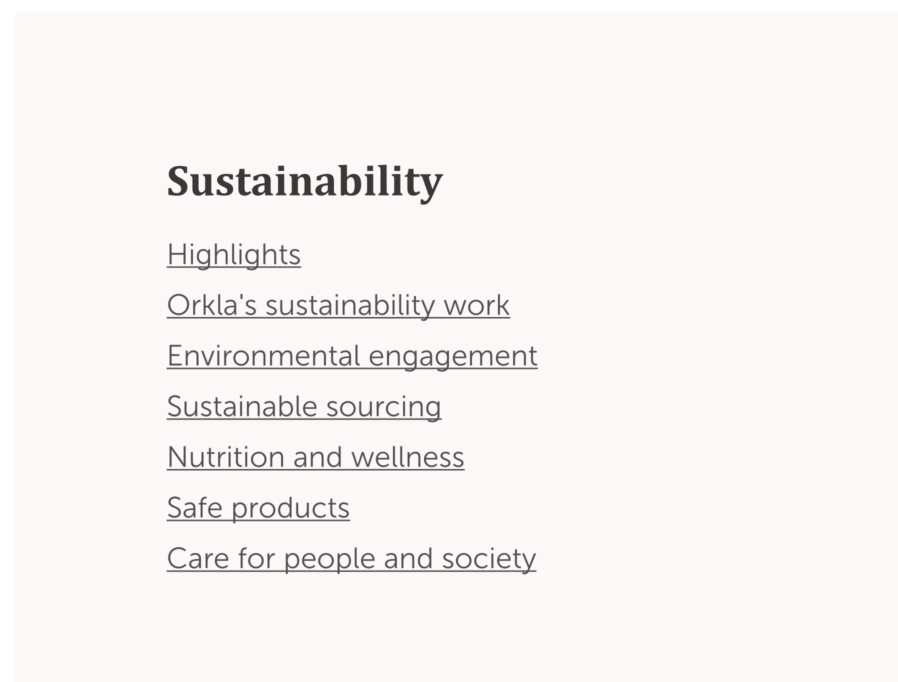
Annual Report 2020

Use of interactive PDF

This is an interactive PDF of Orkla´s Annual Report.
Here are some explanations for using the navigation system.



Flip through chapters or go to the contents page.



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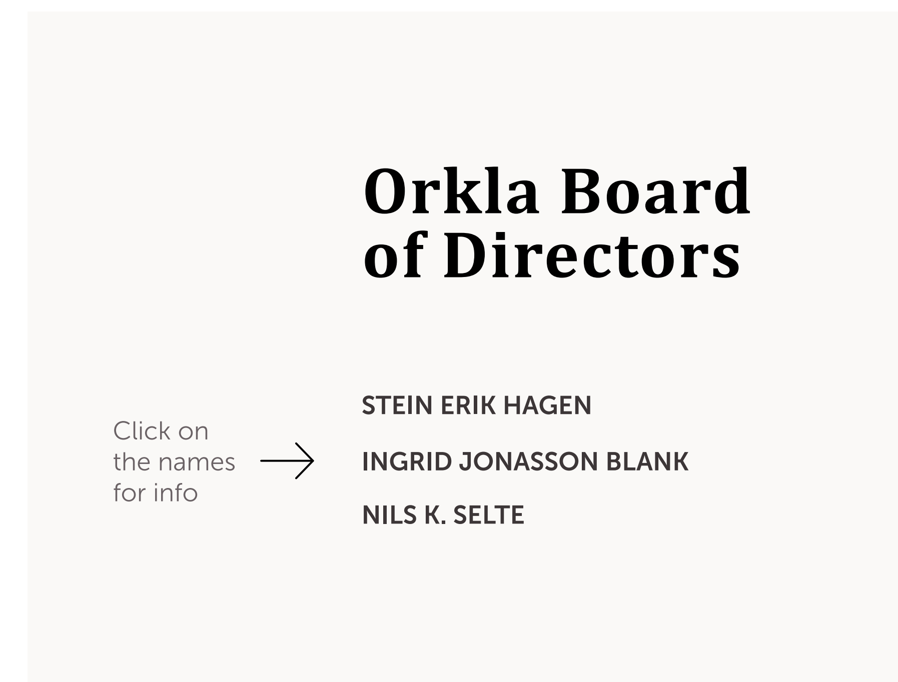

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01 Introduction to Orkla

02 Board of Directors' Report and Corporate Governance

03 Sustainability

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Orkla's social responsibility in a pandemic year

In 2020 Orkla played a critical societal role as a manufacturer of foods, cleaning products and personal hygiene articles that people have needed in a pandemic. We have been committed to protecting our employees, preventing infection and maintaining operational efficiency throughout the value chain. At the same time, we have pursued longer-term plans such as acquisitions and continued focus on sustainability.

Jaan Ivar Semlitsch
President and CEO

Being "Your friend in everyday life"

is our vision, and in 2020 it was perhaps more relevant than ever before when we suddenly found ourselves in the midst of a pandemic. As a manufacturer of foods, cleaning products and personal hygiene articles, Orkla has been defined as a business of critical importance to society in several of our home markets. This is a responsibility that we have taken with the greatest seriousness. Early on in the pandemic we determined three clear priorities, which we have maintained at all times:

- Protecting our employees and preventing infection
- Ensuring the flow of goods in all markets
- Maintaining a good cash flow and a strong balance sheet

In our current situation, having experienced in every way the grave impact of a pandemic, I want to applaud the extraordinary efforts of our employees. They have helped to enable Orkla to respond effectively to the COVID-19 situation. We have implemented strict infection control measures and procedures, and have succeeded in maintaining efficient operations throughout our value chain and at our 105 factories.

Our effective, competent response to COVID-19 has given us the latitude to focus on longer-term plans, including acquisitions of new businesses. In 2020, we entered into agreements to purchase several companies, among which I would particularly like to mention Eastern (headquartered in Kerala) which will double our sales in India. This acquisition is clearly aligned with our strategy of strengthening our position in our most important markets. (As of today, the purchase has not been completed.) We also purchased some exciting, smaller companies such as Norgesplaster, Havrefras and Proteinfabrikken. In addition, we invested in sustainability through the acquisition of 24.9 per cent of the company Arctic Seaweed, and subsequent establishment of Orkla Ocean.

Since joining Orkla in 2019, I have made a point of meeting as many employees as possible and visiting our businesses in different parts of the world. Unfortunately, COVID-19 has curtailed this activity in the past year. As a substitute, I have carried out a number of digital "trips" and meetings, which have absolutely been inspiring and given me good insights into what is going on in our many companies.

In this extraordinary situation, we as a group have also chosen to support the Norwegian Women's Public Health Association (N.K.S.) with both products and funding. It is gratifying to know that our collaboration with N.K.S. has benefited many people, including 3 900 families with children in a vulnerable situation.

One thing that has impressed me since I first started out at Orkla is the employees' strong commitment to sustainability. And we can be proud of the way we work purposefully to give people sustainable everyday choices. This was again a clear focus for us in 2020. One innovation that I would like to highlight is Frankful, which was launched in Sweden. It is an entirely new brand, consisting of a range of products designed to make tacos even more climate-friendly, with reduced waste and sustainable raw materials. Orkla has also launched several other healthy products: Bare Bra cereals, plant-based NATURLI'® hamburgers and Idun unsweetened ketchup are a few examples in Norway.

An exciting priority area for us is plant-based food. To provide a concrete example of how this can be made trendy and tasty, we opened the NATURLI'® concept café on our own premises at our headquarters in Skøyen.

We are pleased to see that our efforts to promote sustainability are being recognised in several quarters. For the tenth consecutive year, Orkla has been recognised as one of the three leading European food companies by S&P Dow Jones. PwC acknowledges Orkla as one of four Norwegian companies that have achieved real results compliant with the Paris Agreement goals, in addition to which we were given an A ranking by the CDP for climate work (formerly the Climate Disclosure Project).

Sustainability will be no less important in the time to come, and we will strive to live up to our values of being brave, inspiring and trustworthy by offering strong, local and sustainable branded products wherever we are present – and thereby fulfilling our mission of improving everyday life with sustainable and enjoyable local brands.

Goals and strategy

Focus on long-term, sustainable value creation

Orkla's goal is to strengthen its position as a leading supplier of branded consumer goods in the Nordics, Baltics, Central Europe, India and other selected markets, and in doing so we will achieve long-term value creation and profitable growth. Orkla wants to contribute positively to our consumers, customers, partners, employees, shareholders and the communities we are a part of, and an emphasis on sustainable value creation permeates all our activities.

Winning locally

Orkla's mission, "Improving everyday life with sustainable and enjoyable local brands," describes how Orkla seeks to create value in local markets. Orkla creates organic growth by transforming its unique local customer and consumer insight into strong innovations and investment in Orkla's local brands. The combination of local insight and scale is what sets us apart from our competitors, both globally and locally.

Priority areas for Orkla:

- Orkla will continue to focus on plant-based products, building on established positions.
- Orkla will continue to develop new innovations, including health-focused products.
- Orkla will strengthen its presence in emerging sales channels.
- Priority will be given to developing and strengthening customer relationships, with a shared goal of profitable growth.
- Selected products will to a greater extent be launched in multiple markets.
- Acquisitions are still a source of significant value creation, renewal and skills upgrading.

Improved profitability through simplification and increased operational efficiency throughout the value chain

- The Group will leverage economies of scale, reduce portfolio complexity and create cross-Group synergies
- The Group will also extract synergies through the integration of acquired companies.
- Production will be concentrated on fewer production facilities where appropriate. In addition, existing facilities will be further optimised, for instance through increased automation. This will free up resources for innovation, growth and skills building.

Purposeful sustainability work

Orkla strives to stand out positively in the eyes of consumers, customers, partners, employees, shareholders and the communities that we are a part of, and we play a crucial role in promoting sustainable production and consumption. Orkla works resolutely to ensure sustainable raw material production, develop sustainable packaging and reduce the climate footprint of its products. Orkla also seeks to contribute to a healthier lifestyle by improving the nutritional profile of its food products and developing new health innovations and future-oriented foods.

Acquisitions

- Strategically appropriate acquisitions will remain a key element of Orkla's growth strategy and value creation model. This is combined with active portfolio management aimed at reducing complexity.
- Through acquisitions, Orkla aims to strengthen its operations in selected geographical areas, channels or categories where we can win leading positions based on the Group's core competencies.

Orkla's financial goals:

- long-term organic growth that at least matches market growth
- growth in underlying EBIT margin of a minimum of 1.5 percentage points, adjusted for acquisitions and foreign exchange effects for the period 2018–2021
- reduction of 3 percentage points in net working capital / net sales value for the period 2018–2021


Nugatti

A leading branded goods company mobilising for sustainable growth

Orkla is a leading supplier of local branded goods with strong market positions based on local insight and presence and a sustainable business model.

Orkla's strategic objective is to strengthen its position as a leading branded goods company in the Nordics, Baltics, Central Europe, India and other selected markets. Orkla aims to strengthen the Group's long-term competitiveness and achieve long-term value creation and profitable growth, while maintaining Orkla's strong local presence. Innovations inspired by the Group's unique local customer and consumer insight are a key driver of growth. Orkla intends to develop its operations in its home markets and selected geographical areas, channels or categories by gaining leading positions in smaller markets based on the Group's core competence.

Orkla has worked systematically for many years to develop healthier products, with a more sustainable value chain that promotes public health and has a smaller environmental footprint.

Orkla ASA is listed on the Oslo Stock Exchange and its headquarters is in Oslo.

Vision, values and mission

Orkla's vision is to be "your friend in everyday life". This vision is underpinned by the values "brave", "trustworthy" and "inspiring". Orkla's mission is to improve everyday life with sustainable and enjoyable local brands.

Leading positions in selected markets

Leading in the Nordic and Baltic regions
Orkla is the leading branded goods company in the Nordics and Baltics.

Unique customer and consumer insight
Orkla is well-known for its branded goods that hold No. 1 or strong No. 2 positions.

Orkla products are sold in over 100 countries.

Orkla's ten largest categories

- Snacks
- Ready meals
- Confectionery
- Personal hygiene
- Sauces and flavourings
- Dietary supplements and Omega-3
- Pizza
- Biscuits
- Wash and cleaning
- Bread toppings

Key figures

Operating revenues:
47.1 NOK billion

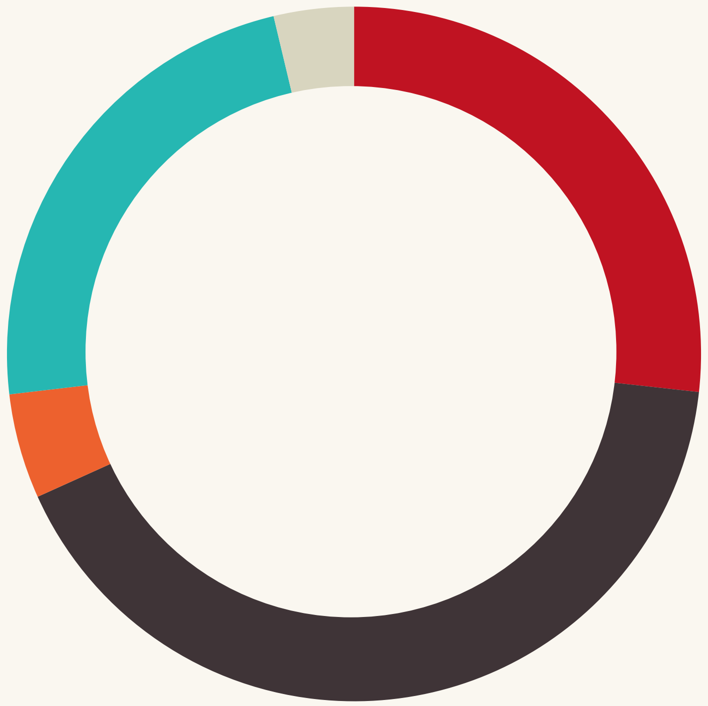
Earnings per share:
4.37 NOK

EBIT (adj.) margin:
11.7%

Number of employees:
18 110

EBIT (adj.)
+5.5 NOK billion

All alternative performance measures (APM) are presented on page 260.



Sales revenues by geographical region[1]

Norway	26%
Nordics, excl. Norway	43%
Baltics	5%
Rest of Europe	23%
Rest of world	4%

[1]Excluding internal sales and other operating revenues

Orkla's business areas in 2020

All alternative performance measures (APM) are presented on page 260.

Branded Consumer Goods incl. Headquarters

Operating revenues
46.6
NOK billion

Organic growth
1.6%

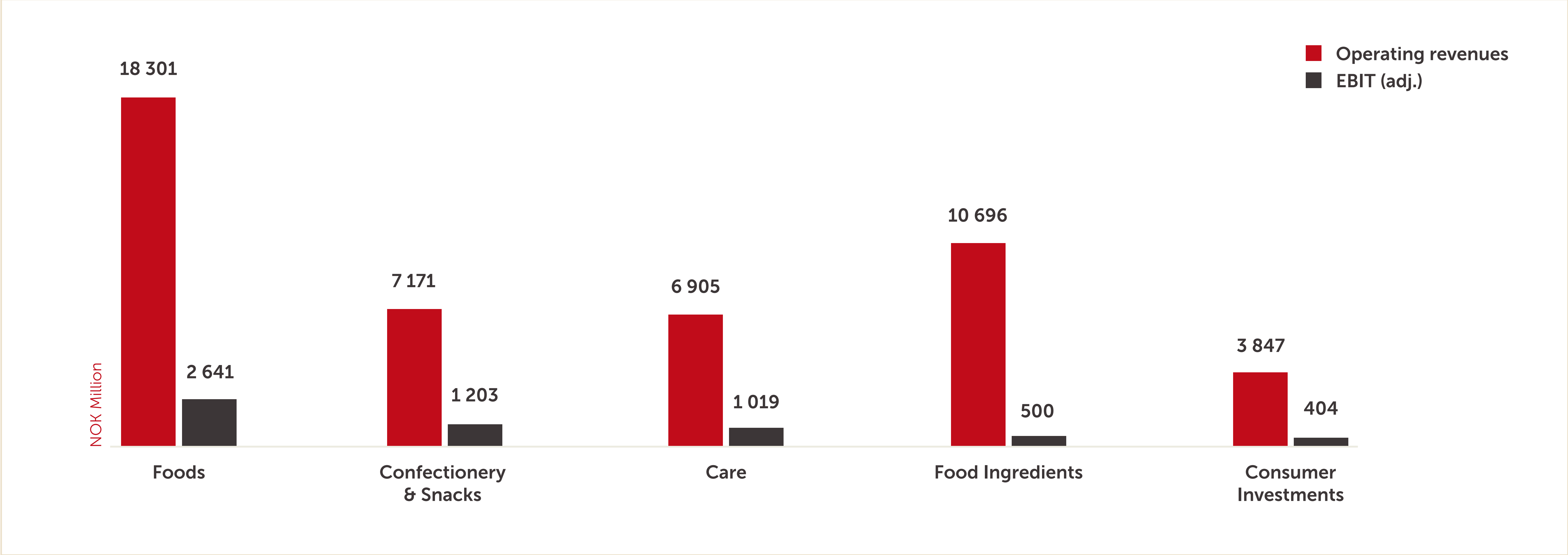
Number of employees
18 054

EBIT (adj.)
5.4
NOK billion

EBIT (adj.) margin
+11.7%

EBIT (adj.) growth
+13.7%

EBIT (adj.) margin growth
+50 bps



Orkla Foods

Orkla Foods is the largest business area, accounting for 39 per cent of Orkla's operating revenues.

Orkla Foods offers well-known local branded products to consumers in the Nordics, Baltics, Central Europe and India. The business area holds leading market positions in several categories, including frozen pizza, ketchup, soups, sauces, bread toppings and ready meals. A growing percentage of turnover derives from plant-based foods and the plant-based brands NATURLI'® and Anamma. Orkla Foods primarily sells its products through the grocery retail trade, but also holds strong positions in the out-of-home, convenience store and petrol station sectors. Its many widely known brands include Grandiosa, TORO, Stabburet, Felix, Paulúns, Abba, Kalles, Beauvais, Den Gamle Fabrik, Spilva, Vitana and MTR.

Key figures

Operating revenues:
18.3 NOK billion

Organic growth:
3.7%

EBIT (adj.):
2.6 NOK billion

EBIT (adj.) growth:
+16%

EBIT (adj.) margin:
14.4%

EBIT (adj.) margin growth:
+80 bps

Number of employees:
7 633

Sales revenues by geographical region[1]

Norway	26%
Nordics, excl. Norway	42%
Baltics	3%
Rest of Europe	21%
Rest of world	7%

[1]Excluding internal sales and other operating revenues

Orkla Confectionery & Snacks

Orkla Confectionery & Snacks's turnover accounts for 15 per cent of Orkla's operating revenues.

Orkla Confectionery & Snacks holds strong No. 1 and No. 2 positions in the confectionery, biscuits and snacks categories, with well-known local brands and tastes that delight consumers in the Nordic and Baltic countries. Its many widely known brands include KiMs, Nidar, Stratos, Göteborgs Kex, Sætre, OLW, Panda, Laima, Selga, Taffel and Kalev.

Key figures

Operating revenues:
7.2 NOK billion

Organic growth:
2.0%

EBIT (adj.):
1.2 NOK billion

EBIT (adj.) growth:
+10%

EBIT (adj.) margin:
16.8%

EBIT (adj.) margin growth:
+30 bps

Number of employees:
3 061

Sales revenues by geographical region[1]

Norway	29%
Nordics, excl. Norway	49%
Baltics	16%
Rest of Europe	5%
Rest of world	1%

[1]Excluding internal sales and other operating revenues

Orkla Care

Orkla Care accounts for 15 per cent of Orkla's operating revenues and has home markets in the Nordics, Baltics, Poland and Spain in addition to export outside our home markets.

The two largest business units are Orkla Home & Personal Care, which holds leading positions in the personal care and cleaning products segments, and Orkla Health, which has strong brands in the dietary supplement, sports nutrition and weight control segments. Orkla Care also holds market-leading positions in several European countries in wound care and first aid equipment (Orkla Wound Care). Health and Sports Nutrition Group (HSNG) runs the Gymgrossisten and Bodystore e-commerce portals and is the largest e-commerce operator in the Nordic region in health and sports nutrition. Well-known brands include Zalo, Jif, Sun, Define, Sunsilk, Blenda, Möller's, Collett, Nutrilett, Maxim, Norgesplaster and Salvequick.

Key figures

Operating revenues:
6.9 NOK billion

Organic growth:
9.2%

EBIT (adj.):
1.0 NOK billion

EBIT (adj.) growth:
+19.2%

EBIT (adj.) margin:
14.8%

EBIT (adj.) margin growth:
+30 bps

Number of employees:
2 050

Sales revenues by geographical region[1]

Norway	33%
Nordics, excl. Norway	42%
Baltics	1%
Rest of Europe	18%
Rest of world	7%

[1]Excluding internal sales and other operating revenues

Orkla Food Ingredients

Orkla Food Ingredients accounts for 22 per cent of Orkla's operating revenues. Orkla Food Ingredients is the leading supplier of bakery and ice cream ingredients in the Nordics and Baltics, and holds growing positions in Europe.

The business area manufactures, sells and distributes ingredients and products to the bakery and ice cream market in 23 countries. The Nordic region accounts for approximately half of all sales. Sales of bakery ingredients to artisanal and industrial bakeries account for around 65 per cent of sales. Ice cream ingredients and accessories account for approximately 15 per cent of sales and around 20 per cent are direct-to-consumer sales under well-known brands such as Odense Marcipan, Mors hjemmebakte, KronJäst, Bakkedal and NATURLI'®. A major share of Orkla Food Ingredients' sales are to industrial customers. Due to this factor, and to a substantial percentage of raw material sales, Orkla Food Ingredients' operating margin is lower than that of Branded Consumer Goods' other business areas.

Key figures

Operating revenues:
10.7 NOK billion

Organic growth:
-5.9%

EBIT (adj.):
0.5 NOK billion

EBIT (adj.) growth:
-20.1%

EBIT (adj.) margin:
4.7%

EBIT (adj.) margin growth:
-140 bps

Number of employees:
3 718

Sales revenues by geographical region[1]

Norway	11%
Nordics, excl. Norway	42%
Baltics	4%
Rest of Europe	42%
Rest of world	1%

[1]Excluding internal sales and other operating revenues

Orkla Consumer & Financial Investments

The Orkla Consumer & Financial Investments business area was established in 2019 and consists of two areas:

Orkla Consumer Investments

Orkla Consumer Investments is part of Orkla's Branded Consumer Goods area and comprises Orkla's businesses in the painting tool (Orkla House Care), basic garments (Pierre Robert Group), professional cleaning (Lilleborg) sectors and restaurant operations (Kotipizza Group).

Industrial & Financial Investments

Orkla has some investments outside the Branded Consumer Goods business which are organised under Industrial & Financial Investments. The area comprises the associate Jotun (42.6 per cent interest) and the consolidated businesses Hydro Power, Orkla Eiendom (real estate) and Orkla Ventures.

Key Figures Orkla Consumer Investments

Operating revenues:
3.8 NOK billion

Organic growth:
2.1%

EBIT (adj.):
0.4 NOK billion

EBIT (adj.) growth:
+36%

EBIT (adj.) margin:
10.5%

EBIT (adj.) margin growth:
+170 bps

Number of employees:
1 273

Sales revenues by geographical region[1]

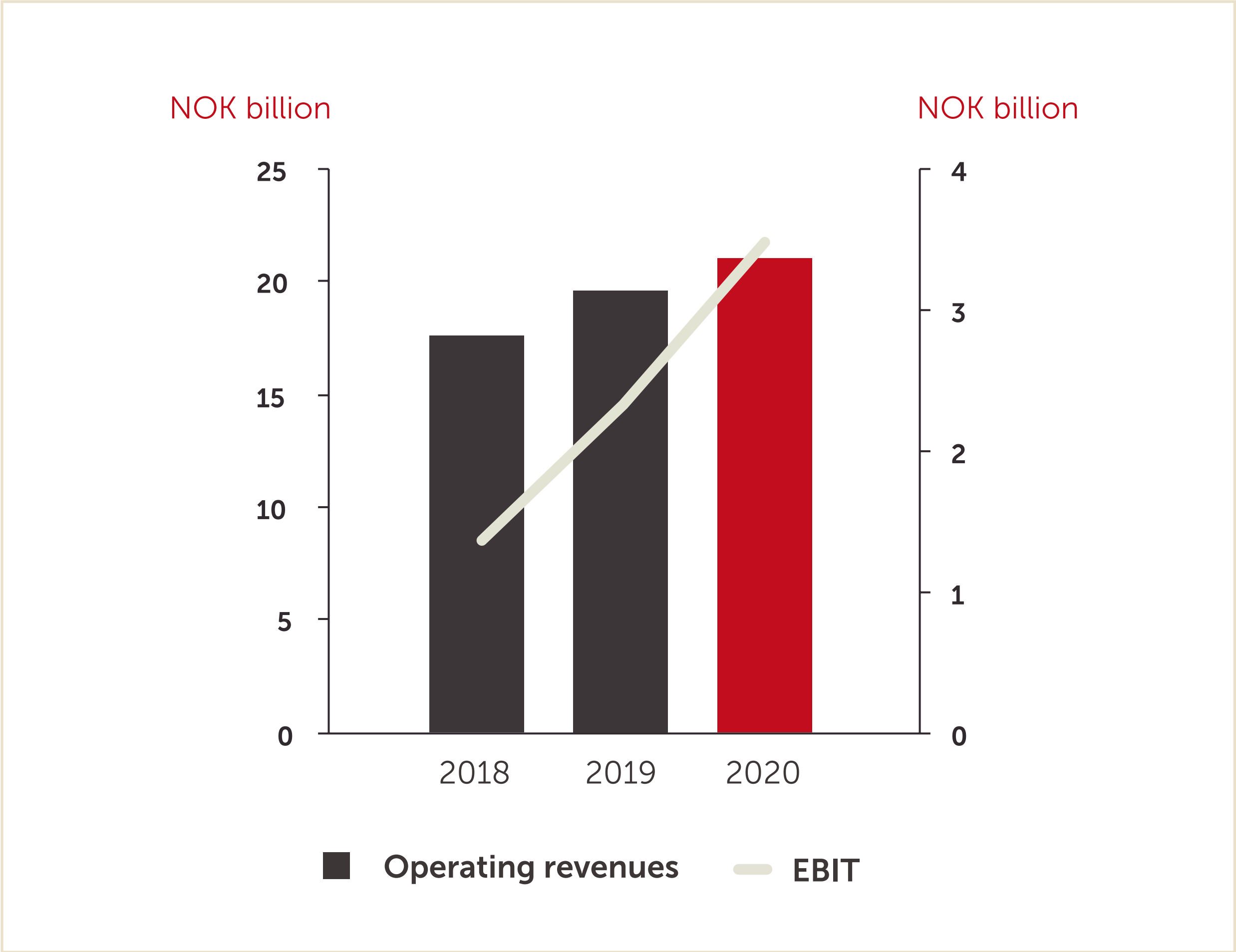
Norway	33%
Nordics, excl. Norway	44%
Baltics	0%
Rest of Europe	23%
Rest of world	0%

[1]Excluding internal sales and other operating revenues
Applies to Orkla Consumer Investments

Jotun

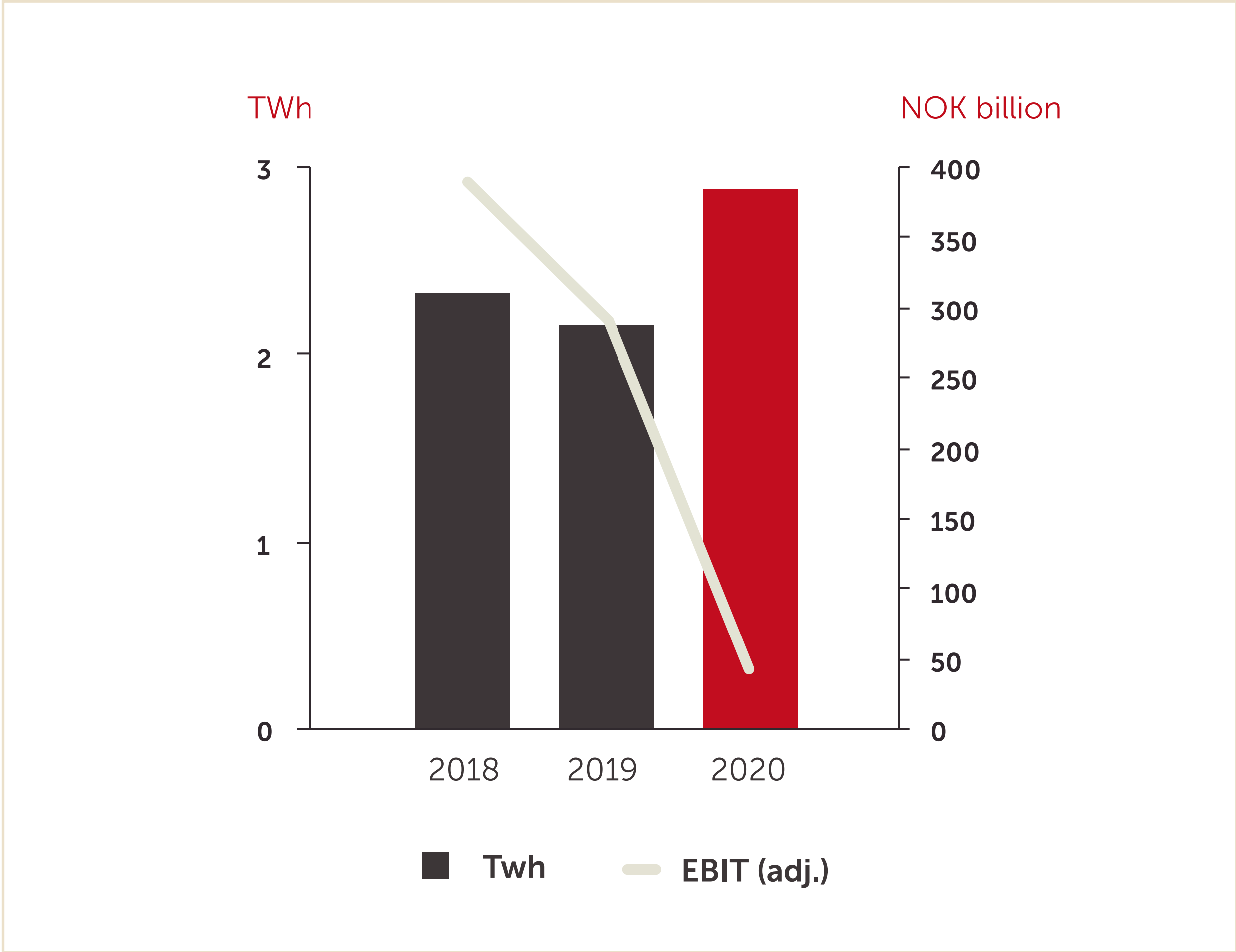
Jotun is one of the leading global manufacturers of paint and powder coatings. Jotun's worldwide activities consist of the development, production, marketing and sale of a variety of paint systems, and are organised in the four segments Decorative Paints, Marine Coatings, Protective Coatings and Powder Coatings.

The company's main markets are the Middle East, India, Africa, Northeast Asia, Southeast Asia and Scandinavia. Jotun is accounted for using the equity method and presented on the line "Profit/loss from associates and joint ventures" in the consolidated financial statements.



Hydro Power

Hydro Power consists of wholly-owned power plants in Sarpefossen and power plants leased through Orkla's 85 per cent interest in the Saudefaldene power company. The Sauda power operations are regulated by a lease with Statkraft that will run until 31 December 2030. The power operations generate and supply electricity to the Nordic power market, and produce an average annual volume (2011–2020) totalling 2.5 TWh, of which around 1.1 TWh is a fixed delivery commitment with a zero net effect on profit.

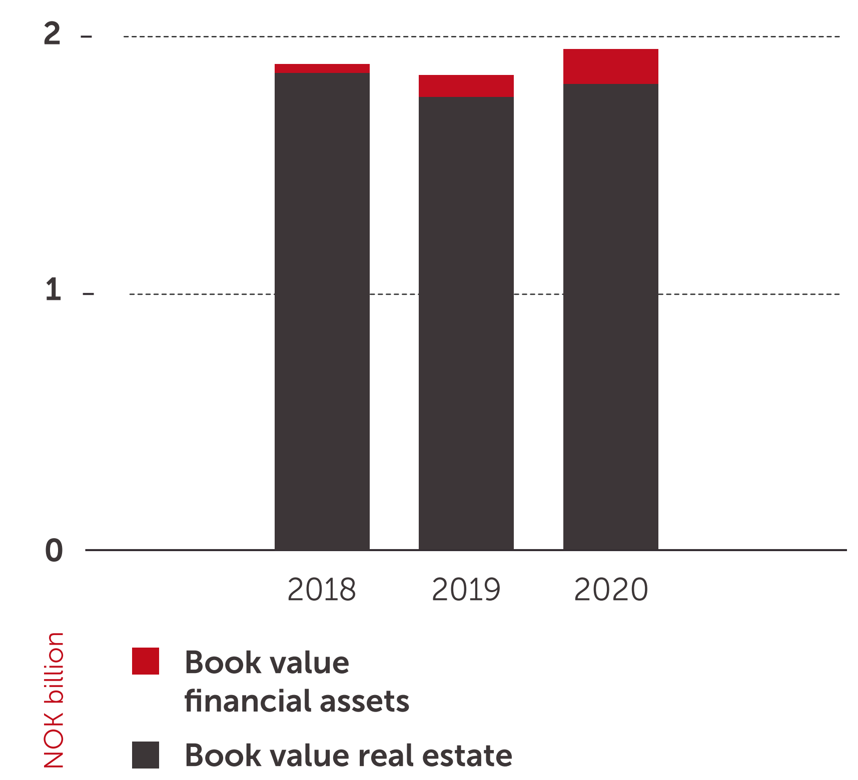


Orkla Eiendom

Orkla Eiendom (real estate) is concentrated on investment in and the development and sale of properties primarily related to Orkla's operations. It also manages the Group's new headquarters, completed in February 2019. In addition, Orkla Eiendom meets the Group's needs for specialised expertise in the real estate sector. As at 31 December 2020, Orkla's real estate investments had a book value of NOK 1.8 billion.

Orkla Ventures

Orkla Ventures was established in 2017 to reach out to a growing universe of entrepreneurial businesses and start-up companies. The purpose of Orkla Ventures is to invest in technology, concepts and business models that might be relevant for Orkla's businesses. Besides offering risk capital, Orkla provides both expertise and collaboration in relevant parts of the value chain.



Board of Directors´ report

The year 2020 was heavily impacted by the coronavirus pandemic, where Orkla's primary focus was on safeguarding the employees and preventing infection, ensuring the flow of goods in all markets and maintaining a good cash flow and a strong balance sheet. Orkla also continued its efforts to develop a business model in which local responsibility is balanced by realisation of synergies and economies of scale across companies and business areas. The Group also concentrated on more long-term initiatives, in part through the acquisition of several companies.

02

All alternative performance measures (APM) are presented on page 260. Figures in parentheses refer to the corresponding period of the previous year.

Operations in 2020

The Group increased turnover by 8.1 per cent in 2020 through organic growth in the Branded Consumer Goods business and positive currency translation effects, as well as contributions from acquired companies. The Group's EBIT (adj.) growth in 2020 was 7.9 per cent, driven by profit improvement for Branded Consumer Goods. Hydro Power saw a decline, due to substantially lower power prices as a result of a large power surplus and limited interconnector capacity with other countries.

The Branded Consumer Goods business achieved organic growth of 1.6 per cent in 2020. The coronavirus pandemic led to major changes in shopping patterns in the markets for Orkla products. In 2020, there was generally strong growth in the grocery channel, resulting in good overall growth for most of the business areas. Growth was offset to some extent by reduced activity in the Out of Home sector, which resulted in a sales decline particularly for Orkla Food Ingredients, but also for some of the operations in the other business areas. Branded Consumer Goods including Headquarters had EBIT (adj.) growth of 13.7 per cent, as a result of underlying growth and positive currency translation effects, and positive contributions from acquired companies.

Orkla has worked resolutely to give people sustainable choices in everyday life, and plant-based and environmentally friendly products contributed good growth in 2020. Examples are the Anamma, NATURLI'® and recently launched Frankful brands. This will also provide an important platform for future innovation work. Moreover, Orkla has focused on launching strong innovations under its brands to strengthen its position as a leading branded

Operating revenues by business area

consumer goods company. Strong innovations in response to trends and consumer needs are a critical success factor for Orkla.

Description of structural changes

Throughout 2020, the Group continued to maintain strong focus on structural growth aimed at building Orkla's position as a leading branded consumer goods-based group offering both products and services. In addition, the Group gave priority to simplifying its portfolio and concentrating on selected core areas. As part of Orkla's focus on optimising its portfolio, Frödinge was moved from Orkla Foods to Orkla Food Ingredients in the fourth quarter of 2020.

Orkla Foods

In September 2020, Orkla entered into an agreement to acquire 67.8 per cent of the shares in the food and spice company Eastern Condiments Private Limited ("Eastern") in India. Orkla already holds a position in the Indian food market through MTR, and Eastern will be merged into the Orkla-owned company MTR Foods Private Limited. Orkla will have an equity interest of 90.01 per cent in the new company. This transaction will give Orkla a stronger, solid platform for further growth in the Indian food market. The process of completing the transaction is still ongoing.

In June 2020, Orkla purchased the Havrefras brand, including Rug Fras and Mini Fras, from PepsiCo, Inc. The brand holds a strong market position in Scandinavia in healthy breakfast cereals. Prior to the purchase, Orkla distributed the Havrefras products on behalf of PepsiCo in Norway, Sweden and Denmark.

In March 2020, Orkla sold the SaritaS brand to the newly established company Indian Gourmet AS. The agreement concerns the full disposal of the SaritaS brand, which includes a product portfolio of sauces and ready meals. In July 2020, Orkla sold the Vestlandslefsa brand, including recipes, production equipment and the Li-Klenning brand. Both brands were part of Orkla Foods Norge and the purpose of the disposals was to simplify the portfolio and concentrate activities on selected priority areas.

Orkla Care

Orkla purchased Norgesplaster Holding AS ("Norgesplaster") in April 2020. Norgesplaster holds strong market positions in wound care and first aid equipment. Through this acquisition, Orkla has strengthened its presence in the pharmacy channel in Norway and in the market for first aid products.

Orkla acquired 100 per cent of the shares in Proteinfabrikken AS, in which Orkla already owned a minority shareholding of 16.7 per cent acquired in 2014. Proteinfabrikken sells a broad range of proprietary sports nutrition products and distributes a number of other brands and products in the sports nutrition, food and fitness equipment categories. The company was consolidated into Orkla's financial statement as of 1 January 2021.

In February 2021, Orkla entered into an agreement to acquire 100 per cent of the shares in NutraQ 2 AS ("NutraQ"), which is a leading supplier of subscription-based health and beauty products in the Nordic region. NutraQ is behind the two well-known health and beauty concepts VitaePro and Oslo Skin Lab. NutraQ also owns the two men's health brands Maxulin and Provexin, and the Vesterålens Naturprodukter brand that offers Omega-3 and various vitamin supplements. NutraQ was established in Norway in 2002, and has since also established operations in Denmark, Finland and Sweden. The agreement is subject to the approval of the relevant competition authorities, and the acquisition is expected to be completed by the end of the third quarter of 2021.

In December 2020, Orkla sold the Soraya and Dermika brands and associated production in Poland. The purpose of the sale was to simplify the portfolio and concentrate Orkla's Polish operations on the health, wound care and personal care categories.

Orkla Food Ingredients

In February, Orkla purchased 70 per cent of the shares in Win Equipment, a leading supplier of soft serve ice cream machines in the Netherlands. Orkla has built up a solid position in the Netherlands in ice cream ingredients and accessories, and the businesses are a good fit.

In December 2020, Orkla acquired the sales and distribution company Gortrush Trading Ltd. ("Gortrush"). Gortrush is a supplier of ice cream ingredients and accessories to wholesalers, ice cream parlours and distributors in Ireland, Northern Ireland and the rest of the UK.

Orkla sold its shareholding (51 per cent) in Italiensk Bakeri AS in December. Orkla will maintain a close supplier/customer relationship with Italiensk Bakeri.

Orkla Consumer Investments

Orkla decided to close the Swedish business in Pierre Robert Group, and activities were gradually reduced during the first half of 2020. The company was wound up on 30 June 2020.

In the fourth quarter, an agreement was entered into on the sale of the Danish pizza chain restaurant chain Gorm's, entailing a reduction of Orkla's equity interest from 66.67 per cent to 19.99 per cent.

Industrial & Financial Investments

In January, Orkla sold its remaining shares (24 per cent) in the logistics company Andersen & Mørck AS. The sale generated a gain of NOK 15 million.

Orkla sold its shares in the real estate company Alkärrsplans Utvecklings AB in the second quarter of 2020 with a profit effect of NOK 14 million.

For more information on the acquisition and disposal of businesses, see Notes 5 and 6.

Results in 2020

The Group

Condensed income statement

Amounts in NOK million	2020	2019
Operating revenues	47 137	43 615
EBIT (adj.)	**5 492**	**5 088**
Other income and expenses	(930)	(561)
Operating profit	**4 562**	**4 527**
Profit/loss from associates and joint ventures	1 000	659
Interest and financial items, net	(214)	(255)
Profit/loss before tax	**5 348**	**4 931**
Taxes	(926)	(1 033)
Profit/loss for the year	**4 422**	**3 898**

The increase of 8.1 per cent in operating revenues in 2020 was a result of organic growth, positive currency translation effects, and contributions from acquisitions in the Branded Consumer Goods business. In general, Branded Consumer Goods had good growth in the grocery market, particularly in the Nordic region. There was strong growth in some categories such as cleaning and personal care, as well as painting equipment due to increased activity in the home improvement market. This resulted in organic growth for all business areas, except for Orkla Food Ingredients, which experienced substantially lower demand in the Out of Home segment due to the coronavirus pandemic and associated restrictions in its markets.

Group EBIT (adj.) grew by 7.9 per cent in 2020. Growth was driven by profit improvement in Branded Consumer Goods, including contributions from acquired companies. Industrial & Financial Investments had a negative impact on profit growth, with a decline in profit for Hydro Power that was mainly due to substantially lower power prices on account of a large power surplus and limited interconnector capacity with other countries. For further comments on Branded Consumer Goods, see the section on "Comments on the profit performance of the individual business areas".

The Group's "other income and expenses" were higher in 2020, year over year. The increase was largely related to write-downs and recognition of expenses related to ERP projects, and write-downs related to PRG Finland and Gorm's. Costs were expensed in connection with acquisitions and integration, in addition to costs related to several improvement processes in the Group, particularly in connection with restructuring. Other income includes gains on the sale of real estate and brands, including the SaritaS and Vestlandslefsa brands, and factory properties in Romania and Ishøj.

Profit from associates and joint ventures mainly consists of Orkla's 42.6 per cent equity interest in Jotun. The investment is presented using the equity method. Jotun delivered a record-high contribution in 2020 of NOK 970 million (NOK 625 million), driven by solid sales growth and higher gross margins.

Results from foreign entities are translated into Norwegian kroner based on average monthly exchange rates. In 2020, due to fluctuations in the foreign currency market and a weaker Norwegian krone, the Group had positive currency translation effects of NOK 2,654 million on operating revenues and NOK 305 million on EBIT (adj.).

Orkla is subject to ordinary company tax in the countries in which the Group operates. The tax rate (adjusted for profit from associates) for the 2020 financial year was 21.3 per cent, compared with 24.2 per cent in 2019. The year-over-year change in the tax rate is mainly due to lower economic rent tax on hydropower. See Note 16 for other comments.

Earnings per share in 2020 were NOK 4.37, compared with NOK 3.84 in 2019. Adjusted earnings per share were NOK 5.04, compared with NOK 4.24 in the previous year.

Financial situation and capital structure

Cash flow

The comments below are based on the cash flow statement as presented in Orkla's internal format (see Note 38). Cash flow from operations from Branded Consumer Goods incl. Headquarters was higher in 2020 than in 2019, mainly due to improved EBIT (adj.). Working capital continues to improve, despite a temporary build-up of inventory owing to focus on ensuring a high service level for the business areas that have experienced higher demand.

Due to the ongoing implementation of new ERP systems and several factory projects currently in progress, replacement investments increased.

In 2020, there was also an increase in depreciation related to a higher level of investment in earlier periods. Currency translation effects also affected these components. In Industrial & Financial Investments, cash flow from operations for 2020 were lower than in 2019 due to lower profit from Hydro Power.

Dividends received, financial items and other payments mainly consist of dividends received from Jotun, paid financial items and the sale of shares representing a small shareholding.

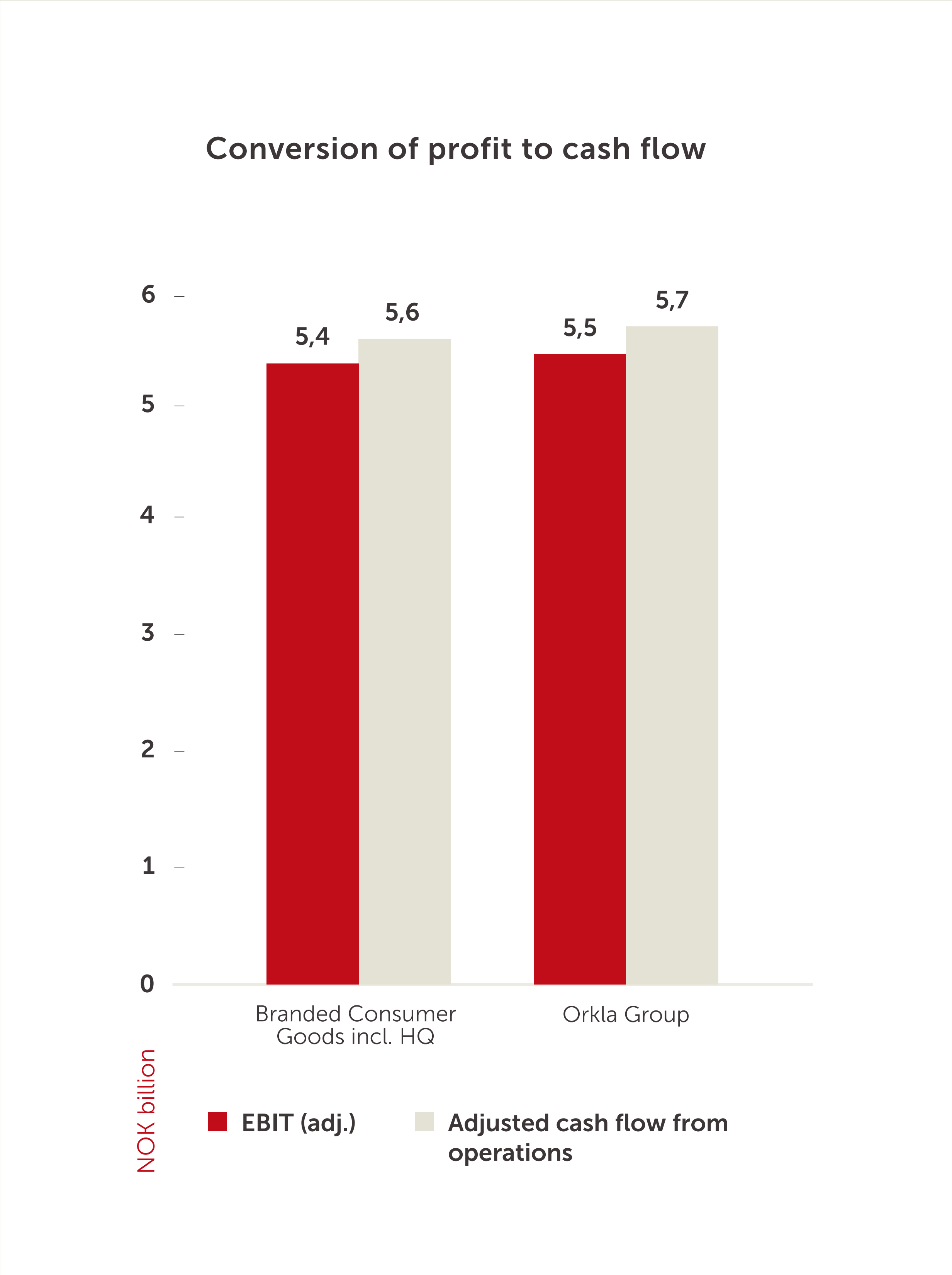
Expansion investments were slightly lower, year over year, in 2020. Most of the expansion in 2020 was related to the investment programme for pizza production at Stranda, Norway, and increased production capacity for plant-based products.

The logistics company Andersen & Mørch was sold in 2020. In addition, Orkla Eiendom sold a minority interest (40.5 per cent) in Alkärrsplans Utvecklings AB and a minority interest (20 per cent) in the real estate development company Sandakerveien 56. In the fourth quarter of 2020, Orkla Care sold the Skin Care business in Poland.

Acquisitions of companies totalled NOK 733 million and mainly consisted of the purchase of the Havrefras brand and the purchase of 100 per cent of the shares in Norgesplaster. Furthermore, Orkla Food Ingredients completed the purchases of Win Equipment, Gortrush Trading and the remaining shares in Orchard Valley Foods. Minor investments were also made in the Venture portfolio.

Net cash flow for the Group amounted to NOK 756 million. Negative currency translation effects due to the weaker Norwegian krone increased net interest-bearing liabilities by NOK 585 million compared

Amounts in NOK million	2020	2019
Cash flow from Branded Consumer Goods incl. HQ		
EBIT (adj.)	5 440	4 786
Depreciation	1 783	1 581
Change in net working capital	670	812
Net replacement investments	(2 251)	(1 931)
Cash flow from operations (adj.)	**5 642**	**5 248**
Cash flow effect "Other income" and "Other expenses" and pensions	(291)	(450)
Cash flow from operations Branded Consumer Goods incl. HQ	**5 351**	**4 798**
Cash flow from operations Industrial & Financial Investments	**87**	**135**
Taxes paid	(1 152)	(1 129)
Dividends received, financial items and other payments	91	(167)
Cash flow before capital transactions	**4 377**	**3 637**
Dividends paid and sale/purchase of treasury shares	(2 609)	(2 589)
Cash flow before expansion	**1 768**	**1 048**
Expansion investments	(479)	(631)
Sale of companies (enterprise value)	200	582
Purchase of companies (enterprise value)	(733)	(3 063)
Net cash flow	**756**	**(2 064)**
Currency effects of net interest-bearing liabilities	(585)	(3)
Change in net interest-bearing liabilities	**(171)**	**2 067**
Net interest-bearing liabilities	**6 380**	**6 551**



with the end of 2019. At the end of 2020, net interest-bearing liabilities before leases totalled NOK 4,893 million. Including lease liabilities related to IFRS 16, net interest-bearing liabilities totalled NOK 6,380 million (see Note 21 for further information on IFRS 16). The Group's liabilities are denominated in different currencies depending on its net investments in countries other than Norway, and liabilities will therefore fluctuate in step with currency rate changes.

As at 31 December 2020, the equity ratio was 59.8 per cent, compared with 60.8 per cent as at 31 December 2019. The average time to maturity of interest-bearing liabilities and unutilised credit lines is 3.2 years. Orkla's financial position is robust, with cash reserves and credit lines that exceed known future capital expenditures.

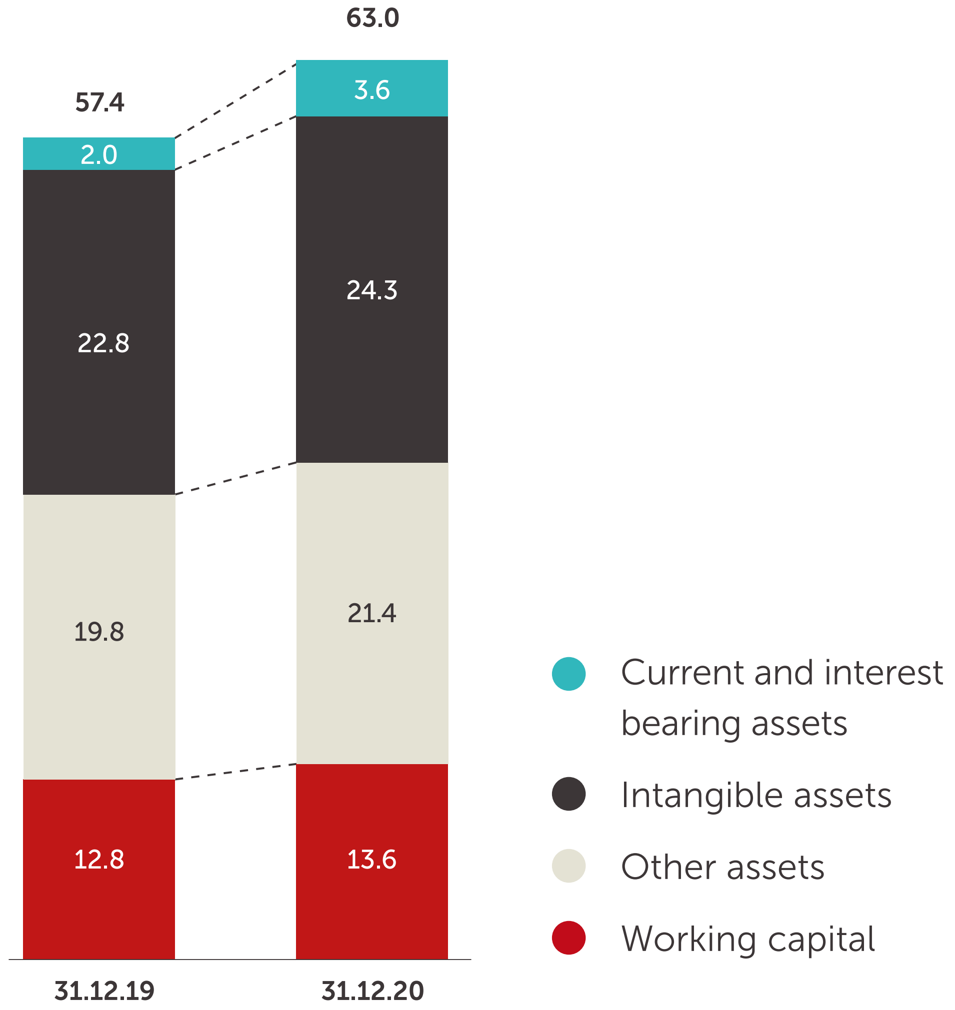
Contracts and financial hedge instruments

Orkla generally has few long-term purchasing and sale contracts. Financial hedging instruments are used in connection with management of currency and interest rate risk as well as certain incentive programmes and pension plans. In Hydro Power, AS Saudefaldene has some long-term power contracts. Further details regarding power contracts may be found in Note 34.

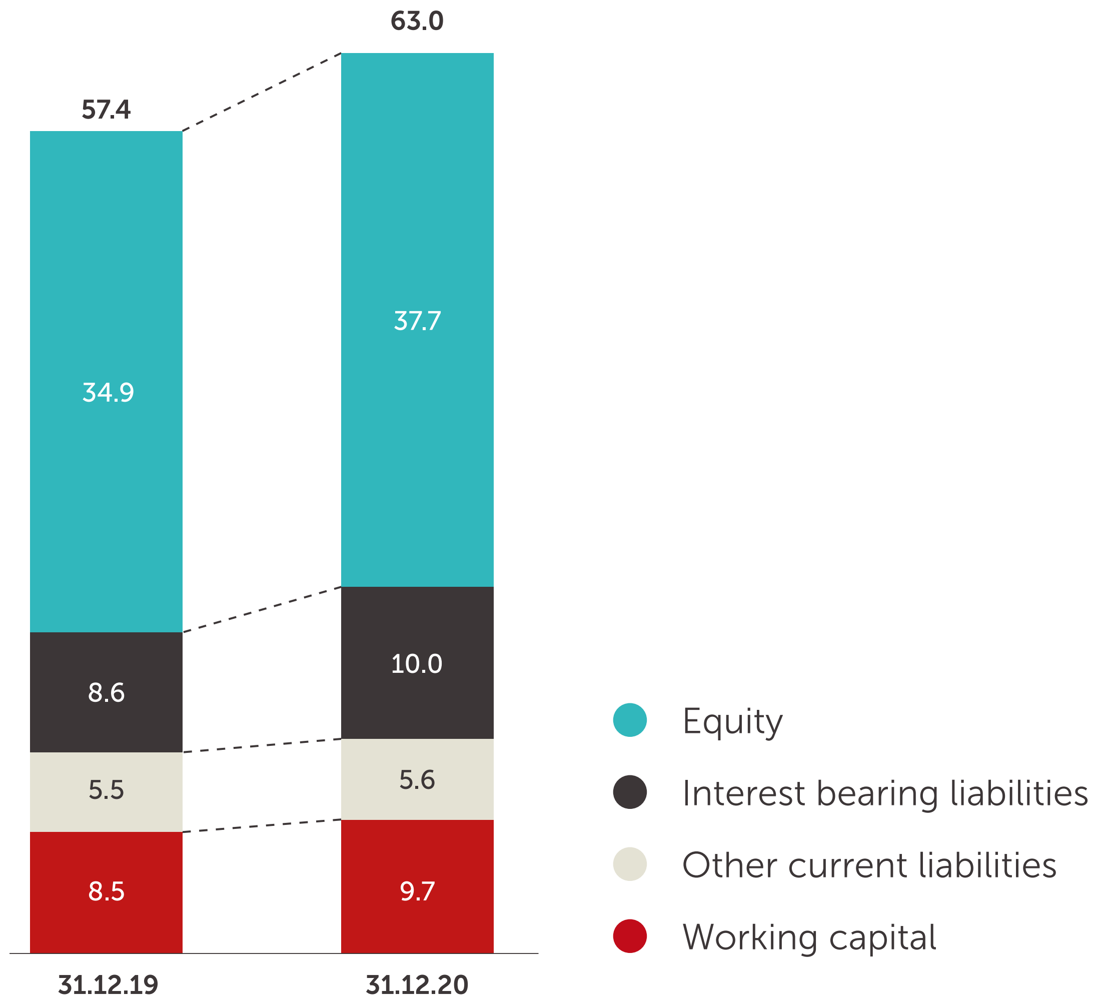
Capital structure

The consolidated statement of financial position totalled NOK 63.0 billion at year end, compared with NOK 57.4 billion in 2019. Net interest-bearing liabilities at the end of 2020 totalled NOK 6.4 billion including lease liabilities, which is a small reduction from NOK 6.6 billion at the end of 2019. This implies a net interest-bearing debt to EBITDA ratio of 0.9, which is below Orkla's goal of up to 2.5. Orkla's financial position is robust, with cash reserves, credit lines and the flexibility to support its business priorities. Group equity totalled NOK 37.7 billion at year end, with an equity ratio of 59.8 per cent (60.8 per cent).

Assets
NOK billion



Equity and liabilities
NOK billion



The Orkla share

At year end, there were 1,000,929,170 shares outstanding, and Orkla owned 501,800 treasury shares. The number of shareholders was 41,585 at the end of 2020, compared with 36,450 at the end of 2019. The proportion of shares held by foreign investors decreased by 3 percentage points to 51 per cent. The Orkla share price was NOK 87.00 at the end of the last trading day in 2020. At year-end 2019, the share price was NOK 88.96. Taking into account the dividend, the return on the Orkla share was 0.5 per cent in 2020, while the return on the Orkla Stock Exchange Benchmark Index (OSEBX) was 4.6 per cent. Orkla shares were traded on the Oslo Stock Exchange for a total of NOK 42.2 billion in 2020. Further information on shares and shareholders may be found on page 264. As of 22 February 2021, it has been decided to initiate a share buyback program for up to five million shares in the market.

Risk management

The Board of Directors attaches importance to ensuring that risk is managed systematically in all parts of the Group and considers this a prerequisite for long-term value creation for shareholders, employees, and society at large. Orkla has adopted a structured approach to identifying risk factors and taking action to mitigate risk in its operations and regarding sustainability. In accordance with the Group's Risk Management instructions, risk assessments must be carried out routinely in all units and presented to and discussed by the internal boards of directors as part of the budget process. When important decisions are to be made on matters such as acquisitions, disposals and major investments, the same requirement applies to risk assessment as in connection with routine risk management.

The units' risk assessments are consolidated to create an overall risk picture for Orkla, which also includes a longer-term, systematic risk assessment. Orkla's overall risk picture is reviewed by the Group Executive Board and discussed by the Board of Directors, in addition to being reviewed regularly by the Board's Audit Committee. Within Branded Consumer Goods, Orkla has a diversified company and product portfolio, which reduces the risk of significant profit fluctuations.

2020 was heavily impacted by the coronavirus pandemic, which caused increased uncertainty, mainly in the short term, but also increased uncertainty as to possible long-lasting consequences. The grocery market has undergone changes in the past few years, including increased competition from new sales channels, and Orkla has an ambition of growing in channels with higher growth than the traditional grocery sector. However, the outbreak of the coronavirus pandemic has led to strong market growth in the grocery sector, including online shopping. At the same time, demand has declined in Out of Home channels such as restaurants, canteens and the catering segment. This has led to greater uncertainty as regards future growth in the various sales channels.

The outbreak of the coronavirus pandemic has also given rise to a new, short-term risk related to interruptions in production and supply of goods due to outbreaks of infection that have continued to occur in 2021. Infection rates are rising in several of Orkla's markets and there are major local outbreaks of infection. This poses a growing risk not just at Orkla factories, but also in other parts of the value chain and for Orkla's suppliers. Developments are being followed closely by the companies and central Group staff, and detailed plans are being drawn up to deal with various scenarios.

Raw material prices increased in the course of 2020 for several of the large raw material categories, and there is risk related to further price rises. The coronavirus pandemic has also led to increased uncertainty as to the availability of several categories of raw materials. There is also risk related to currency fluctuations, but many Orkla companies do a substantial share of their sourcing in local currencies, thereby reducing the overall impact of changes in relation to other currencies. The risk of higher costs and scarcity of raw materials and resources is mitigated through close follow-up of suppliers, inventory build-up in some areas, increased resource efficiency, and approval and use of alternative raw materials.

Orkla's main geographical markets are characterised by high customer concentration and, to some extent, a growing proportion of the retail trade's private labels. In the grocery market, priority is given to close follow-up of customers, joint projects and collaboration across business areas as the foremost initiatives for maintaining volumes and margins.

Changing trends and consumer preferences pose a risk if Orkla fails to keep close track of developments and make the necessary adjustments to the new situation. In particular, there is substantial growth in demand for plant-based food, organic products, locally produced food and products that offer proven health benefits. Sustainability is an increasingly important issue for consumers, especially in the Nordic region and Western Europe. Orkla works systematically to offer new innovations in response to trends and has intensified its focus on plant-based products and climate-friendly products. To reduce risk, Orkla attaches importance to gaining good consumer insight through experience sharing and consumer testing and close follow-up of customers. Inadequate food safety can potentially have significant consequences for consumers. Orkla has a central food safety team who work continuously to ensure improvements and conduct audits at Orkla's factories, in addition to supplier audits.

Orkla is increasingly dependent on IT systems and the proper handling of information. The risk of malicious data attacks is on the rise, and cyber threats are growing in severity and intensity. The risk picture has changed due to the coronavirus pandemic and increased use of remote working. The new work situation has increased pressure on the Group to ensure capacity and uptime on Orkla's IT systems. A cyber attack could be detrimental to Orkla's operations in a number of areas, such as reputation, sales and production, and cause the loss of intangible assets. Important risk-mitigating measures include contigency plans, employee training and awareness-raising, and updating of older IT infrastructure.

There is an inherent risk of fire, occupational accidents or other serious incidents in Orkla's production environments. The risk to occupational health and psychosocial conditions is deemed to be rising somewhat due to the pandemic and measures such as working from home, in addition to increased pressure in factories as a result of strict infection control rules. Occupational safety is monitored through routine audits, and sickness absence is measured and followed up. Production units make active efforts to prevent and avoid production interruptions, and Group staff at central level also follow up on supply chain and insurance matters. Webinars and e-learning courses are held on a variety of important topics.

The ongoing climate changes entail risk which in the longer run could affect the availability of raw materials, and the quality and prices of several of Orkla's input factors. Prices are expected to remain volatile in the coming years. The risk of Orkla's own production being affected by flooding or other consequences of extreme weather is considered to be low.

Comments on the profit performance of the individual business areas

Orkla is a leading supplier of branded consumer goods and concept solutions to the grocery, food service and bakery sectors with the Nordics, Baltics and selected countries in Central Europe as its main markets. The Group also holds strong positions in selected product categories in India and other selected markets. The Branded Consumer Goods business consists of five business areas: Orkla Foods, Orkla Confectionery & Snacks, Orkla Care, Orkla Food Ingredients and Orkla Consumer & Financial Investments. Orkla Consumer & Financial Investments consists of the two areas Orkla Consumer Investments, which is part of Orkla's Branded Consumer Goods business, and Industrial & Financial Investments which consists of the Hydro Power and Financial Investments segments outside the Branded Consumer Goods business area, and Orkla's ownership interest in Jotun. For a further description of the individual business areas in Branded Consumer Goods, and Industrial & Financial Investments, see Note 7. Associates consist primarily of Jotun (42.6 per cent interest); see Note 6.

The financial statements of the holding company Orkla ASA cover all activities at Orkla Headquarters. These activities include the Group's executive management and the following shared and centralised functions:

- Group Functions
  - Group HR
  - Compensation & Benefits
  - Corporate Communication & Corporate Affairs
  - Orkla Services
  - Internal Audit
  - Legal & Compliance
  - Environment, Health & Safety (EHS)
- Group Finance
- Strategy and M&A
- Group sales
- Digital sales & Amazon Lead Team
- Orkla Marketing & Innovation
- Orkla Group Procurement
- Orkla IT

The departments carry out parent-company responsibilities within the Group, perform assignments and provide support for the Group's operational companies, and charge them for these services.

Branded Consumer Goods incl. Headquarters

Amounts in NOK million	Operating revenues 2020	Operating revenues △ (%)	Organic growth(%) 2020	EBIT (adj.)** 2020	EBIT (adj.)** △ (%)	EBIT (adj.)-margin (%)** 2020	EBIT (adj.)-margin (%)** △ (bps)
Orkla Foods	18 301	9.1	3.7	2 641	16.0	14.4	80
Orkla Confectionery & Snacks	7 171	8.5	2.0	1 203	10.0	16.8	30
Orkla Care	6 905	17.3	9.2	1 019	19.2	14.8	30
Orkla Food Ingredients	10 696	3.9	-5.9	500	-20.1	4.7	-140
Orkla Consumer Investments	3 847	13.6	2.1	404	36.0	10.5	170
Orkla Headquarters				-327	-9,7		
Total Branded Consumer Goods*	**46 521**	**9.1**	**1.6**	**5 440**	**13.7**	**11.7**	**50**

*Intercompany sales between business areas have been eliminated.
**Branded Consumer Goods incl. Headquarters.

Operating revenues, change as %	FX	Structure	Organic growth	Total
Branded Consumer Goods	6.2	1.3	1.6	9.1

Branded Consumer Goods

Operating revenues for Branded Consumer Goods increased by 9.1 per cent due to organic growth, positive currency translation effects and acquisitions. Branded Consumer Goods had organic growth of 1.6 per cent in 2020. Growth in the grocery sector was generally good as a result of strong market growth, but this growth was counteracted to some extent by lower activity in the Out of Home sector due to coronavirus pandemic restrictions.

The prices of the international raw materials to which Orkla is exposed increased on average in 2020, particularly for vegetable oils, dairy products and meat, according to the FAO Food Price Index[1]. However, the index cannot be seen in direct conjunction with the rise in Orkla's sourcing costs, as the categories of raw material sourced by Orkla are broader than those covered by the index, and prices differ to some extent due to European and Norwegian agricultural policies and associated import regulation. The weakening of the Norwegian krone against the euro by -8.8%, compared with 2019, also contributed to higher sourcing costs for Orkla's Norwegian businesses.

EBIT (adj.) growth for Branded Consumer Goods incl. Headquarters was 13.7 per cent, chiefly as a result of top-line growth and cost improvements, combined with positive currency translation effects and structural growth. The EBIT (adj.) margin for Branded Consumer Goods incl. Headquarters was 11.7 per cent in 2020, compared with 11.2 per cent the year before. Margin improvement was driven by revenue management initiatives, good product mix, higher production efficiency and other cost improvements, but was offset to some extent by higher advertising spend and increased depreciation.

[1] The FAO Food Price Index measures the change in certain international food commodity prices. The index consists of the average of five commodity group price indices, and is published by the Food and Agriculture Organisation of the United Nations.

Orkla Foods

Operating revenues for Orkla Foods grew by 9.1 per cent in 2020, positively impacted by currency translation effects. Organic growth was 3.7 per cent, driven by improvement in most markets. The growth was chiefly related to market growth and higher sales to grocery customers due to the coronavirus pandemic, while sales to the Out of Home sector, convenience stores, petrol stations and export sales declined. There was good growth in sales of plant-based products, a focus area for Orkla Foods. There was profit growth in most markets in 2020, driven mainly by higher sales and increased productivity, as well as the positive consolidation effects of changes in currency exchange rates. Increased prices to customers and active portfolio management compensated for higher raw material costs and the negative effects on sourcing of a considerably weaker Norwegian krone. The EBIT (adj.) margin was 14.4 per cent (13.6 per cent).

Orkla Confectionery & Snacks

Operating revenues for Orkla Confectionery & Snacks increased in 2020 by 8.5 per cent. Organic growth was 2.0 per cent. Sales were strong in Norway, driven by high market growth which was positively impacted by the coronavirus pandemic. Sweden and Finland also saw good sales growth. In the Baltics, turnover growth was negative. The coronavirus pandemic led to a decline in demand and sales, due in particular to reduced tourism and lower buying power. Reduced listing by a major customer in Denmark also had a negative impact on turnover. Profit growth was driven by top-line growth, and by positive contributions from cost improvement programmes. Higher raw material costs and negative currency effects were compensated for by price increases. The EBIT (adj.) margin was 16.8 per cent (16.5 per cent).

Orkla Care

Orkla Care had sales growth of 17.3 per cent in 2020, positively impacted by both structural changes and currency translation effects. Organic growth was 9.2 per cent. The coronavirus pandemic led to strong market growth for several of Orkla Care's categories. There was strong organic growth in Orkla Home & Personal Care, driven by market growth in the cleaning and personal care categories, and broad-based growth for Orkla Health, with particularly good growth in Norway and internationally. HSNG also had a strong year with solid growth in online sales. Growth for the business area was offset to some extent by a decline for Orkla Wound Care, which experienced a substantial fall in demand due to lockdowns and comprehensive coronavirus-related restrictions in several key markets during the year. The EBIT (adj.) margin was 14.8 per cent (14.5 per cent). Profit growth was driven by strong sales growth and the implementation of restructuring programmes. These effects were partly offset by negative mix effects and higher advertising spend.

Orkla Food Ingredients

Operating revenues for Orkla Food Ingredients in 2020 increased by 3.9 per cent. The growth was driven by acquisitions and positive currency translation effects. There was an organic sales decline of -5.9 per cent which was due to substantially reduced demand in the Out of Home segment as a result of the coronavirus pandemic. Sales to the Out of Home segment account for around 60 per cent of the business area's turnover. 2020 was a weaker year particularly for ice cream ingredients, as the coronavirus pandemic and associated lockdown occurred at the start of the season, i.e. before spring and summer, for this segment. The decline in profit is primarily due to lower sales volume, which was offset to some extent by substantially reduced costs due to profit protection measures. The EBIT (adj.) margin was 4.7 per cent (6.1 per cent).

Orkla Consumer Investments

Operating revenues for Orkla Consumer Investments rose by 13.6 per cent in 2020, positively impacted by both structural changes and currency translation effects. Organic growth was 2.1 per cent and was driven by higher sales of painting tools for Orkla House Care due to increased activity in home improvement markets in connection with the coronavirus pandemic. Lilleborg also had improved sales, primarily due to higher demand for disinfectants. Lower sales for Pierre Robert Group, closed restaurants for Gorm's and a decline in sales for Kotipizza Group's wholesale business reduced organic growth. The improvement in profit was mainly driven by strong top-line growth in House Care. Kotipizza also saw strong profit growth, driven by good sales for the pizza restaurants. The EBIT (adj.) margin was 10.5 per cent (8.8 per cent).

Orkla Headquarters

EBIT (adj.) from Headquarters amounted to NOK -327 million in 2020 (NOK -362 million). The year-over-year improvement in profit is mainly related to the restructuring project that was completed at Orkla Headquarters, and high severance pay costs in 2019.

Industrial & Financial Investments

Jotun (42.6 per cent interest)

Amounts in NOK million	2020	2019
Operating revenues (100 %)	21 070	19 652
EBIT (100 %)	3 489	2 320
Contribution to profit	970	625

Jotun achieved record high turnover and operating profit in 2020. The coronavirus pandemic hampered top-line growth in several important markets, especially in the Middle East and Southeast Asia, but Jotun's broad sectoral and geographical footprint ensured revenue growth even in a pandemic year.

The marked growth in operating profit is chiefly due to better gross margins as a result of lower raw material costs, in addition to good cost control. All segments reported a considerable improvement in profit. Positive currency translation effects, on account of the weaker Norwegian krone, also contributed to the good result in 2020.

Hydro Power

Amounts in NOK million	2020	2019
Volume (GWh)	2 884	2 156
Price (øre/kWh)	9.8	38.7
Operating revenues	519	826
EBIT (adj.)	42	292

The decline in profit was chiefly due to substantially lower power prices. Production volume was higher than in 2019. The historically low power prices were due to a large resource surplus of water and snow, combined with limited interconnector capacity with other countries. Operating costs in the period were slightly lower than in 2019. At the end of 2020, the reservoir level in Sauda was higher than normal, while the snowpack level was lower than normal. Reservoir levels for Glomma and Laagen were higher than normal, while snowpack levels were slightly lower than normal at year end.

Financial Investments

EBIT (adj.) for Financial Investments amounted to NOK 10 million in 2020 (NOK 10 million). There were no transactions in the period that affect EBIT (adj.).

Research and development (innovation)

Innovation is one of Orkla's primary tools for creating organic growth and therefore a key part of day-to-day operations. Orkla's innovation work is based on a cross-functional focus that spans from insight to idea and then to launch. Consumer, customer and market insights are combined with technological expertise to develop products and solutions that delight consumers and better meet their needs.

Orkla's strength lies in its local presence, with in-depth insight into local consumer needs and how this knowledge can be translated into powerful innovations. Orkla applies this consumer insight, brand understanding and product development capacity across the Group. At the core of all innovation work lies the actual user experience, ranging from taste and functional properties to how intuitive and simple a product is to use. Good examples of innovations in 2020 are the launch of the Nidar

Favoritter large chocolate tablet that combines three tastes in a single tablet, Jordan Easypad terrasse which makes it much easier to stain or oil a wood deck, Salvequick Blister Rescue and Sonneveld Bakery Solutions.

Innovations driven by increased consumer focus on health and sustainability were key features of many launches in 2020. NATURLI'® plant-based products in Norway and the climate-friendly taco brand Frankful in Sweden are examples of such innovations. Savett Alcogel is an example of the rapid development of a new product in Sweden and Finland that was quickly launched in response to the coronavirus pandemic.

In 2020, Orkla's strong branded products again played a key role for success in new areas and new target groups. Examples include Zalo dishwasher detergent, Gevita SHE dietary supplements for women in menopause, OLW Choco Cheez in Sweden and Sunsilk deodorant and shower soap launches.

In the years to come, continuous efforts will be made to ensure that Orkla's local brands are consumers' first choice by making them a better, simpler and more sustainable part of everyday living. New channels and digital transformation are also areas of focus placed high on the agenda.

Competence

Learning is a fundamental part of Orkla's strategy and culture, and the Group's competitiveness and attractiveness as employer are strengthened through continuous human resource development. Orkla has a long tradition of investing in its employees' development, and learning takes place in a variety of ways – through personal experience acquired on the job, through interaction with other employees, coaching and networks, and through formal training such as participation in courses and seminars. Orkla also carries out a systematic, annual evaluation of leadership and organisation. Development areas have been identified, and action was initiated to remedy any gaps.

Orkla's global competence-building activities ensure and underpin instruction and training within Orkla's defined core competencies; digital skills, leadership and culture. These global activities supplement and support local activities to develop expertise in each function. A variety of global training programmes are run by the Orkla Academies, and leadership programmes and the training portfolio are continually expanded. There is continuous, active focus on developing instructive, high-quality and cost-effective educational methods, content and technology.

Orkla was already in the process of developing a modern, digitally-supported training programme when the coronavirus pandemic broke out in 2020. The pandemic gave added impetus to Orkla's active entry into the digital domain. The Group's general knowledge of virtual communication methods was significantly strengthened in the course of 2020, laying a good basis for virtual training. Although Orkla does not intend to convert all its courses to virtual format, virtual and digital training has become a strong alternative, or supplement, to physical gatherings. In 2020, Orkla adapted most of its existing programmes to digital learning and launched new courses in digital skills, such as virtual facilitation techniques and virtual team leadership. Orkla also upgraded the training offered to management staff by updating the Group's leadership development programme, introduced a new digital academy for value chain operation and development, and renewed the majority of Orkla's academies.

Corporate responsibility

Orkla' sustainability strategy

Business and industry have a responsibility for helping to solve the global challenges posed by climate change, raw material availability and consumer health, in addition to which these challenges give rise to commercial risk and opportunities. Orkla wishes to contribute to sustainable development by offering products that promote a healthy, sustainable lifestyle, reduce greenhouse gas emissions and foster sustainable business practices in every part of the value chain. Sustainability work is pivotal to Orkla's ability to create growth, trust and competitive operations. Orkla has adopted general sustainability targets up to 2025 that apply to the entire Group and cover the following main topics: nutrition and wellness, safe products, sustainable sourcing, environmental engagement and care for people and society.

Directive on corporate responsibility

Orkla's directive on corporate responsibility describes the overarching principles defining how the Group companies are to address issues relating to human and workers' rights, the external environment, occupational health and safety (EHS), anti-corruption and other important areas of corporate responsibility. The directive has been approved by Orkla's Board of Directors and applies to the entire Group. Orkla's Responsible Employer and Human Rights Policy provides detailed guidelines for the way Orkla companies are to deal with the human and workers' rights issues considered most relevant for their day-to-day operations. Orkla companies prepare an annual assessment of risk of non-compliance with this policy and a plan for further efforts to safeguard human rights. Orkla's EHS policy and standard set out detailed principles and requirements for work related to the external environment and occupational health and safety, which is monitored through internal audits. The Orkla Code of Conduct describes the Group's standards and expectations in respect of individual managers, employees and Board members with regard to important behavioural issues such as respect and tolerance, business ethics and environmental and anti-corruption standards.

Governance procedures for corporate responsibility

The CEO of each Orkla company is responsible for implementing the Group's directive on corporate responsibility and drawing up action plans for sustainability work based on Orkla's sustainability targets up to 2025. This work must be integrated into the company's operations and be based on the precautionary principle and the principle of continuous improvement. The companies' prioritisation of resource use must be based on an assessment of both the business's and stakeholders' needs.

Orkla's governing documents are accessible to all the companies through the Group's web-based governance portal. To ensure that employees are familiar with Orkla's directive, internal training is provided by both the Group and the companies. The training has created greater awareness and knowledge of corporate responsibility and sustainability issues, promoted more active engagement and ensured a more uniform approach to efforts in these areas.

Orkla monitors the companies' corporate responsibility and sustainability work by means of annual internal status reports. Sickness absence and injuries are monitored monthly, and status as regards food safety is tracked quarterly. Orkla has internal sustainability, EHS and food safety networks that are used to promote learning, experience sharing, collaboration and reporting. In 2020, Orkla's Sustainability Committee was established to facilitate coordination of sustainability work across business areas and functions, initiate joint development activities and provide support for Orkla's Group Executive Board. Country-based sustainability networks were also established in Norway, Sweden and Denmark. The purpose of these networks is to discuss important issues, initiate joint activities and coordinate stakeholder dialogue, communications activities and development projects.

Orkla's Board of Directors monitors the Group's efforts by means of an annual assessment of progress in sustainability work, quarterly reviews of changes in key EHS indicators and ongoing discussion of individual matters considered to be of material importance for Orkla's operations. Orkla's Group Director for Corporate Communications and Corporate Affairs has administrative responsibility for Orkla's corporate responsibility work, and determines which matters are to be submitted to the Board of Directors. The Board also assesses Orkla's annual sustainability reporting.

Orkla's whistle-blowing function enables employees to alert the Group's governing bodies to possible breaches of the Orkla Code of Conduct. The whistle-blowing function is administered by Orkla's internal audit staff on behalf of Orkla's Audit Committee and is independent of Orkla's line management. Employees can report concerns anonymously and in their mother tongue. Orkla's internal ethics board is headed by Orkla's chief audit officer, and also comprises Orkla's heads of compliance, sustainability and tax. The ethics board is involved when necessary to discuss whistle-blowing matters.

Alignment with external principles

Orkla has been a signatory to the UN Global Compact since 2005 and is a member of the Ethical Trading Initiative Norway (IEH). Since 2008, the Group has reported environmental information to the investor-initiated CDP, and has supported the CDP's two initiatives, "Commit to report climate change information in mainstream reports as a fiduciary duty" and "Commit to remove commodity-driven deforestation from all supply chains by 2020". Orkla has also signed the UN's New York Declaration on Forests. In 2020, Orkla supported the Global Compact's campaign "Uniting Business and Governments to Recover Better". Through Orkla's sustainability work, the Group contributes to achieving several of the global Sustainable Development Goals up to 2030, which were launched by the UN in 2015.

In 2020, for the tenth consecutive year, Orkla was included in the Dow Jones Sustainability Index Europe. The Board of Directors is pleased that Orkla has made good progress in developing products for a healthy, sustainable lifestyle, reducing greenhouse gas emissions from its operations and promoting sustainable raw material production.

Reporting on corporate responsibility

Under sections 3-3a and 3-3c of the Norwegian Accounting Act, Orkla is required to report on its corporate responsibility and selected related issues. An account of the Group's efforts to address these issues in 2020 is provided in Orkla's sustainability report, which is included in this Annual Report, under the sections:

- "Orkla's sustainability work", page 56 (corporate responsibility)
- "Environmental engagement", page 68 (environment)
- "Sustainable sourcing", page 85 (human rights, workers' rights, social conditions and environment in the supply chain)
- "Care for people and society", pages 125 (human and workers' rights in own company, equality and non-discrimination, working environment, injuries, accidents, sickness absence, anti-corruption, social conditions)

In its sustainability reporting for 2020, Orkla attached importance to applying the Oslo Stock Exchange's guidance on reporting corporate responsibility and GRI Standards. More information on the principles on which Orkla's reporting is based is provided on page 65.

Personnel and administration

As at 31 December 2020, the Group had 18,110 (18,348) employees. Of these, 2,946 (2,947) worked in Norway, 5,870 (6,028) in other Nordic countries and 9,294 (9,373) in countries outside the Nordic region. Collaboration between management and the employee organisations functions well and makes a valuable contribution to finding constructive solutions to the challenges faced by the Group and the individual companies.

In February 2020, Kenneth Haavet took up the position of CEO of the Orkla Consumer & Financial Investments business area, which was established as a new business area in November 2019.

Harald Ullevoldsæter took up the position of CFO of Orkla ASA on 1 March 2020, succeeding Jens Bjørn Staff.

In January 2021, President and CEO Jaan Ivar Semlitsch made the following changes in Orkla's Group Executive Board:

- Atle Vidar Nagel Johansen was appointed CEO of the Orkla Foods business area. He previously held the position of CEO of Orkla Care. Ann-Beth Freuchen, who headed Orkla Foods Nordics & Baltics, left the Group. Johan Wilhelmsson stepped down from the Group Executive Board, but continues to serve as CEO of Orkla Foods International.
- Hege Holter Brekke was appointed CEO of the Orkla Care business area. She was previously CEO of the Orkla Health business unit.
- Ingvill T. Berg was appointed CEO of the Orkla Confectionery & Snacks business area. She succeeded Jeanette Hauan Fladby who left the Group. Ingvill T. Berg previously held the position of CEO of the Orkla Confectionery & Snacks Norge business unit.

At Orkla's Annual General Meeting in April 2020, Stein Erik Hagen, Ingrid Jonasson Blank, Liselott Kilaas, Peter Agnefjäll, Nils K. Selte and Caroline Hagen Kjos (personal deputy for Stein Erik Hagen and Nils K. Selte) were re-elected as shareholder-elected members of Orkla's Board of Directors. Grace Reksten Skaugen and Lars Dahlgren were not up for re-election, and Anna Mossberg and Anders Kristiansen were elected as new Board members. Stein Erik Hagen was re-elected as Chairman of the Board. All of the shareholder-elected Board members were elected for a term of one year, i.e. until the 2021 Annual General Meeting.

Of a total of seven shareholder-elected members of Orkla's Board of Directors, three are women and four are men. Among the employee-elected Board members and their deputies, both genders are represented. Orkla ASA therefore fulfils the requirement in section 6-11a of the Public Limited Liability Companies Act regarding representation of both genders on the Board of Directors.

The Board of Directors wishes to thank all employees for their efforts and for the results achieved in 2020.

Corporate governance (Statement of Policy on Corporate Governance)

Orkla's governance systems are based on principles set out in the Norwegian Code of Conduct for Corporate Governance, and are largely aligned with applicable international guidelines on good corporate governance. An overall statement of policy on corporate governance at Orkla may be found on page 43 of this Annual Report. The statement of policy will be an item of business for discussion at the 2021 Annual General Meeting on 15 April.

Pay and other remuneration of senior executives

The Board of Directors has a separate Compensation Committee, which deals with all material matters related to pay and other remuneration of senior executives before such matters are formally discussed and decided by the Board of Directors. In accordance with Norwegian company legislation, the Board of Directors has also prepared a separate statement of guidelines on the pay and other remuneration of senior executives, included in Note 5 to the financial statements for Orkla ASA, which will be presented and discussed at the 2021 Annual General Meeting. The note also provides details of remuneration and contractual arrangements.

Accounting policies

The consolidated financial statements for 2020 have been prepared and presented in accordance with the International Financial Reporting Standards (IFRS), as adopted by EU. The financial statements for the parent company have been prepared in accordance with section 3-9 of the Norwegian Accounting Act (simplified IFRS). The explanation of accounting policies in Notes 1-4 and in respective notes describes important matters relating to accounting treatment under IFRS.

The consolidated financial statements have been prepared and presented on the basis of the going concern assumption, and in accordance with section 3-3 of the Accounting Act the Board of Directors confirms that use of the going-concern assumption is appropriate.

Orkla ASA

Orkla ASA is the parent company in the Orkla Group and supplies and performs services for the Group's other companies. In 2020, Orkla ASA delivered profit after tax of NOK 1,958 million (NOK 3,806 million). At year end, Orkla ASA had total assets of NOK 51,065 million (NOK 49,505 million), equivalent to an increase of 3.2 per cent, compared with the previous year. The equity ratio was 66.0 per cent (69.3 per cent).

Allocation of comprehensive income

In 2020, Orkla ASA posted comprehensive income of NOK 1,914 million. The Board of Directors proposes the following allocation:

Proposed dividend	NOK 2 753 million
Transferred from equity	NOK 839 million

As at 31 December 2020, Orkla ASA had total equity of NOK 33.7 billion (NOK 34.3 billion). The Board of Directors has determined that Orkla ASA had adequate equity and liquidity at the end of 2020. The Board of Directors proposes to pay an ordinary dividend of NOK 2.75 per share for the 2020 financial year.

Outlook

After the gradual reopening of society in the third quarter of 2020, restrictions were reimposed in the fourth quarter due to the coronavirus pandemic in many of the markets in which Orkla operates. The outlook is still uncertain, but encouraging vaccine news offers a hope that the situation will normalise in the course of 2021. Buying power will depend on the infection situation, how long it will be necessary to maintain infection control measures, and whether there will be new rounds of lay-offs and higher unemployment. This creates continued uncertainty as to demand. However, the situation varies from one market to another due to differences in the spread of infection and the infection control measures adopted by local authorities and the varying impact on the population's buying power. This last factor has created particularly strong uncertainty in the Baltics and Central Europe.

So far, Orkla has succeeded in maintaining close to normal value chain operations during the coronavirus pandemic.

Orkla is exposed to a broad range of raw material categories and prices are expected to rise overall going forward. However, there is still uncertainty attached to both future raw material price movements and currency rate fluctuations.

Orkla is well equipped financially to deal with continued uncertainty. The Group has a strong balance sheet with a net interest-bearing debt to EBITDA ratio of 0.9 (on a rolling 12-month basis).

Orkla maintains its objective of long-term organic growth at least in line with market growth. For the 2018-2021 period, Orkla has targeted EBIT (adj.) margin growth of minimum 1.5 percentage points adjusted for acquisitions, disposals and currency effects. The first two years show an improvement of approximately 0.7 percentage points, which means that the target is considered hard to reach. Higher advertising spend in 2020 to strengthen Orkla's brands, sales growth and long-term competitiveness is expected to continue in 2021, and will impact negatively on margin improvement in the short term.

Oslo, 15 March 2021

Orkla's Board of Directors

Stein Erik Hagen Chairman of the Board	Ingrid Jonasson Blank	Nils K. Selte
Liselott Kilaas	Peter Agnefjäll	Anna Mossberg
Anders Kristiansen	Terje Utstrand	Sverre Josvanger
Karin Hansson	Roger Vangen	Jaan Ivar Semlitsch President and CEO

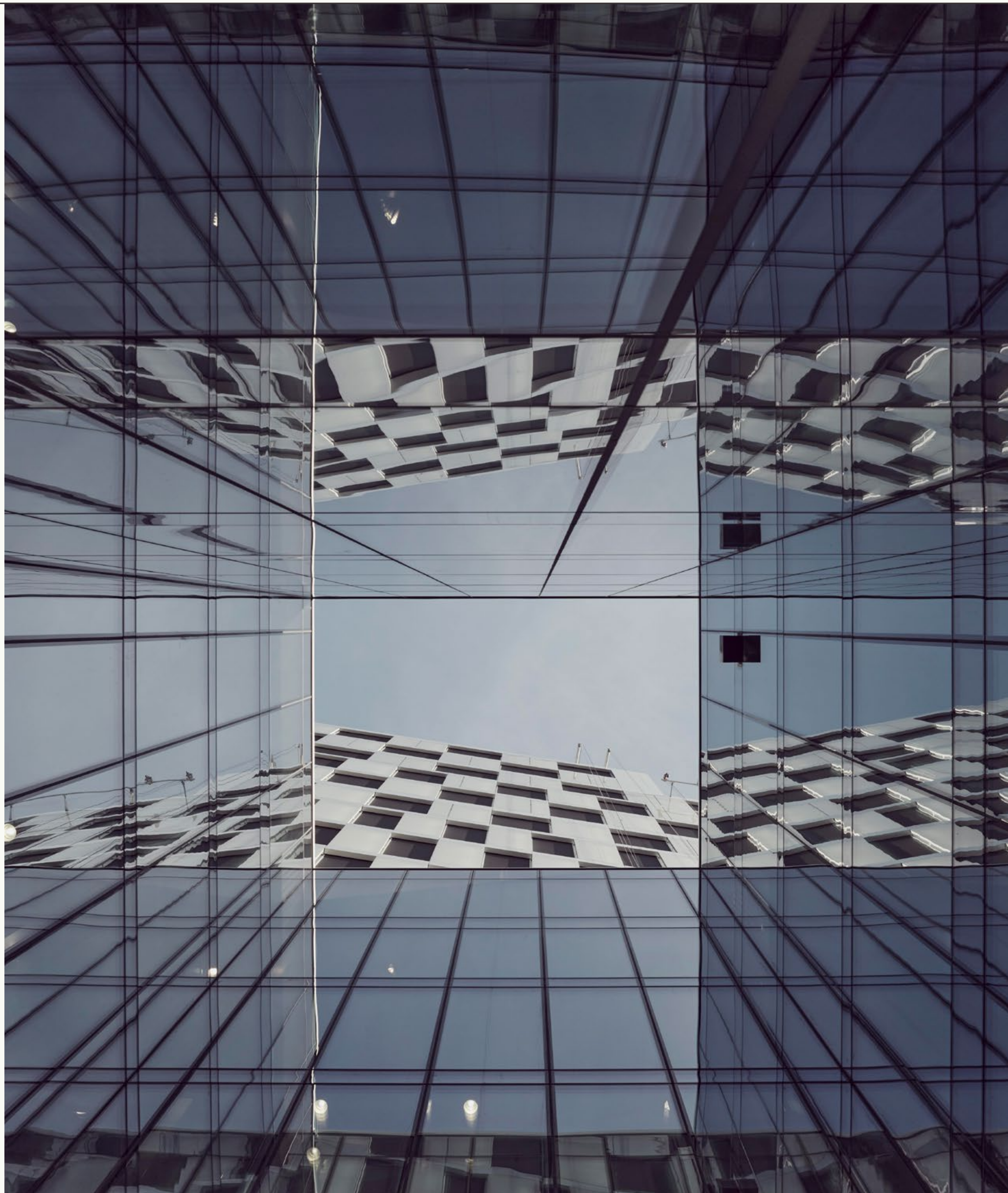
(This translation of the Board of Directors' report from Norwegian has been made for information purposes only)

Corporate governance

Orkla’s principles for good corporate governance aim to lay the foundation for long-term value creation, to the benefit of shareholders, employees and society at large.

Openness, transparency, accountability and equal treatment underpin confidence in the Orkla Group, both internally and externally, and constitute key elements in Orkla’s efforts to foster a sound corporate business culture.

02



1. Statement of policy on corporate governance

Orkla is required to report on corporate governance under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance, which was last revised on 17 October 2018, may be found at www.nues.no. This statement of policy will be an item of business at Orkla's Annual General Meeting on 15 April 2021. The company's auditor has assessed whether the information provided in this statement with regard to section 3-3b of the Accounting Act is consistent with the information provided in the annual financial statements. The auditor's statement may be found on page 255.

The Board of Directors at Orkla actively adheres to good corporate governance standards and will at all times ensure that Orkla complies with the requirements of section 3-3b of the Accounting Act and the Norwegian Code of Practice for Corporate Governance. This is done by ensuring that the topic of good governance is an integral part of the decision-making process in matters dealt with by the Board. Furthermore, the Board assesses and discusses the principles annually, and has also considered this statement at a Board meeting. The following statement of policy is structured in the same way as the Code of Practice, covers each point of the Code and describes how Orkla complies with the Code requirements.

2. Activities

Orkla's objectives, as defined in its Articles of Association, are as follows:

> *The company's activities consist of owning, operating, investing and trading in industry, real estate, commerce and consumer-related activities, services, securities and any other activity connected with the aforementioned activities. The activities are conducted by the company itself or by its subsidiaries, and by investing in or in collaboration with other enterprises, in both cases in Norway and/or abroad.*

In accordance with its objects clause, Orkla operates in several areas. The Group's core business is branded consumer goods, but the Group also has activities in the energy, real estate and financial investments sectors.

Orkla's vision is to be "Your friend in everyday life", and Orkla's mission is "Improving everyday life with sustainable and enjoyable local brands." Orkla aims to outperform and create greater value than its competitors and other comparable companies. Orkla's core values are "Brave", "Trustworthy" and "Inspiring".

Orkla is committed to promoting sustainable social development by operating in compliance with responsible business principles, systematically improving its operations in relation to areas such as the external environment, climate change and energy resources and investing in profitable business projects that can generate positive ripple effects for society. The Group's stance with regard to corporate responsibility has been defined in the Orkla Code of Conduct and the Group directive on corporate responsibility. The documents may be found on Orkla's website and are described in further detail in a separate statement on Orkla's Corporate Responsibility (see section 3-3c of the Accounting Act). The statement also gives an account of the Group's efforts to address important corporate responsibility issues in 2020.

Orkla's strategy process is dynamic and covers a period of three years (STP). Every three years, a new three-year plan will be adopted that sets the strategic direction and defines goals for the Group, business areas and individual companies. During the STP, annual evaluations are carried out of the Group's goals, strategies and risk profile.

3. Equity and dividends

The Board of Directors ensures that the company has a capital structure adapted to its goals, strategy and risk profile, and conducts an annual evaluation of the structure. As at 31 December 2020, Group equity totalled NOK 37.7 billion. An ordinary dividend of NOK 2.60 per share was paid out for the 2019 financial year. Over time, Orkla shareholders shall receive a competitive return on their investment through a combination of dividends and an increase in the share price. Orkla has pursued a consistent shareholder and dividend policy for many years. On Orkla's Capital Markets Day in October 2018, it was announced that Orkla aims to increase its dividend from the current level of NOK 2.60, normally within 50–70 per cent of earnings per share. The Board of Directors has proposed that a dividend of NOK 2.75 per share be paid out for the 2020 financial year. The dividend will be paid out on 26 April 2021 to shareholders of record of the Annual General Meeting on 15 April 2021.

Authorisations empowering the Board of Directors to undertake share buybacks are limited to specific purposes and are granted for a period no longer than until the next general meeting. The General Meeting is given the opportunity to vote on every purpose covered by the authorisation. At the Annual General Meeting in 2020, the Board of Directors was granted authorisation to buy back up to 100 000 000 Orkla shares so that the company can acquire and hold up to 10 per cent of its share capital. Shares acquired under this authorisation are to be cancelled or used in connection with employee incentive programmes, including the Group's employee share purchase programme. As at 31 December 2020, Orkla had not purchased any of its own shares under the current authorisation. As at 31 December 2020, Orkla held 501 800 treasury shares.

Questions concerning increases in share capital must be submitted to the General Meeting for decision. The company's transactions in its own shares are effected on the market at market price, in accordance with good stock exchange practice in Norway. There are otherwise no provisions in Orkla's Articles of Association that regulate the buyback or issue of shares.

4. Equal treatment of shareholders and transactions with related parties

Orkla has one class of share and each share entitles the holder to one vote. Each share has a nominal value of NOK 1.25. Further information on voting rights at general meetings is provided under point 6, General Meetings.

The company's policy is to not dilute the shareholdings of existing shareholders. In accordance with this policy, there have been no real share capital increases in the company in recent years. Should the Board of Directors wish to propose to the General Meeting that a departure be made from the pre-emptive right of existing shareholders in the event of a capital increase, such a proposal will be justified by the common interests of the company and the shareholders, and the grounds for the proposal will be presented in the notice of the general meeting.
To avoid any detriment to the Group's reputation, the Board considers it important to pursue a policy of transparency and caution in connection with investments that could be perceived as an unfortunately close involvement, or close relationship, between the company and a member of the Board, executive management or parties related thereto.

Procedural rules for such transactions have therefore been drawn up in the Rules of Procedure for the Board of Directors, which may be found on Orkla's website. According to the Rules of Procedure, the Board Chair must be informed of such transactions and must decide how the matter should be dealt with. If the matter concerns the Board Chair, this duty is incumbent upon the general manager in consultation with another Board member. Further information on transactions between related parties is provided in Note 36 to the consolidated financial statements. In the event of non-immaterial transactions between the company and shareholders, a shareholder's parent company, Board members, executive management or parties related thereto, the Board of Directors will ensure that a valuation is carried out by an independent third party. The Board will similarly arrange for a valuation by an independent third party in the event of non-immaterial transactions between companies within the Group where there are minority shareholders.

5. Freely negotiable shares

All Orkla shares carry equal rights and are freely negotiable. No special limitations on transactions have been laid down in Orkla's Articles of Association. Article 4 of the Articles of Association states that "the Board of Directors may entirely or partly refuse to approve the transfer of shares if the company pursuant to statute or to regulations laid down pursuant to statute is given the discretionary right to refuse such approval or to apply other restrictions on sales". In this connection, it should be noted that the provisions of the Industrial Licensing Act requiring Board consent for acquisitions of shares representing more than 20 per cent of all shares in the company are applicable, due to Orkla's ownership interests in waterfalls. Transactions in the Orkla share are described in further detail on Orkla's website.

6. General meetings

Orkla seeks to ensure that as many shareholders as possible are able to exercise their rights by participating in general meetings, and that the general meeting is an effective meeting place for shareholders and the Board of Directors. The Annual General Meeting is held every year before the end of May. Information on shareholders' right to submit items of business for consideration at the general meeting is posted on the company's website. Notices of general meetings and related documents are made available on Orkla's website no later than 21 days prior to the date of the meeting. The final date for giving notice of attendance is no later than five days prior to the general meeting (notice of attendance date). The right to attend and vote at the general meeting may only be exercised for shares which have been entered in the shareholder register on the fifth business day prior to the general meeting (record date). Shareholders are given the opportunity to vote on the election of every single candidate to an office in the Nomination Committee and on the Board of Directors. The auditor and members of the Board of Directors and Nomination Committee are present at general meetings.

Under Norwegian law, only shares that are registered in the name of the shareholder may be voted. Shares that are registered in a nominee account must be reregistered in the VPS in order for the shareholder to be able to vote the shares. Further information may be found in the notice of the general meeting and on Orkla's website.

Shareholders who are unable to attend the general meeting may vote by proxy. Orkla will appoint the Board Chair or meeting chair to vote for the shareholders. The proxy form is designed in such a way that voting instructions can be given for each item of business that is to be considered. Shareholders who were unable to attend the Annual General

Meeting in 2020 could, in addition to voting by proxy, cast a direct advance vote on the company's website or through VPS Investor Services. The Board of Directors has decided that shareholders may again cast such direct advance votes in 2021. Both the notice of the general meeting and Orkla's website provide further information regarding use of proxies, advance voting and shareholders' right to submit items of business for consideration at general meetings.

Under Article 8, third paragraph, of the Articles of Association, the Board of Directors may decide that documents concerning items of business to be considered at the general meeting are not to be sent to shareholders when the documents are made available on the company's website. This also applies to documents which by law must be included in or attached to the notice of the general meeting. A shareholder may nonetheless ask to be sent documents pertaining to items of business to be considered at the general meeting. The provision in the Articles of Association departs from the general rule in Chapter 5 of the Public Limited Liability Companies Act which prescribes that the annual financial statements, the report of the Board of Directors, the auditor's report and the Board of Directors' statement of guidelines for the remuneration of the executive management pursuant to section 6-16a must be sent to all shareholders no later than one week prior to the general meeting.

The general meeting is led by an independent chair proposed by the Board of Directors; this person will normally be the Chair of the Nomination Committee.

Members of the Board of Directors are present at general meetings, but normally not the entire Board has attended. No items of business at general meetings have made this necessary to date. The Board Chair, the general manager and the heads of the various business areas are always present in order to reply to any questions that may be raised.

7. The Nomination Committee

Under the Articles of Association, Orkla has a Nomination Committee that is elected by the General Meeting. The Rules of Procedure for the Nomination Committee may be found on Orkla's website. The Nomination Committee consists of two to five members, who are elected for a term of up to two years. The General Meeting elects the Chair and members of the Nomination Committee and determines its remuneration. The Committee is tasked with submitting the following reasoned recommendations:

Recommendation to the General Meeting

- election of shareholder-elected members and deputy members to the company's Board of Directors,
- election of members and the Chair of the Nomination Committee
- remuneration of the Board of Directors and the Nomination Committee

Recommendation to the body that elects the Chair of the Board of Directors

- election of the Chair of the Board of Directors (for this purpose, the Nomination Committee is supplemented by a representative appointed by the employee representatives on the Board)

The Rules of Procedure for the Nomination Committee contain further guidelines for the preparation and implementation of elections to the Nomination Committee and the Board of Directors, as well as criteria for eligibility, general requirements regarding recommendations, the number of members in the Committee and their term of service, and detailed procedural rules for the work of the Nomination Committee.

Information regarding the composition of the Nomination Committee, which members are up for election and how input and proposals may be submitted to the Committee is posted on Orkla's website under "Investor Relations".

The composition of the Nomination Committee is intended to ensure that the interests of all the shareholders are served, and meets the requirement of the Norwegian Code of Practice for Corporate Governance as regards independence of the company's management and Board of Directors. None of the members of the Nomination Committee are a member of the Board of Directors of Orkla ASA. Neither the general manager nor other senior executives are members of the Committee. Information regarding the composition of the Nomination Committee and the number of Orkla ASA shares owned by each Committee member as at 31 December 2020 may be found on page 294.

8. The Board of Directors, composition and independence

Orkla's Corporate Assembly was discontinued in 2013 in accordance with the agreement entered into with the employee unions. Consequently, the General Meeting elects shareholder-elected members to the Board directly. The composition of the Board of Directors is intended to serve the interests of all the shareholders and meet the company's need for competence, capacity and diversity. The Board's composition meets the requirements of the Norwegian Code of Practice for Corporate Governance as regards Board members' independence of the company's executive management, main shareholders and material business relationships. Two of the Board members are defined as non-independent of the company's main shareholders. All the Board members are defined as independent of the company's executive management or material business relationships. There are few instances in which Board members are disqualified from considering Board matters.

Representatives of the executive management are not members of the company's Board of Directors. Under Article 5 of Orkla's Articles of Association, the Chair and the other shareholder-elected members of the Board may be elected for a term of up to two years. Since 2007, however, a term of one year for shareholder-elected members and deputy members has been adopted, on the grounds that an annual assessment of the overall composition of the Board will ensure greater flexibility. There are no other provisions in the Articles of Association governing the appointment and replacement of Board members.

In 2017, the General Meeting introduced an arrangement whereby part of the fee paid to the shareholder-elected Board members must be used to purchase Orkla shares, with a view to strengthening the shared financial interests of shareholders and Board members. A more detailed description of the number of Orkla shares owned by each member of the Board, the members' background, qualifications and term of service, whether they are independent, how long they have been an Orkla Board member, how many Board meetings they have attended, and whether they have any material functions in other companies and organisations is provided on page 271-282.

Under Norwegian law and in accordance with Orkla's current system of corporate democracy, Group employees have the right to elect four members of the Board of Directors of Orkla ASA. The composition of the company's governing bodies is described on page 294.

9. The work of the Board of Directors

The tasks of the Board of Directors are laid down in the Rules of Procedure for the Board of Directors, which govern the Board's responsibilities and duties and the administrative procedures of the Board, including which matters are subject to Board consideration and rules for convening and holding meetings. The Board's Rules of Procedures also contain rules regarding the general manager's duty to inform the Board about important matters and to ensure that Board decisions are implemented. There are also provisions intended to ensure that company employees and other parties involved are adequately informed of Board decisions, and see to it that the guidelines for preparing matters for Board consideration are followed. Other instructions to the Board and clarification of its duties, authorisations and responsibilities in respect of the general management are provided through routine communication.

The Rules of Procedure further establish that a Board member must not take part in the consideration of or a decision on an issue that is of such importance to himself or herself or to any related party that the member must be considered to have an obvious personal or financial interest in the matter. It is incumbent upon each Board member to consider on an ongoing basis whether there are matters which, from an objective point of view, are liable to undermine the general confidence in that Board member's independence and impartiality, or which could give rise to conflicts of interest in connection with the Board of Directors' consideration of the matter.

Such matters must be taken up with the Board Chair. According to the Orkla Code of Conduct, employees must on their own initiative inform their superior if they should recuse themselves from dealing with or if they have a conflict of interest in connection with a matter, and consequently should not take part in considering such matters.

The Board of Directors adopts an annual meeting and activity plan that covers strategic planning, business issues and oversight activities. In 2020, eight meetings were held in accordance with the Board's activity plan, and one extraordinary meeting. In addition, the Board dealt with four items in writing. A total of 89 items were dealt with by the Board. The content of the Board's work is discussed in further detail in the Directors' Report.

Board matters are prepared by the general manager and the Corporate Secretariat in consultation with the Board Chair. The Board of Directors has established two permanent Board Committees, which are described in further detail below. These committees do not make decisions, but supervise the work of the company management on behalf of the Board and prepare matters for Board consideration within their specialised areas. In this preparatory process, the committees have the opportunity to draw on company resources, and to seek advice and recommendations from sources outside the company.

The Compensation Committee

The Compensation Committee is chaired by Liselott Kilaas and its other members are Stein Erik Hagen and Terje Utstrand. The Executive Vice President, Group Functions is the committee secretary. The composition of the committee meets the requirements of the Norwegian Code of Practice for Corporate Governance as regards independence, and all the committee members are considered to be independent of executive management. The mandate of the committee is set out in the Rules of Procedure for the Board of Directors and in brief is as follows:

- prepare for consideration matters relating to the salary and terms of employment of the President and CEO to enable the entire Board, once a year, to participate in an evaluation of the President and CEO and in decisions concerning the latter's terms of employment
- prepare for consideration matters of principle relating to levels of pay,

bonus systems, pension conditions, employment contracts and the like for senior Orkla executives
- prepare the annual Board of Directors evaluation

The committee will otherwise deal with special questions relating to compensation for Group employees insofar as the committee finds that these questions concern matters of particular importance for the Group's competitive position, corporate identity, recruitment ability, etc.

The Audit Committee

The Audit Committee is chaired by Nils K. Selte, and the other members are Ingrid Jonasson Blank and Sverre Josvanger. The Chief Internal Auditor is the secretary of the Audit Committee. The composition of the committee meets the requirements of the Norwegian Code of Practice for Corporate Governance as regards independence and competence. The Nomination Committee's recommendation of candidates for election to the Board contains information as to which Board members satisfy the requirements as regards independence and competence to sit on the Audit Committee. The committee's mandate is set out in the Board's Rules of Procedure and in brief is as follows:

- ascertain that internal and external accounting reporting processes are organised appropriately and carried out efficiently, and are of high professional quality
- keep under review the effectiveness and relevance of the work of the internal audit staff and of the company's risk management systems
- monitor and assess the quality of the statutory audit of Group companies and the Group's financial statements
- help to ensure the independence of the external auditor and ensure compliance with applicable rules and guidelines regarding the provision of additional services by the auditor to the Group or Group companies
- initiate investigations, if necessary, and propose measures relating to the above-mentioned points
- annually review and, if necessary, update its mandate and submit its recommendations concerning its mandate to the Board of Directors

The Board of Directors' evaluation

Each year, the Board of Directors carries out an evaluation of its own activities and competence, and discusses improvements in the organisation and implementation of its work, both at individual level and as a group, in relation to the goals that were set for its work. The results are made available to the Nomination Committee. An external partner is engaged at regular intervals to carry out the Board evaluation.

10. Risk management and internal control

A prerequisite for Orkla's system of decentralised responsibility is that the activities in every part of the Group meet general financial and non-financial requirements, and are carried out in accordance with the Group's common norms and values. The executive management of each company is responsible for risk management and internal control in the company with a view to ensuring:

- exploitation of business opportunities
- goal-oriented, safe, high-quality and cost-effective operations
- reliable financial reporting
- compliance with applicable legislation and regulations
- operations in accordance with Orkla's governing documents, including ethical and corporate responsibility standards

Orkla's risk management system is fundamental to the achievement of these goals. To ensure ongoing risk monitoring in individual companies, a biannual update is carried out of the risk picture of each operating company, in addition to the risk analysis that is an integral part of the company's decision-making processes.

Great importance is attached in Orkla's governing documents, which are available to all employees through The Orkla Way web portal, to clarifying the standards that apply to Orkla's businesses, and who is responsible for monitoring compliance with the various standards.

Orkla has a dedicated compliance function. The compliance staff have a special responsibility for ensuring follow-up and compliance in the fields of personal data protection, anti-corruption and business ethics and sanctions. The compliance staff are also tasked with helping to coordinate and prioritise other compliance-related work in collaboration with compliance officers in the various companies and Group functions.

Risk management at Orkla

The Group's risk management lies within the remit of the finance functions and is intended to ensure that all risk of significance for Orkla's value creation is identified, analysed and effectively dealt with by business areas and specialised staffs. This entails, among other things, continuously monitoring key risk indicators in order to reassess the Group's level of risk and associated risk mitigation measures, if necessary, and ensuring that Orkla's risk management is in compliance with relevant regulatory requirements and reasonably satisfactory to Orkla's stakeholders. Designated risk management experts carry out detailed risk assessments in certain specialised fields and are responsible for selected measures to mitigate risk at Group level. The Central Finance staff are responsible for Orkla's risk management model, including:

- presenting Orkla's consolidated risk profile to the Group Executive Board, the Board of Directors and the Board's Audit Committee
- maintaining instructions and guidelines for risk management and reporting.

The Group's risk management programme is reviewed on a regular basis.

EHS

Risk identification is also an important tool in preventive environment, health and safety (EHS) efforts, and the Senior Vice President EHS ensures the systematic, continuous follow-up of this work. All companies and businesses report their ten main EHS risk factors and associated risk mitigation measures twice a year through Orkla's central risk management model.

The internal audit function

The purpose of Orkla's internal audit function is to help ensure that the Board of Directors receives confirmation of the status of the Group's governance mechanisms, risk management and internal control systems.

The responsibilities of the Internal Audit Department are as follows:

- carry out risk-based, customised, value-creating audit projects, with emphasis on operations
- carry out follow-up audits to ensure that prior recommendations have been implemented
- conduct an audit of all newly acquired companies within one year of acquisition
- ensure professional, confidential management and investigation of matters reported through Orkla's whistle-blowing channel

- monitor the external auditor with regard to compliance with the engagement agreement and world-wide agreement
- report annually to the Board of Directors and the Board's Audit Committee on the overall results of the Internal Audit function's activities in the last calendar year
- serve as secretary to the Board of Directors' Audit Committee
- serve as observer on the Finance and Tax Committees
- quality assure and approve CEO-related costs on behalf of the Board Chair
- provide advisory services to the line organisation when possible based on an assessment of independence, capacity and competence, and prioritisation of tasks.

Business ethics and corporate responsibility

There is systematic focus on business ethics and corporate responsibility at Orkla. Reference is made to the separate statement on Corporate Responsibility at Orkla.

The financial reporting process

The Orkla Group prepares and presents its financial statements in accordance with current International Financial Reporting Standards (IFRS). The Group's governing documents are assembled in The Orkla Way, and contain requirements and procedures for the preparation and presentation of interim reports and year-end reports. A set of Orkla accounting standards has also been drawn up, in which Orkla's ten main principles for financial reporting are set out. Financial information is reported through the Group's common reporting system, Hyperion Financial Management (HFM). Every month, each company reports figures in HFM, based on output from its own Enterprise Resource Planning (ERP) system. HFM has a general chart of accounts and built-in control systems in the form of data check accounts and check reports designed to ensure that the information is consistent. The reporting is expanded in the year-end reporting process to meet various requirements for supplementary information. Financial data are consolidated and checked at several levels in the business areas.

11. Remuneration of the Board of Directors

All remuneration of the Board of Directors is disclosed in Note 5 to Orkla ASA's financial statements. The note shows that remuneration of the Board of Directors is not linked to the Group's performance and that no options have been issued to Board members.

12. Remuneration of the Executive Management

The Board's Compensation Committee presents a recommendation concerning the terms and conditions for the President and CEO to the Board of Directors and monitors the general terms and conditions for other senior executives in the Group. The Board assesses the President and CEO and his terms and conditions once a year. A description of the remuneration of the executive management and the Group's compensation and benefits policy, including the scope and design of bonus and share-price-related programmes, is given in the Board of Directors' statement of guidelines for the remuneration of executive management; see Note 5 to Orkla ASA's financial statements. A ceiling has been set for performance-related remuneration. The Board of Directors' statement of guidelines is made available to shareholders in a separate document pertaining to this item of business, together with the notice of the Annual General Meeting.

13. Information and communications

Orkla seeks to ensure that its accounting and financial reporting inspires investor confidence. Orkla's accounting procedures are highly transparent, and since 2005 Orkla has prepared and presented its financial statements in accordance with the International Financial Reporting Standards (IFRS). The Board of Directors' Audit Committee monitors company reporting on behalf of the Board. Orkla strives to communicate actively and openly with the market. The company's annual and quarterly reports contain extensive information on the various aspects of the company's activities. The company's quarterly presentations are webcast directly and may be found on Orkla's website, along with the quarterly and annual reports under "Investor Relations". In 2020, the company's Annual General Meeting was webcast and simultaneously interpreted to English. Orkla holds a Capital Markets Day at regular intervals, on which occasion the market is given an in-depth review of the Group's strategic direction and operational development. The Capital Markets Day presentations are webcast directly on the company's website.

All shareholders and other financial market players are treated equally as regards access to financial information. The Group's Investor Relations Department maintains regular contact with company shareholders, potential investors, analysts and other financial market stakeholders. The Board is regularly informed of this activity. The financial calendar for 2021 may be found on Orkla's website.

14. Takeovers

The Board of Directors will not seek to hinder or obstruct any takeover bid for the company's operations or shares. In the event of such a bid as discussed in section 14 of the Norwegian Code of Practice for Corporate Governance, the Board of Directors will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Code of Practice. This includes obtaining a valuation from an independent expert. On this basis, the Board will make a recommendation as to whether or not the shareholders should accept the bid. There are no other written guidelines for procedures to be followed in the event of a takeover bid. The Group has not found it appropriate to draw up any explicit basic principles for Orkla's conduct in the event of a takeover bid, other than the actions described above. The Board of Directors otherwise concurs with what is stated in the Code of Practice regarding this issue.

15. Auditor

The Board of Directors has determined that the external auditor shall report regularly to the Board. Every year, the external auditor presents to the Board his assessment of risk, internal control and the quality of financial reporting at Orkla, at the same time presenting his audit plan for the following year. The external auditor also takes part in the Board's discussions on the annual financial statements. The Board of Directors ensures that relevant matters may be discussed with the external auditor without the presence of the management. The external auditor and the President and CEO are invited to all meetings of the Board's Audit Committee. For information regarding the work of the internal auditor, reference is made to the section above on risk management and internal control. Orkla has established guidelines for the right of the general management to use the external auditor for services other than auditing. Responsibility for monitoring such use in detail has been delegated to the secretary of the Audit Committee, who is the Chief Internal Auditor.

The secretary of the Audit Committee approves all material assignments in advance and receives an annual summary from the external auditor of services other than auditing that have been provided to Orkla, and comments specifically on these services in his annual report to the Audit Committee and the Board of Directors. Details of the company's use and remuneration of the external auditor are disclosed in Note 5 to the financial statements of Orkla ASA. The General Meeting is informed about the Group's overall remuneration of the auditor, broken down in accordance with statutory requirements into remuneration for statutory auditing and remuneration for other services. In connection with the auditor's participation in the Audit Committee and the Board of Directors' consideration of the annual financial statements, the auditor also confirms his independence.

Sustainability

Orkla wants to create sustainable growth. As a producer of food and other consumables, Orkla's primary contribution to sustainable development is to be able to offer sustainable products, and UN Sustainable Development Goal 12 – responsible consumption and production – lies at the very core of the Group's sustainability work.

03

Highlights in 2020

Transition to low-carbon operations
Orkla has set science-based targets (SBT) for its operations and in the period 2014-2020 has achieved a 62 per cent reduction in greenhouse gas emissions[1]. In 2020, **47 per cent** of the energy that Orkla used came from renewable sources, and the company was awarded an **A score** for its CDP reporting on climate work.

Healthier products
Orkla continues its efforts to reduce salt and sugar in its products, and in the period 2015-2020 the total contribution from Orkla products to the population's consumption of salt and sugar has been reduced by 6.5 per cent and 9 per cent, respectively. In 2020, Orkla used **2234 tonnes** less sugar and **168 tonnes** less salt than in the previous year.

More women in management
Orkla is aiming for 50 per cent women managers at all levels by 2025 and works systematically to achieve this target by means of conscious recruitment and systems for long-term leadership development. The number of women at senior executive level continues to rise, increasing from 35.5 per cent in 2019 to **35.9 per cent** in 2020.

Sustainable growth
Orkla continues to focus on plant-based food, and turnover from the NATURLI'®, Anamma, Felix, Beauvais Veggie and Lecora Green Line brands increased by **21 per cent** from 2019 to 2020. Developing products that promote sustainable consumption is a priority for the Group, and in 2020 **19 per cent** of turnover derived from products defined as "most sustainable"[2].

Sustainable raw materials
Orkla drew up a new framework for sustainable agricultural products and new guidelines for animal welfare. Efforts to reach the target for sustainable raw material production by 2025 continued, and in 2020 **84 per cen**t of cocoa, **94 per cent** of palm oil and **66 per cent** of fish were certified under relevant external standards.

Circular packaging value chains
By launching new packaging solutions and participating in external collaboration, Orkla took new steps in 2020 on the road towards circular value chains for plastic and other packaging. In 2020, **95 per cent** of Orkla's packaging was recyclable and **47 per cent** was based on recycled materials.

[1] Scope 1 and Scope 2 in accordance with the Greenhouse Gas Protocol. Base year 2014.
[2] To be considered one of Orkla's most sustainable products, the product must satisfy the criteria in at least two of the following three categories: sustainable raw materials, sustainable packaging and products that promote a healthy lifestyle.

The UN Global Compact and the global Sustainable Development Goals

Orkla has been affiliated with the UN Global Compact since 2005 and actively supports the organisation's ten principles for human and workers' rights, the environment and anti-corruption. Through this worldwide network of companies and organisations, Orkla takes part in a global mobilisation to attain the Sustainable Development Goals (SDGs) for 2030, which were launched by the United Nations in 2015.

In the autumn of 2020, Orkla President and CEO Jaan Ivar Semlitsch marked his support for the goals by participating in an initiative launched by Norwegian Prime Minister Erna Solberg, in which she called on the business community to work to achieve the goals. "We know that the pandemic is hitting society hard and shows just how vulnerable we are. But our efforts to advance sustainability cannot stop. Together we will succeed!", said Jaan Ivar Semlitsch in a video shared on social media.

Orkla's sustainability work contributes directly to achievement of a number of the Sustainable Development Goals, and a central focus of these efforts is SDG 12 – sustainable production and consumption. Orkla companies work determinedly across markets and countries to reduce the climate impacts of their products, promote sustainable raw material production and develop good packaging solutions.

"Orkla is particularly committed to achieving UN Sustainable Development Goal 12, and wants to make it easy for consumers to make sustainable choices," concludes Jaan Ivar Semlitsch.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

UN Sustainable Development Goal 12 is pivotal to Orkla's sustainability work. Orkla companies seek to make the transition to sustainable production and consumption by engaging in promoting sustainable raw material production, developing recyclable packaging solutions based on recovered or renewable materials, reducing the climate footprint of our products and developing products for a healthy lifestyle. Efforts to achieve SDG 12 also contribute to attainment of several other SDGs.

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2 ZERO HUNGER

- Ensure responsible production of food raw materials and promote sustainable agriculture and fishing

3 GOOD HEALTH AND WELL-BEING

- Develop products and solutions for health and wellness
- Work systematically to reduce salt and sugar
- Inspire people to adopt a healthy lifestyle

5 GENDER EQUALITY

- Promote diversity and gender balance at all levels and across the business

8 DECENT WORK AND ECONOMIC GROWTH

- Work systematically to safeguard human rights in the workplace and in the supply chain

13 CLIMATE ACTION

- Reduce greenhouse gas emissions throughout the value chain in line with what is required to limit global warming to a maximum of 1.5 °C

14 LIFE BELOW WATER

- Protect fish resources through sustainable sourcing
- Avoid plastic pollution by developing circular products and packaging solutions

15 LIFE ON LAND

- Contribute to responsible farming practices for the future
- Ensure deforestation-free supply chains

17 PARTNERSHIPS FOR THE GOALS

- Take part in active stakeholder dialogue and partnerships to promote sustainable production and consumption

Local champion for sustainability

Orkla is mobilising across companies and countries to develop sustainable products and solutions. Through dialogue and cooperation with others, the Orkla companies will seek good, local solutions for addressing the global sustainability challenges.

Orkla has come a long way towards integrating sustainability into business plans and routine operations. All the business areas have stepped up their efforts in the past few years, and their work is producing positive results in every area. The Group has drawn up criteria for sustainable products that are used to classify the companies' product portfolio, and has begun to measure sales of these products. Focus on plant-based food, healthier foods, biscuits and snacks, and more environmentally friendly grocery products contributed to sales growth for Orkla in 2020.

Orkla's influence

By developing products and services for a healthy lifestyle, Orkla is promoting public health. Orkla companies also contribute to a healthy diet by focusing on plant-based foods, grain products with a high fibre content and health foods. Orkla's food manufacturing operations make it one of the biggest purchasers of agricultural and fish raw materials in the Nordic region, and give the Group the opportunity to influence the transition to sustainable agriculture and fishing. Orkla's operations also affect the environment through use of energy, water and packaging, and the companies are involved in certain global raw material chains that pose complex economic, social and environmental challenges. Through their presence in almost 30 countries, the companies generate economic ripple effects for local communities in the form of jobs, tax revenues and sourcing from local suppliers. Orkla is a major employer, and by investing in human resource development and working systematically to ensure a good working environment, the companies help to ensure job satisfaction and personal development for their employees.

The Orkla Sustainable Life Barometer

In 2020, for the second year in a row, Orkla conducted a survey in the Nordic and Baltic countries on people's needs and attitudes towards key sustainability topics. The survey shows that around half of the population is concerned about global warming, and six out of ten respondents state that the world is facing a major climate crisis. There is also great concern about plastic pollution of the ocean, the ability to handle waste effectively and tropical deforestation. Six out of ten people say they try to buy products that they perceive as being sustainable, while 65 per cent find it hard to tell whether a product is sustainable or not. The survey was carried out by Ipsos for Orkla among 7000 respondents in Norway, Sweden, Denmark, Finland, Estonia, Latvia and Lithuania.

Long-term sustainability ambition

In order to deal with the challenges posed by climate change, biodiversity loss and natural resource scarcity, global greenhouse gas emissions must be halved in the next ten years and all sectors must switch to sustainable production. As a manufacturer of food and other consumer goods, Orkla's primary contribution to sustainable development is its ability to offer sustainable products, and UN Sustainable Development Goal 12 – responsible consumption and production – forms the very core of the Group's sustainability work. The Orkla companies have worked for many years to achieve the Group's 2025 sustainability targets. In 2020, Orkla launched a new internal sustainability aspiration up to 2030 which underscores the importance of sustainable products and of mobilising the entire organisation. Across products and countries, Orkla companies shall lead the way in transitioning to sustainable production and consumption and being "a local champion for sustainability".

Sustainable growth

The global sustainability challenges are giving rise to changes in consumer preferences and customer demands. Across the Nordic and Baltic countries, six out of ten consumers state that they try to choose products that they perceive to be sustainable, according to the Orkla Sustainable Life Barometer 2020 survey. In most markets where Orkla has a presence, there is rising demand for locally produced food, plant-based food and products that promote better health. Continued growth for Orkla is contingent on its companies being able to offer products and services that make it easy for consumers to make everyday choices that contribute to positive development for people, the environment and society at large.

Orkla has drawn up criteria for what characterises sustainable food and grocery products, and in 2019 the companies began to classify their products according to the new criteria. This work continued in 2020, and around 71 per cent of turnover from Orkla's branded goods companies now derives from products that have been classified. The estimated share of turnover generated by products defined as "most sustainable" was 19 per cent in 2020. This is the same level as in 2019, but Orkla adjusted the criteria in 2020, making them stricter. The efforts to develop the current product portfolio in a more sustainable direction continued in full force in 2020, with vigorous focus on plant-based food, "better-for-you" products and new packaging solutions that contribute to less plastic waste, increased recycling of plastic and reduced greenhouse gas emissions. In 2020, the companies launched a number of new healthy, vegetarian and organic food products, healthier snacks, health foods, wellness products, detergents containing gentle ingredients and products that represent more responsible environmental choices.

Criteria for sustainable products

In 2019-2020, Orkla defined internal criteria specifying what characterises sustainable food and grocery products, and began work on classifying all of its products in accordance with the new criteria. To be considered one of Orkla's most sustainable products, the product must satisfy the criteria in at least two of the following three categories: sustainable raw materials, sustainable packaging and products that promote a healthy lifestyle. This classification process is a useful management tool that makes it easier to monitor the progress of the work. The criteria are linked to Orkla's 2025 sustainability targets, and will be further developed over time as the Group's knowledge of each individual topic increases and the targets are revised.

How the work is organised

In 2020, Orkla reviewed roles and responsibilities in its sustainability work and established some new forums for efficient management and collaboration. The companies have an independent responsibility for contributing to the achievement of Orkla's overarching sustainability goals, and the business areas are responsible for ensuring that this is done, and for monitoring the progress made in the companies' work.

Orkla has an internal sustainability network that facilitates the exchange of lessons learned and collaboration across companies and countries. The Orkla Sustainability Committee was established in 2020 to help ensure effective coordination of sustainability work across business areas and functions, initiate joint development activities and provide support for Orkla's Group Executive Board. Country-based sustainability networks were also established in Norway, Sweden and Denmark for the purpose of discussing important issues, initiating joint activities and coordinating stakeholder dialogue, communications activities and development projects.

Climate risk high on the agenda

Extreme weather has impacted on the production of certain agricultural raw materials purchased by Orkla, and has at times affected the price and availability of these commodities. Changes in weather patterns have also led to higher energy prices in some of the countries in which Orkla has production operations. The Group anticipates continued volatility in prices of raw materials, energy and water in the coming years, but expects the consequences of extreme weather to be moderate in the short and medium term. The bulk of Orkla's production and procurement takes place in the Nordics, Baltics and Eastern Europe, where there is less likelihood of water scarcity and drought than in warmer climate areas. The risk of Orkla's own production operations being hampered by flooding or other consequences of extreme weather is assessed as low. Orkla's assessment and reporting of climate risk will be further developed in line with the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD), an international financial initiative. A detailed description of this work is provided in a separate report available on Orkla's website.

Status of Orkla's sustainability work

Orkla's sustainability strategy covers five main topics: environmental engagement, sustainable raw materials, nutrition and wellness, safe products and care for people and society. These are areas in which Orkla, by virtue of its activities, has significant influence and responsibility, and where focus on these topics will be crucial to the Group's future growth and profitability.

In 2020, due to the emergency preparedness work in response to the COVID-19 pandemic, certain projects were given lower priority or were postponed. Nonetheless, Orkla achieved improvement in all five main topical areas.

From 2014 to 2020, greenhouse gas emissions from Orkla's own operations[1] were reduced by 62 per cent (relative to turnover), and energy from renewable sources now accounts for 47 per cent of total energy consumption. The Group is well on its way to reaching its target[2] of reducing greenhouse gas emissions by 63 per cent by 2025 and 77 per cent by 2040. The transition to renewable energy is being made by phasing out fossil fuels, increasing use of energy from renewable sources and purchasing Guarantees of Origin for electricity produced from renewable energy sources.

[1] Scope 1 and 2 in accordance with the Greenhouse Gas Protocol. Base year 2014.
[2] Science based targets for greenhouse gas reduction in line with the Paris Agreement, validated by the Science Based Targets initiative (SBTi).

Orkla's sustainability strategy and targets for 2025

Environmental engagement

Strong engagement for the environment

- > 60% renewable energy
- 63% reduction in greenhouse gas emissions from own operations (77% reduction by 2040) [1,2]
- 29% reduction in greenhouse gas emissions in the value chain, outside own operations (75% reduction by 2040) [1,3]
- 30% reduction in energy and water consumption
- 50% reduction in food waste

Sustainable sourcing

Partnership for sustainable raw materials

- Ensure respect for workers' rights
- Achieve verified sustainable production of key raw materials[4]
- Promote sustainable farming and fishing
- 100% recyclable packaging
- 75% packaging made of recycled materials
- 50% plastic packaging made of recycled or renewable materials

Nutrition and wellness

Making it easier to live healthily

- Double consumption of products and services that promote a healthier lifestyle
- 15 per cent less salt and sugar[5]
- Inspire people to adopt a healthier lifestyle

Safe products

Safe products build trust

- 100 per cent food-manufacturing facilities at green level[6]
- 100 per cent approved suppliers[6]
- Continue to ensure that all products are safe

Care for people and society

Strong local engagement for sustainability

- Create strong local engagement for sustainability
- 100% compliance with Orkla's human rights policy
- Create healthy workplaces with zero injuries
- Women in 50% of leadership positions at all levels
- Create a culture of integrity everywhere

[1] Targets for greenhouse gas reduction have been validated by the Science-based Targets initiative.
[2] Scope 1 and Scope 2 in accordance with the Greenhouse Gas Protocol. Base year 2014.
[3] Scope 3 in accordance with the Greenhouse Gas Protocol. Base year 2014.
[4] The assessment of importance is based on the risk related to and scope of the Group's sourcing
[5] Reduction in overall consumption of salt and sugar from Orkla's food products. Base year 2015.
[6] In accordance with the Orkla Food Safety Standard.

Orkla effectively manages food safety risk, and risk issues that arose in 2020 were dealt with in accordance with Orkla's contingency procedures, at no risk to consumer health. Orkla factories also have 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 is making good headway in monitoring suppliers to ensure that the raw materials used by the companies are sustainably produced. While the proportion of certified raw materials has increased, on the whole, the challenges in this area are complex, and efforts will have to be intensified in the years ahead in order to achieve the target of sustainable raw material production and accelerate the transition to sustainable agriculture and fishing.

Products that promote a healthy lifestyle accounted for around 19 per cent of the turnover of Orkla Foods and Orkla Confectionery & Snacks in 2020. The companies are well on their way to meeting the target of reducing their products' contribution to salt and sugar consumption by 15 per cent in the ten-year period 2015 – 2025. Purposeful product development over many years has resulted in a total reduction in salt from Orkla companies of around 6.5 per cent and a reduction in sugar of around 9 per cent[3].

The results of Orkla's sustainability work in 2020 and the targets for further efforts are described in greater detail in separate chapters on each main topic.

[3] The figures are somewhat uncertain due to changes in measurement methods over time.

Corporate responsibility at Orkla

Orkla defines corporate responsibility as conducting responsible operations with respect for individuals, the environment and society. Orkla's Group directives on corporate responsibility and business ethics describe the general principles for the way Group companies must promote respect for human and workers' rights, environment, health and safety (EHS), anti-corruption efforts and other key areas of responsibility. The directives are based on the UN Global Compact's ten principles, the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises. The directives have been adopted by Orkla's Board of Directors and apply to the entire Group, including wholly-owned subsidiaries. Orkla's governance procedures for corporate responsibility are described in the Group's Directors' Report on page 37 of this report.

Orkla's response to COVID-19 and consequences for the company

As a supplier of food, cleaning and personal hygiene products, Orkla has had a vital responsibility to society during the coronavirus outbreak. Orkla was defined early on as a business of critical importance to society and, in the course of 2020, made a great effort to maintain production and supply goods, while giving top priority to ensuring the safety of Orkla employees by implementing effective contigency procedures. The Group's operations have been affected by the pandemic in different ways. In some businesses it has been necessary to lay off employees, while other businesses have seen increased demand and ramped up their production. Some businesses have also established new production lines for the manufacture of disinfectants.

Orkla is dealing with the pandemic as a Class 1 emergency, which is the most severe classification of emergency. President and CEO Jaan Ivar Semlitsch has overall responsibility for the emergency preparedness work. Orkla's Group Executive Board continuously monitors developments, and the Board of Directors and employee representatives receive regular updates on the COVID-19 situation in Orkla. Contingency management is also done on an ongoing basis in the business areas, companies and factories, and stringent infection control measures have been imposed in all Orkla companies. The health and safety of Orkla employees and stable business operations have been the main priorities since the start of the COVID-19 situation.

Although the COVID-19 pandemic has required resources and time from the Group, it has not curtailed its sustainability work. In 2020, Orkla signed the international Uniting Business and Governments to Recover Better statement, which emphasises that the environmental and social challenges facing the world must not be put on hold due to the pandemic.

Orkla's sustainability reporting

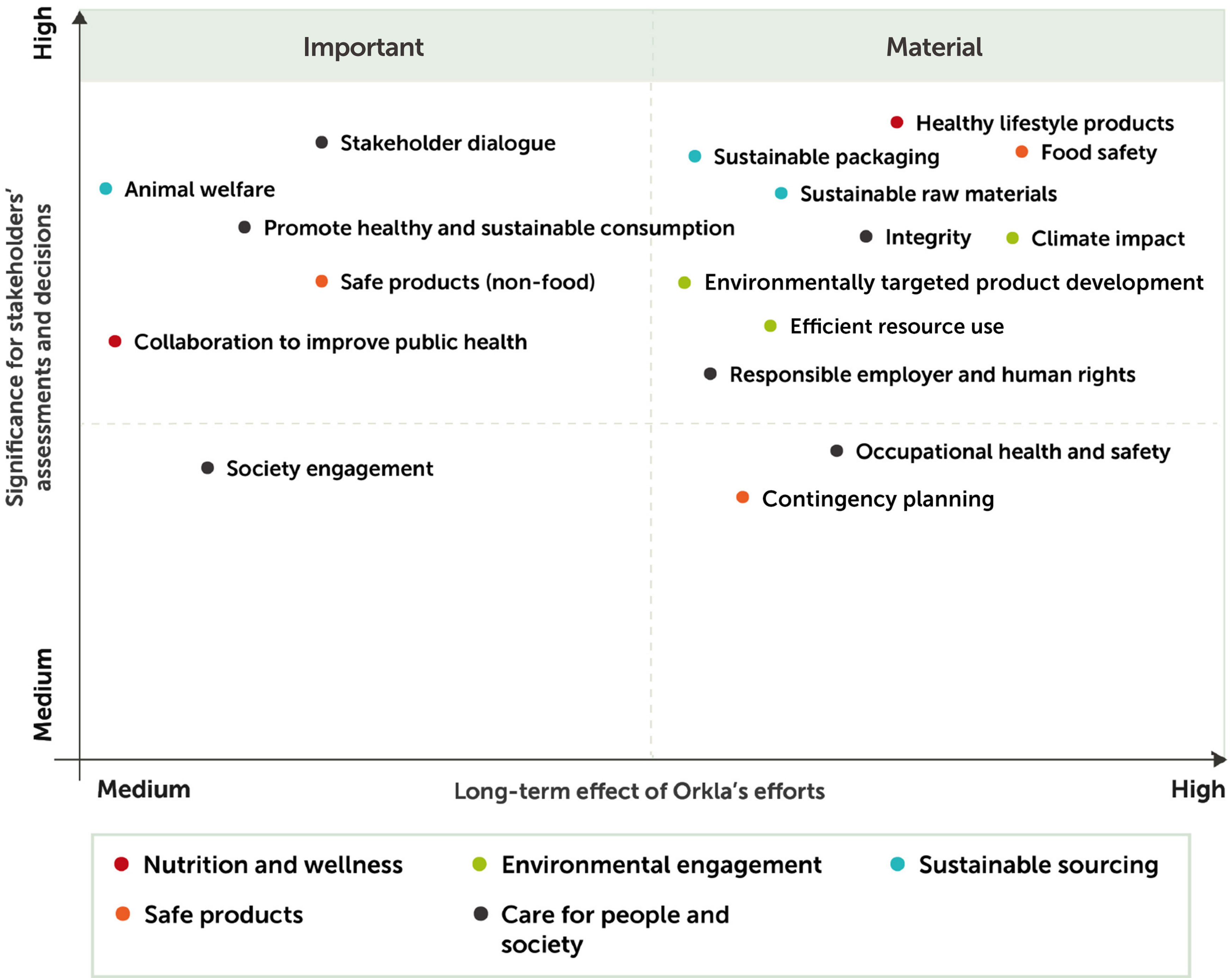
Orkla's sustainability reporting for 2020 has been prepared in accordance with GRI Standards: Core Option and the Oslo Stock Exchange's guidance on corporate responsibility reporting. Orkla's sustainability reporting covers all topics identified as important and material, but greatest weight has been attached to the material topics. The reporting covers the same topics as in 2019. In a number of areas, the reporting covers more indicators than required by Core-level reporting standards. For some indicators, Orkla does not have the necessary data to provide a breakdown of data along all the dimensions identified in GRI's reporting standards. An overview of the indicators covered and any departures from GRI's reporting standards may be found on Orkla's website, under Results and reporting.

Orkla is required to report on corporate responsibility and selected responsibility topics under sections 3-3a and 3-3c of the Norwegian Accounting Act. An account of the Group's work on the relevant topics in 2020 is provided in these chapters:

- Orkla's sustainability work, page 56
- Environmental engagement, page 68
- Sustainable sourcing, page 85
- Care for people and society, page 125

Unless otherwise stated, the key figures in Orkla's sustainability reporting cover all businesses in which Orkla owned more than a 50 per cent interest as at 31 December 2020. Orkla's climate accounts are prepared in accordance with the GHG Protocol, and verified by the audit and consulting company EY. For information on the sustainability work carried out by Orkla's associate Jotun, reference is made to Jotun's own reporting.

Materiality assessment 2020



Sales of healthy and sustainable products

GRI-references	Indicators	Unit	2020	2019	2018
Self-defined	Estimated share of turnover from products classified as "most sustainable products[1]	%	19	19	-
Self-defined	Estimated share of turnover from vegan products[2,3]	%	32	29	-
Self-defined	Estimated share of turnover from vegan and lacto-ovo vegetarian products[2,4]	%	57	53	-
Self-defined	Estimated share of turnover from products for a healthy lifestyle[5, 6]	%	19	19	14
Self-defined	Estimated share of turnover from products with a balanced nutrient profile[5]	%	42	41	-
Self-defined	Estimated share of turnover from indulgence products[5]	%	39	40	-
Self-defined	Estimated share of turnover from eco-labelled products[7] (Nordic Swan Ecolabelling, Good Environmental Choice, GOTS, MSC, EU Ecolabel and more)	%	7	6	-

[1] Applies to classified revenues in Orkla Branded Consumer Goods. 71% of revenues was classified in 2020. Previously reported figures for 2019 have been corrected to include the same selection of companies and products. The classification criteria for 2020 are stricter than those used for 2019

[2] Applies to total revenues in Orkla Foods and Orkla Confectionery & Snacks. Previously reported figures for 2019 have been corrected to include the same selection of companies

[3] Products suitable for vegan diet as defined by Food Drink Europe

[4] Products suitable for vegetarian diets as defined by Food Drink Europe. May contain egg and dairy ingredients

[5] Applies to classified revenues in Orkla Foods and Orkla Confectionery & Snacks. 92% of revenues is classified according to criteria for health and wellness in 2020. Previously reported figures for 2019 have been corrected to include the same selection of companies and products

[6] Includes foods with less salt, sugar and saturated fat, healthier lacto-ovo vegetarian and vegan products, products with more than 50% of whole-grain cereals, official nutrition labelling and products with specific health benefits. Definition and calculation basis were changed from 2018 to 2019

[7] Applies to total revenues in Orkla Branded Consumer Goods

Environmental engagement

- Climate impact
- Efficient resource use
- Environmentally targeted product development

The big picture

Climate change is one of society's great challenges. Reports from the UN Intergovernmental Panel on Climate Change (IPCC) show that people and nature all over the world are already being affected by these changes, and that urgent action is needed to slow the pace of change. A major readjustment must be made in almost every sector to be able to limit global warming to 1.5°C. Orkla will assume its share of responsibility for tackling climate challenges, and is making long-term efforts to reduce its greenhouse gas emissions as required by the Paris Agreement.
From a commercial perspective, there is growth potential for Orkla in consumers' mounting interest in a climate-friendly diet and sustainable consumption. The financial sector's awareness of climate risk and interest in sustainable investments are also rising sharply. For Orkla, climate-related risk is primarily linked to the price and availability of key food raw materials. Few of the companies' factories are located in areas at risk of flooding or water shortages, but drought and extreme weather can lead to higher water and energy costs. Changes in regulatory frameworks or political framework conditions can also entail increased costs.

Orkla's influence

The environmental impact of Orkla's own operations is limited. The greatest impact comes from raw material production and at the consumption stage. The companies therefore work to reduce emissions in every part of the value chain. Orkla has ambitious goals for transitioning to low-carbon operations. This will be done by focusing on product innovation, investing in renewable energy, reducing energy use and waste, and taking important action in the supply chain. Changes in the supply chain are also implemented through cooperation and joint initiatives, such as the Sustainable Agriculture Initiative Platform (SAI Platform). To create growth in the years to come, Orkla must have a portfolio of products and services with a competitive environmental profile. As more and more of Orkla's factories switch to renewable energy, the climate impact of the companies' products will be reduced.

Orkla's approach

Orkla has adopted a systematic, coherent approach to climate work and other key environmental factors such as water and waste. A detailed description of procedures and work processes may be found on Orkla's website under the GRI Management Approach.

Orkla's environmental work contributes to the SDGs 12, 13, 14, 15 and 17.

Orkla's 2025 sustainability targets

- > 60% renewable energy
- 63% reduction in greenhouse gas emissions from own operations (77% reduction by 2040) [1,2]
- 29% reduction in greenhouse gas emissions in the value chain, outside own operations (75% reduction by 2040) [1,3]
- 30% reduction in energy and water consumption
- 50% reduction in food waste

[1] Targets for greenhouse gas reduction have been validated by the Science-based Targets initiative.
[2] Scope 1 and Scope 2 in accordance with the Greenhouse Gas Protocol. Base year 2014.
[3] Scope 3 in accordance with the Greenhouse Gas Protocol. Base year 2014.

Climate impact

Orkla is in the process of transitioning to low-carbon operations and wants to contribute to a sustainable economic recovery after the COVID-19 crisis.

Orkla has set science-based targets for reducing greenhouse gas emissions that are aligned with the Paris Agreement to limit global warming to 1.5 degrees. These targets have been validated by the international organisation Science-Based Targets initiative (SBTi).

Orkla has joined the international climate campaign, Uniting Business and Governments to Recover Better, initiated by the SBTi and the United Nations Global Compact. The campaign emphasises the importance of business and government working together to reach climate targets and achieve economic recovery after the COVID-19 crisis in a way that will be instrumental in tackling the global climate change challenges. Business and industry must be willing to invest in renewable energy and sustainable solutions. At the same time, it will be necessary to adopt a climate change policy that reduces the risk attached to such investments and promotes green growth.

Most of Orkla's climate impact comes from raw materials production. Orkla therefore gives priority to reducing greenhouse gas emissions throughout the value chain, in accordance with the guidelines for monitoring greenhouse gas emissions in the Greenhouse Gas Protocol. In 2020, the Group improved the calculation models and data quality relating to the raw material chain (Scope 3). To calculate greenhouse gas emissions from food raw materials, Orkla primarily uses climate data from the RISE Research Institute of Sweden. The climate data are seen in conjunction with purchased volumes in specific purchasing categories, so that the data are broken down to a relevant level, thereby providing insight into which raw materials have the greatest climate impact.

Orkla is one of four Norwegian companies ranked at the very top of PwC Norway's climate index in 2020, partly because the Group can document emission reductions in line with the Paris Agreement.

A more detailed description of Orkla's climate risk and the progress made in reducing greenhouse gas emissions may be found on Orkla's website.

Top score in CDP's climate reporting

In 2020, Orkla was rated one of the world's best listed companies for climate leadership by the global, not-for-profit environmental organisation CDP. Orkla was awarded the highest score, A, placing it among the 270 best of the more than 9600 companies that reported.

Developments in 2020

Greenhouse gas emissions from Orkla's own production operations have been cut by 62 per cent since 2014. This reduction is a result of improved energy efficiency and the switch to renewable energy by many of the Group businesses. In addition, Orkla buys guarantees of origin for renewable electricity for all the electric power used by its companies in Europe. These guarantees are linked to Orkla's own hydropower plants. Renewable Electricity Certificates (RECs) were also purchased for electricity used in Malaysia and India.

Collaboration on a fossil-free Sweden

Orkla Foods Sverige has played a central role in "Fossilfritt Sverige", a joint endeavour between nine industries to achieve the goal of making the country fossil free by 2045. In 2020, the trade association Dagligvaruleverantörers Förbund (DLF Sweden), headed by Henrik Julin, CEO of Orkla Foods Sverige, presented a roadmap for realising this goal to the Minister for Environment and Climate and the Minister for Business, Industry and Innovation. The transformation is to be a collaborative effort between government and business, and the roadmap shows how businesses can minimise their environmental footprint while also strengthening their competitiveness when the government contributes by providing the right framework conditions. The most important measures adopted by Orkla Foods Sverige and the grocery industry are 100 per cent recyclable, fossil-free packaging, 100 per cent fossil-free domestic transport and 100 per cent climate impact-labelled products for sustainable choices.

Analyses of Orkla's value chain show that animal raw materials account for a large share of the overall climate impact. In 2020, the Group urged major suppliers of dairy and meat products to set their own climate targets and take action to reduce emissions in their own value chain (including Scope 3 emissions under the Greenhouse Gas Protocol). Collaboration with suppliers is an important part of Orkla's strategy for managing climate impact throughout the value chain. Continuous innovation and development of new vegetarian and plant-based foods with a smaller climate footprint are also a key means of reducing emissions.

The way forward

Efforts to reduce climate impacts in Orkla's own operations will continue by replacing fossil energy sources with renewable energy and by reducing the Group's energy consumption. Companies will put in place prioritised measures to reduce greenhouse gas emissions from their own value chain, primarily linked to the raw materials used. Orkla's climate targets will be followed up with actions and plans, both short and long-term, and the Group will take its share of responsibility for limiting global warming to a maximum of 1.5 degrees.

Orkla Suomi: renewable energy at the crisps factory

Orkla's crisps factory at Åland, Finland, where Taffel snacks and Oolannin potato products are made, increased its investment in renewable energy in 2020. At the start of the year, the factory switched to electricity generated by locally produced wind power from the Ålandic energy company Allwinds.

An investment was also made in expanding the crisps factory's own biogas plant in 2020. Since the late 1980s, the plant has met part of the factory's energy needs with biogas produced from materials such as potato peelings and by-products from its own production operations. Since the new investment, production has increased from 650 000 m^3 to 1 400 000 m^3 biogas per year, substantially reducing the need for fossil energy sources. The goal is to reduce greenhouse gas emissions from the factory by 1000 tonnes per year. Besides potato peelings and factory by-products, sludge from local farms is used to increase the efficiency of the biogas production process. The biogas is used as an energy source at the crisps factory, while residues are returned to the local farms as biofertiliser. This creates a circular flow that significantly reduces the overall impact of both the factory and the farms.

Efficient resource use

Orkla works purposefully and systematically to reduce energy consumption, switch to renewable energy, reduce water use and minimise food waste and other waste.

The Group companies are also stepping up their efforts to develop products and packaging made from renewable, recycled materials. In the period up to 2025, Orkla will continue to focus on fossil-free energy consumption as an important sustainability target.

Developments in 2020

Energy

A growing number of energy-efficiency projects are being initiated in all the business areas. Lessons learned and best practices are shared between companies and factories and are an important means of reducing energy consumption. In 2020, the factories continued to implement process improvements that result in less energy use. Investments have also been made in new, more energy-efficient production equipment. In total, Orkla's energy use has been reduced by 19 per cent since 2014.[1]

Environmental award for district heating
In 2020, Orkla Confectionery & Snacks Danmark received Nordfyn municipality's environmental award for supplying surplus heat from its crisps factory at Søndersø to Fjernvarme Fyn district heating company. This is equivalent to heat for 400 households and reduces the plant's CO_2 emissions by around 600 tonnes per year. New measures are being explored witih a view to supplying district heating to an additional 200 households, thereby further reducing CO_2 emissions by about 350 tonnes per year.

[1]Adjusted for purchased and sold companies and increased turnover.

Water
Most of Orkla's businesses are located in areas with a low or medium risk of water shortage. Nevertheless, many companies see the importance of reducing water use for environmental reasons. Measures reported in 2020 include process improvements, water recycling and water use efficiency training for employees. In total, Orkla's water consumption has been reduced by 6 per cent since 2014. Higher water consumption in 2020 is primarily due to increased production.

The greatest possibilities for reducing water use lie in the raw materials value chain or consumer water consumption. The risk of water shortage is a relevant risk factor for production of food raw materials that Orkla purchases for its own production. Agricultural drought can lead to raw material scarcity and higher sourcing costs. Collaboration with suppliers to secure raw materials that require lower water consumption will be essential in future.

Several Orkla companies have worked purposefully for many years to develop products with a lower water content. Good examples are concentrated detergents, fruit drink concentrates and cleaning products that reduce consumer water consumption.

Orkla primarily uses water supplied by municipal waterworks, and wastewater is treated internally or in municipal water treatment plants. No incidents involving serious emissions occurred in 2020, but one of Orkla Foods Česko a Slovensko's food factories received a sanction from local authorities due to deviations in waste water treatment. A new wastewater treatment plant is planned for 2021.

Since 2015, Orkla has reported on its water management to the CDP. This has increased knowledge and input for Orkla's targeting and action plans. This work has been expanded and improved, with the result that Orkla scored a 'B' grade for its 2020 CDP report on water.

Transport
Life cycle assessments (LCA) show that emissions from transport account for a minor proportion of the climate impact from Orkla products. Pallet optimisation and other measures designed to achieve maximum efficiency in goods transport is an integral part of company practice.

Testing more eco-friendly transport
In 2020, Orkla entered into cooperation with the transport company Gasum and Volvo Lastvagnar in Sweden aimed at reducing emissions from goods transport. In this collaborative venture, Orkla's transport partner GDL will drive trucks fueled by liquid biogas between Orkla's Swedish ketchup and dressing factory at Fågelmara, Blekinge and its warehouse in Helsingborg. Biogas is produced from organic waste, a process in which organic biofertiliser is also produced, thus contributing to a circular economy. By using biogas instead of fossil diesel, CO_2 emissions can be reduced by up to 90 per cent. The purpose of the test period is to increase internal expertise on biogas as a fuel and to join forces with goods carriers to help reduce greenhouse gas emissions. This is contingent on carriers choosing vehicles that run on more eco-friendly fuel, and on the existence of an extensive network of biogas filling stations. Gasum has invested in a Nordic network of liquid biogas filling stations and established a total of 50 stations in 2020, including one in Helsingborg.

In 2020, the companies implemented a variety of actions to reduce transport's environmental impact, ranging from training for drivers in eco-friendly driving practices to choosing transport with the lowest possible emissions. Orkla has initiated dialogue with and monitored suppliers at central and local level to map emissions and spur improvements.

Waste

Orkla has adopted a systematic, long-term approach to reducing food waste and other waste across the Group's businesses in almost 30 countries. Organic waste from Orkla's own operations has been reduced by 23 per cent since 2014. Orkla participates in industry initiatives to cut food waste in Norway, Sweden and Denmark. Furthermore, Orkla companies donate surplus food to worthy causes through various organisations in several countries. A number of Orkla factories have retail outlets where products with minor defects are sold at reduced prices.

To reduce food waste, Orkla has established internal networks, including one for Orkla's six crisps factories. Through this project, the crisps factories have reduced their food waste by around 25 per cent in the past three years. Analyses have also been initiated for pizza production at Vansbro and Stranda, and for Orkla's chocolate and biscuit factories.

The way forward

Orkla has identified transitioning to use of renewable energy as a key 2025 target. Meeting this target will necessitate use of fossil-free transport solutions in the future, in addition to measures adopted in the Group's own operations. Close cooperation with transport suppliers will be required to persuade them to choose vehicles that run on a renewable fuel such as biogas, hydrogen or the like.

Reducing food waste in the bakery sector

Several of the companies in Orkla Food Ingredients have developed new methods of reducing food waste.

- **Sonneveld** has developed a unique concept for reducing food waste from bread, which is one of the three foods that most often end up as food waste. Unsold, packaged bread from stores is returned for fermentation, and the Sonextra Sustain starter is used to make a preliminary dough that is in turn used in production of fresh-baked bread. The concept, which is a result of cooperation between bakers and the grocery sector, was launched in September 2020. 2020 was also the year when Sonneveld celebrated the 30th anniversary of Novazym, an enzyme used to prolong the shelf life of bread, thereby reducing food waste.
- **Credin Portugal** has teamed up with the grocery sector to contribute to a circular economy and has launched the Panana powder mix (Credi® Panana). This is mixed with pureed bananas that are too ripe to be sold to produce a tasty cake, while also reducing food waste.
- **CBP** has developed a Premium Pro system whereby customers can record the amount of waste per day for each product sold in bakery outlets. This gives customers an overall picture that enables them to adjust production and avoid waste.
- **Idun Industri** is partnering with several other players on using surplus production of cheese, yoghurt, beer and apple juice as ingredients in cakes and bread, thereby helping to reduce food waste.

There is a need for further action and focus on raising awareness of water consumption at Orkla factories in order to reach the target of a 30 per cent reduction by 2025. The companies must prioritise measures to reduce water use. Priority will also be given to continued collaboration with important agricultural raw material suppliers on finding solutions that lead to lower water consumption in raw material production.

Efforts to reduce food waste in Orkla's own production will continue, based on collaboration across factories and companies on sharing experience and effective solutions. Dialogue with local waste disposal facilities will be essential to ensure good sorting and optimal utilisation of waste. In this area, too, cooperation with suppliers is crucial to avoid wasting valuable raw materials.

Environmentally targeted product development

Orkla will develop and offer foods and other products that contribute to tackling environmental challenges.

As a leading branded consumer goods company, it is crucial for Orkla's competitiveness to be able to offer products with lowest possible environmental impact to consumers and customers. The Orkla Sustainable Life Barometer, which is a survey conducted among consumers in the Nordics and Baltics, shows that awareness of products that are sustainable and environmentally conscious continues to grow. More and more consumers want to eat more climate-friendly food, and Orkla is maintaining its strong focus on plant-based food, which represents a major growth opportunity for the Group.

Developments in 2020

Orkla aims to develop seaweed as a new sustainable growth industry and has established the company Orkla Ocean. Seaweed is called the ocean's rainforest since it binds large quantities of CO_2. It can also make an important contribution to increasing global food production, since it is naturally rich in beneficial nutrients. Orkla has initiated several research and business development activities to examine how seaweed can be used as an ingredient in food, packaging and personal hygiene products. Orkla launched a number of products in 2020 that enable consumers to make more sustainable everyday choices. Some examples of these are shown in the next page.

The way forward

Orkla companies will continue their efforts to make their product portfolios more sustainable and offer products that make it easier for consumers and customers to reduce their climate impact. Focus on plant-based foods, seaweed and other products that offer environmental benefits, will make an important contribution to strengthening Orkla's competitive edge in the future.

Important launches in 2020

Jordan Green Clean
Orkla Home & Personal Care has added three new products to the Jordan Green Clean range. The handle of the Green Clean Flosser is made of 100 per cent recycled plastic, while Green Clean toothpicks are 100 per cent plastic-free and certified. The packaging of both products is made of 100 per cent recycled cardboard. Green Clean toothpaste is a Nordic Swan ecolabelled, vegan product consisting of 98 per cent natural ingredients. The packaging is made from up to 50 per cent recycled plastic.

SURE®
Lilleborg launched SURE®, a new range of kitchen and personal care products made of renewable, plant-based and 100 per cent biodegradable raw materials. The plant-based ingredients are based on waste and by-products from the agrofood industry. The SURE® product range helps to reduce both CO_2 emissions from petrochemical raw materials and waste from industrial processes. The products are also ecolabelled.

Pierre Robert Group
launched a sports collection and a range of tights in 2020 made of textiles produced from recycled plastic and textile waste. Recycled polyester and polyamide require less water, chemicals and energy to produce than new synthetic materials and reduce the textile industry's dependency on oil as a raw material. For example, tights are made with 47 per cent lower carbon emissions and 39 per cent less water than virgin polyamide. More information on synthetic fibres may be found on page 94.

Plant-based food as a focus area

More and more people want to reduce their climate footprint and eat more plant-based food. Orkla considers this an important focus area that will offer substantial growth opportunities going forward.

Orkla's goal is to make plant-based food appealing to everyone, not just to vegans and vegetarians. By launching a broad selection of products, Orkla makes it easier for people to choose alternatives to meat and dairy products as part of their daily diet. Plant-based food creates fewer greenhouse gas emissions than meat and other animal products, and many consumers occasionally want to replace a meat-based meal with plant-based food. In Sweden, 37 per cent of consumers say they want to eat less meat, according to the Orkla Sustainable Life Barometer 2020. In Norway, the proportion of vegans and vegetarians doubled from 4 per cent in 2019 to 8 per cent in 2020.

In 2020, Orkla's food companies launched several new plant-based products in new markets. Under the NATURLI'® brand, the portfolio has been expanded to include a growing number of new products such as Joe'Kurt (vegan alternative to yoghurt), vegan ice cream, plant-based drinks and alternatives to meat. All the products contribute to reducing greenhouse gas emissions, a benefit that is also stated on the packaging of most of the products.

Orkla Foods Sverige has launched Frankful, a new brand driven by sustainability that focuses on plant-based, climate-smart food. First to be launched in the range are twelve taco products manufactured with renewable energy. Several of the products are also based on raw materials that would otherwise have gone to waste. The result of all this is low greenhouse gas emissions. For example, the climate footprint of the vegan taco mince Frankful Veggie Mince is up to 95 per cent smaller than that of Swedish minced meat.

Orkla aims to achieve strong growth in plant-based foods in the coming years. Plant-based raw materials are important for Orkla's products, and in 2020 around 32 per cent of the turnover of Orkla Foods and Orkla Confectionery & Snacks was generated by vegan products. The plant-based brands NATURLI'®, Anamma, Felix, Beauvais Veggie and Lecora Green Line had a total turnover of NOK 869 million in 2020 and 21 per cent growth compared with 2019.

NATURLI'® café opened at Orkla Headquarters

In August 2020, a NATURLI'® café was opened at Orkla's headquarters at Skøyen, Oslo. The menu features only plant-based food and drinks. In addition, grocery products from NATURLI'® are sold in the café, which also offers take-away and home delivery services. From the day it opened until the end of the year, the café had around 10 000 visitors, during a period of intermittent lockdowns and social distancing due to the pandemic.

Felix Vegetariska Delikatessbullar

In 2020, Orkla Foods Sverige launched a vegetarian variety of the popular meatball dinner, Felix Små Delikatessköttbullar, which has an 80 per cent smaller climate footprint than the original product.

NATURLI'® news

In May, NATURLI'® launched a new type of plant-based burger that was developed and produced in Norway. The burger is sold both in grocery stores and at several restaurants. NATURLI'® has also developed Green Dog, a plant-based hot dog launched in 7-Eleven stores in Denmark.

Anamma made from peas

In March 2020, Orkla Foods Sverige's vegan brand Anamma introduced a new product assortment, based on peas as protein source. Pea protein is rich in amino acids and a good supplement to soya in plant-based products. The product range includes vegan mince, vegan nuggets and vegan balls made from peas.

Environmental engagement

GRI reference	Indicators	Unit	2020	2019	2018	Baseline year 2014
Climate impact[1] and emissions						
305-1	Greenhouse gas emissions from own operations, Scope 1	tCO_2e	113 300	121 380	121 120	135 200
305-1	Greenhouse gas emissions from bio-energy, Scope 1	tCO_2e	691	446	328	274
305-2	Indirect greenhouse gas emissions, Scope 2, location-based calculation	tCO_2e	67 000	72 620	78 700	93 200
305-2	Indirect greenhouse gas emissions, Scope 2, market-based calculation[2]	tCO_2e	7 310	12 300	13 680	132 640
305-3	Greenhouse gas emissions from raw materials, packaging and waste, scope 3[3]	tCO_2e	1 652 350	1 688 000	1 577 200	1 698 100
305-4	Greenhouse gas emissions (Scope 1 and 2 market-based) per FTE[4]	tCO_2e/FTE	6.7	7.2	7.5	15.6
305-4	Greenhouse gas emissions (Scope 1 and 2 market-based) per revenue[4]	tCO_2e/ NOK million	2.6	2.9	3.2	6.9
305-6	Emissions of ozone-depleting substances (ODS)[5] used in cooling media	tCFC-11e	0	0.016	0.012	0.014
305-7	Emissions of sulphur dioxide	Tonnes	8	11	12	16
305-7	Emissions of nitrogen oxide	Tonnes	85	100	99	126

[1] Calculations are based on the Greenhouse Gas Protocol Initiative (GHG Protocol). Include CO_2, CH4, N2O, HFC, PFC, SF6 and NF3. Historical figures have been corrected based on new information.
[2] Market-based emissions take into account the effect of Guarantees of Origin for electricity.
[3] Raw materials, packaging and waste management account for around 95% of emissions from Scope 3 activities
[4] Historical figures have not been adjusted for later acquired businesses
[5] ODS; Ozone depleting substances

Efficient resource use

GRI reference	Indicators	Unit	2020	2019	2018	Baseline year 2014
302-1	Electricity from internally generated hydropower, sold	GWh	2 885	2 160	2 320	2 570
302-1	Total energy usage, own operations	GWh	1 100	1 110	1 120	1 070
302-1	Total energy usage from renewable fuel sources incl. Guarantees of Origin (market-based calculation)	GWh	511	490	495	-
302-1	Energy usage – fossil fuel[6]	GWh	542	569	566	549
302-1	Energy usage – fossil-free fuel	GWh	56	49	46	31
302-1	Energy usage – purchased electricity	GWh	461	448	459	446
302-1	Energy usage – purchased thermal energy, incl. remote heating	GWh	37	30	46	46

Continued ↴

GRI reference	Indicators	Unit	2020	2019	2018	Baseline year 2014
Efficient resource use						
302-3	Energy usage per FTE[7]	MWh/FTE	60.6	61.5	62.4	65.9
302-3	Energy usage per revenue[7]	MWh/NOK million	23.3	24.9	26.0	28.9
303-1	Total water withdrawal, own operations	Mill. m3	7.8	7.4	7.4	8.3
303-1	Water withdrawal from external water works	Mill. m3	5.0	4.7	4.8	7.5
303-1	Water withdrawal from groundwater	Mill. m3	2.8	2.7	2.6	0.8
303-1	Water withdrawal from collected rainwater and surface water	Mill. m3	0.0	0.0	0.0	-
303-3	Water recycled in own operations	%	8	11	13	0.1
306-1	Discharge of wastewater to seawater	Mill. m3	0.0	0.0	0.0	0.0
306-1	Discharge of effluents to external treatment plants	Mill. m3	3.9	3.8	3.7	7.1
306-1	Discharge of effluents to surface water	Mill. m3	1.9	1.9	1.9	0.4
306-1	Emissions to water – BOD	Tonnes	5 110	5 160	5 760	4 080
306-1	Emissions to water – COD	Tonnes	11 040	1 950	6 650	6 950
306-1	Emissions to water – particles	Tonnes	920	2 540	2 370	440
306-1	Discharge of effluents in areas of water scarcity	Mill. m3	0.1	0.1	0.1	-
306-2	Organic waste	Tonnes	77 550	86 770	88 320	91 590
306-2	Organic waste per revenue	Tonnes/mill NOK	1.7	1.9	2.1	2.2
306-2	Non-hazardous waste – sorted	Tonnes	13 110	14 300	13 390	17 830
306-2	Non-hazardous waste – mixed	Tonnes	18 150	16 730	15 800	12 960
306-2	Hazardous waste	Tonnes	547	264	314	432

[6] Includes use of natural gas, propane, oil, diesel, petrol. Orkla uses standard translation factors for different types of fuel
[7] Total energy usage in own operations, all types. Historical figures have not been adjusted for acquired businesses

Other

GRI reference	Indicators	Unit	2020	2019	2018	Baseline year 2014
306-3	Spills, deviations from emission limits	Antall	3	3	6	-
307-1	Fines and sanctions for non-compliance with environmental laws and/or regulations	Antall	1	1	1	-
307-1	Fines for non-compliance with environmental laws and/or regulations	NOK million	0.08	0	0	-

The greenhouse gas accounts for 2020 has been verified by the auditing and consulting company **Ernst & Young (EY)**

EY
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To Orkla ASA

Independent accountant's assurance report on Orkla AS's Greenhouse Gas (GHG) Statement 2020

We have undertaken a limited assurance engagement of the GHG statement of Orka ASA for the year ended 31 December 2020, for the period from 1 January 2020 to 31 December 2020, comprising Scope 1, Scope 2, and the waste management share of Scope 3 greenhouse gas emissions presented in Orkla's annual report for 2020, GRI table Environmental engagement (English original version) on page 82 (the "GHG 2020 Report").

Criteria applied by Orkla

In preparing the GHG 2020 Report, Orkla applied the definitions for Scope 1 to 3, set by the Greenhouse Gas Corporate Standard (the "Criteria"). The Criteria can be accessed at ghgprotocol.org and are available to the public. Such Criteria were specifically designed for companies and other organizations preparing a corporate-level GHG emissions inventory. As a result, the subject matter information may not be suitable for another purpose. We consider these reporting criteria to be relevant and appropriate to review the GHG 2020 Report.

Orkla's responsibilities

Orkla's management is responsible for selecting the Criteria, and for presenting the GHG 2020 Report in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the GHG statement, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the GHG 2020 Report based on the evidence we have obtained.

Our engagement was conducted in accordance with the *International Standard for Assurance Engagements on Assurance Engagements Other than Audits or Reviews of Historical Financial Information ('ISAE 3000')*. This standard requires that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the GHG 2020 Report is presented in accordance with the Criteria, and to issue a limited assurance report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. EY also applies *International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and

accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement.Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.
The Green House Gas quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation (or measurement) uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.
The engagement consists of making enquiries, primarily of persons responsible for preparing the GHG reporting and related information and applying analytical and other relevant procedures.

Our procedures included:

- Interviewing those in charge of greenhouse gas reporting at O to develop an understanding of the process for the preparation of the GHG 2020 Report
- Obtaining and reviewing evidence on a sample basis to support the material 2020 CO_2 emissions data for Scope 1, 2, and 3 fuel and energy related activity, based on the Greenhouse Gas Corporate Standard for 2020.

We believe that our procedures provide us with an adequate basis for our conclusion.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to Scope 1, Scope 2, and the waste management share of Scope 3 greenhouse gas emissions for the operations of Orkla or the period from 1 January 2020 to 31 December 2020, in order for the GHG 2020 Report to be in accordance with the Criteria.

Oslo, 15 March 2021
ERNST & YOUNG AS

Petter Frode Larsen
State Authorised Public Accountant

For translation purposes only.

Sustainable sourcing

- Sustainable raw materials
- Sustainable packaging
- Animal welfare

The big picture

In 2020, the COVID-19 pandemic showed how vulnerable global value chains can be, and reminded the world of the importance of building resilient economic systems. Meanwhile, forest fires and extreme weather have continued to destroy the earth, while climate changes have led to less predictability in global raw material markets. Issues such as sustainable agriculture and modern slavery are generating broad engagement and influencing both policymaking and business practices. Political processes are in progress to establish stricter standards for responsible business practices and examine ways of reorganising global food systems, while consumers are increasingly asking for more sustainable everyday products and greater value chain traceability.

Orkla's influence

The Group's food production makes Orkla one of the biggest purchasers of agricultural and fish raw materials in the Nordic region. This gives Orkla the opportunity to place sustainable farming and aquaculture high on the agenda and contribute to the long-term positive development of the food industry. Some of the raw materials that Orkla sources may be associated with social and environmental challenges, ranging from irresponsible working conditions to farming practices that are harmful to nature. The Group companies strive to deal with challenges in the value chain and help to establish good industry practices for sustainable sourcing. Promoting sustainable raw material production is important to be able to offer products that meet the expectations of customers and other stakeholders. As a major purchaser of packaging, Orkla is committed to addressing the environmental challenges posed by pollution and poor waste management. Through collaboration with packaging suppliers, the waste sector and external centres of expertise, Orkla companies develop new packaging solutions and help to increase packaging recycling.

Orkla's approach

Orkla has more than 25 000 direct suppliers and a large number of subcontractors. To deal with this complexity effectively, the Group has adopted a risk-based approach to efforts to foster responsible business practices in the supplier chain, including procedures for risk assessment, supplier monitoring and reporting. A detailed description of the Group's procedures and work processes for sustainable sourcing and packaging may be found on Orkla's website under the GRI Management Approach. Efforts to promote sustainable sourcing and packaging contribute to the achievement of UN Sustainable Development Goals 2, 8, 13, 14, 15 and 17.

Orkla's 2025 sustainability targets

- Ensure respect for workers' rights
- Achieve verified sustainable production of key raw materials[1]
- Promote sustainable farming and fishing
- 100% recyclable packaging
- 75% packaging made of recycled materials
- 50% plastic packaging made of recycled or renewable materials

[1] The assessment of importance is based on the risk related to and scope of the Group's sourcing

Sustainable raw materials

The raw materials purchased by Orkla must be produced with the interests of people, the environment and animal welfare in mind. It is a question of promoting respect for human rights, good environmental standards and responsible business practices, but also of advancing the transition to long-term sustainability of agriculture, fishing and other raw material production.

To achieve this objective, Orkla's category managers work to identify risk and draw up action plans for joint implementation by the companies in the Group. Orkla chooses suppliers that have concrete, ambitious plans for improvements in response to environmental and social challenges. In addition, external certification is one of the most effective methods that Orkla has for ensuring that a large proportion of raw materials is sustainably produced and sourced from audited suppliers. Orkla also carries out its own improvement projects, often in collaboration with other important players.

Developments in 2020

In 2020, Orkla established a new classification system for sustainable food raw materials with detailed criteria for sustainable raw material production. The system offers a comprehensive approach to promoting sustainable agricultural production, based on the Farm Sustainability Assessment (FSA) framework, developed by SAI Platform. Key raw materials are assessed, and suppliers' certification systems are compared with the FSA. Where there are no relevant FSA criteria, Orkla has initiated action to establish the necessary criteria. If an existing certification system does not meet the requirements of the FSA's Silver level, Orkla will consider other, more suitable certification programmes. In connection with implementation of the new criteria, workshops were held for Orkla companies' sustainability and sourcing staff.

A more detailed description of the work relating to some of Orkla's most important raw materials and the progress made towards the 2025 target for sustainable raw material production is provided on the following pages.

Deforestation-free supply chains

Deforestation accounts for 10 – 15 per cent of global greenhouse gas emissions and threatens biodiversity. By actively engaging in its own supply chains, Orkla can make an important difference. In the case of raw materials from tropical regions, Orkla works closely with selected suppliers who implement their own programmes for ensuring deforestation-free raw material production. Orkla has signed the New York Declaration on Forests and reports on the progress made in its work through CDP Forests. In 2020, Orkla improved its score in every area assessed by the CDP (timber, palm oil, cattle and soya) and is now ranked at B-level. However, Orkla has not reached its target of ensuring that all raw materials used by the Group that entail a risk of deforestation must be sustainably produced by 2020. There are several reasons for this, including the challenge of achieving full certification of certain materials. In some cases, the Group has decided to change certification systems, as the existing system did not meet Orkla's standards. It has also taken longer than expected to find good traceability, monitoring and verification methods. Nonetheless, progress is considered to be good in most areas. More details regarding the different tropical raw materials that Orkla uses may be found on pages 89-91.

A detailed description of the Group's procedures and work processes for ensuring deforestation-free supplier chains, as well as Orkla's zero deforestation policy may be found on Orkla's website.

Cocoa

Cocoa is a key raw material in chocolate production and is used in Orkla's many strong, local chocolate brands in the Nordic and Baltic regions. Orkla companies purchase substantial quantities of cocoa, as both ingredients and finished chocolate products. The cocoa value chain is complex and comprises many stages, from cocoa farmers in Ghana, the Ivory Coast and other countries via processing companies in Africa or Europe, and then to Orkla factories.

Challenges

The cocoa sector in West Africa, and particularly in the Ivory Coast, faces serious challenges in the form of poverty, low productivity, human rights breaches and environmental degradation. While global consumption of chocolate has increased, cocoa production is declining due to small crops, low farming skills, pests and diseases. Serious issues such as child labour, deforestation and soil impoverishment are linked to underlying causes such as poverty, low prices, inadequate infrastructure and weak supervisory authorities.

The global pandemic has impacted negatively on cocoa farmers, in the form of higher costs of health services, agricultural materials and other factors, but there is also an increased short-term risk of child labour due to schools being closed. Moreover, the global market price of cocoa has fallen, driven in part by declining demand. This has had a negative effect on farmers' income.

Orkla's approach, developments in 2020 and the way forward

2020 was a historic year for the cocoa industry due to the introduction of the living income differential (LID) by the governments of Ghana and the Ivory Coast, a mechanism that Orkla supports. The LID is a premium added to the cocoa price to ensure a higher price for cocoa and increase cocoa farmers' income, which will in turn reduce poverty and other problems in the value chain.

Orkla has adopted a comprehensive approach to addressing the challenges in the cocoa sector. The Group collaborates with suppliers who actively follow up on subcontractors and cocoa cooperatives by imposing requirements, providing guidance and carrying out improvement projects. In 2020, Orkla drew up a new strategy for sustainable cocoa, to be implemented in 2021, which includes intensified efforts to deal with traceability, child labour, minimum wage and deforestation challenges.

Certification is still fundamental to Orkla's efforts to ensure sustainable cocoa. Orkla companies are nearing the goal of all cocoa being certified under the UTZ Certified programme. In 2020, 84 per cent was certified. Orkla Foods Sverige will switch to 100 per cent certified cocoa in 2021. For cocoa to qualify for UTZ certification, production must meet the criteria for social conditions and environmental, agricultural and business practices. The two certification organisations, UTZ and Rainforest Alliance, joined forces in 2020 under the name Rainforest Alliance. This has resulted in a stronger, more complete certification system. Among other things, the Child Labour Monitoring and Remediation System (CLMRS) will be included in the new standard from mid-2021. CLMRS is a system for identifying and dealing with cases of child labour and preventing recurrences by raising awareness and increasing knowledge of this issue. Monitoring practices and access to data have also been improved in the new standard.

Traceability systems are an important tool for tackling many of the challenges in the value chain, including for ensuring deforestation-free value chains and good conditions for farmers. Orkla will continue to collaborate with key suppliers on establishing better documentation and monitoring systems. The goal is for 100 per cent of the cocoa purchased by Orkla to be traceable by 2025, and the Group expects to see good progress as early as 2021. Among other things, Orkla Confectionery & Snacks Norge and Orkla Suomi have drawn up plans for purchasing cocoa that is 90 per cent traceable.

Main countries of origin

- Ghana
- Ivory Coast

Palm oil

Orkla companies have long engaged in active product development to replace palm oil with alternative raw materials. Many of the companies in Orkla Foods and Orkla Confectionery & Snacks now use no palm oil in their products. Orkla's use of palm oil primarily relates to the companies in Orkla Food Ingredients and production of margarine. Efforts to monitor the companies' suppliers and certify palm oil have continued in 2020.

Challenges

Palm oil entails a risk of deforestation, which leads to greenhouse gas emissions and destruction of nature's ecosystems with the subsequent loss of biodiversity. In addition, there is a risk of breaches of workers' rights in the palm oil value chain. Palm oil can also have negative health consequences, due to its high content of saturated fat.

Orkla's approach, developments in 2020 and the way forward

Orkla companies make active efforts to ensure that the palm oil they use is traceable and sustainably produced. Orkla uses the Roundtable on Sustainable Palm Oil (RSPO) certification programme to reduce the risk of deforestation and other undesirable practices. Furthermore, Orkla's main suppliers have implemented a number of measures to monitor subcontractors, prevent and extinguish fires and promote sustainable cultivation. Supplier monitoring and RSPO certification efforts have continued in 2020, but the target of 100 per cent certified palm oil has not yet been reached. In 2020, 94 per cent was certified (RSPO SG, RSPO MB and RSPO Credits).

Palm oil is an important raw material, also for companies that manufacture cleaning and personal hygiene products. In 2020, Orkla Home & Personal Care joined the Action for Sustainable Derivatives (ASD), an industry initiative targeting suppliers and producers that use derivatives rather than pure palm oil. ASD works to make it possible to trace palm oil all the way back to plantations, to be able to identify environmental and/or social challenges and contribute to improvements at local level.

The companies that use palm oil have made plans to transition to RSPO-certified raw materials for their own branded products during the period 2019 to 2021. In 2020, for example, Credin Danmark switched to 100 per cent RSPO-certified palm oil. In addition, some companies will continue the laborious process of eliminating palm oil from their products.

Main countries of origin

- Indonesia
- Malaysia

Plant-based proteins

Plant-based proteins play an increasingly important role in Orkla's focus on plant-based food, and are now used in a large number of products from Anamma, TORO, NATURLI'® and other companies. Plant-based protein sources include soya, peas and rapeseed.

Challenges

Some plant-based proteins are associated with various types of sustainability issues. Growing demand for soya can cause increased deforestation, especially in countries like Brazil, which accounts for a large share of global soya production. Deforestation leads to loss of biodiversity, higher greenhouse gas emissions and the risk of violation of the rights of indigenous peoples. Orkla primarily uses soya protein from Europe and the USA, countries where the risk of deforestation is low, but where other types of challenges can arise.

Peas and rapeseed are commonly used as a replacement for soya in plant-based food. In the case of these raw materials, the risk of serious breaches of human rights and environmental standards is low, but challenges may be encountered in connection with use of pesticides, fertiliser and monocultures.

Orkla's approach, developments in 2020 and the way forward

Orkla uses several types of plant-based protein and constantly seeks interesting new alternatives that are better for the environment and health.

Among other things, Orkla participates in a research project run by Lund University to learn more about rapeseed as an alternative to soya as a source of protein. The aim is to obtain a high-quality ingredient from rapeseed with good techno-functional properties.

Orkla is currently drawing up a policy for sustainable sourcing of soya that will cover all soya-based raw materials and soya used as feed in connection with the production of animal raw materials. The companies work purposefully to ensure that all soya is certified, and in 2020 11 per cent of soya was certified. The decrease since 2019 is due to higher data quality and stricter internal criteria for determining which certification programmes to use. This has prompted a change in certification programme for large parts of the sourced volumes. Unfortunately, this process is taking some time, which affected results in 2020. Orkla has a good plan for 2021, and has already switched to sourcing soya with the right level of certification, thereby ensuring better results in next year's reporting.

Vegetable protein is increasingly important for Orkla, and securing sustainable raw materials is a priority concern for the Group. At present, there are no programmes that offer the right level of certification for all relevant materials, and the Group will work with these programmes and with SAI Platform and their FSA standard for vegetable protein.

Main countries of origin

- USA
- Canada
- Serbia
- France
- Belgium
- The Netherlands
- Sweden
- Estonia
- Latvia
- Lithuania
- Denmark

Nuts

Nuts are an important ingredient for Orkla, and are used in products such as Nugatti, New Energy bars, Cuba bars, Nidar Spesial, Småsulten, Odense marzipan, KiMs nuts, Paulúns granola and Kalev chocolate. Orkla purchases six types of nuts, but in 2020 focused particularly on handling of hazelnuts and cashew nuts.

Hazelnuts

Challenges

The biggest producer of hazelnuts is Turkey, which accounts for 70 per cent of global production. Hazelnut farming can involve challenges such as low productivity, social problems related to the working and housing conditions of seasonal workers during harvesting and cases of child labour. In recent years, Italy has increased its production of hazelnuts, and challenges can arise there in connection with farming practices, such as excessive use of pesticides and fertilisers.

Orkla's approach, developments in 2020 and the way forward

As a result of reports on breaches of workers' rights in connection with hazelnut farming in Turkey in 2019, Orkla companies have intensified their efforts in this area. Orkla monitors suppliers through Sedex Members Ethical Trade Audits (SMETA) and continuous dialogue. SMETA audits enable companies to assess suppliers with regard to working conditions and human rights. Companies also continue to focus on increasing the proportion of Rainforest Alliance-certified (formerly UTZ) hazelnuts. This work is still at an early stage, and in 2020 two per cent of the hazelnuts used by Orkla companies were certified. Certification helps to ensure that the hazelnuts are produced using farming practices that safeguard biodiversity and natural resources, and with respect for the rights of workers and their families. In 2020, Orkla Suomi switched to using only Rainforest Alliance-certified hazelnuts in their chocolates, snacks and biscuits, while Orkla Confectionery & Snacks Sverige, Orkla Confectionery & Snacks Norge, Orkla Foods Sverige, Orkla Foods Norge and several Orkla Food Ingredients companies will make the change to certified hazelnuts in 2021. Orkla will also explore the possibility of starting a project on sustainable farming practices in the hazelnut sector in cooperation with other members of SAI Platform.

Cashew nuts

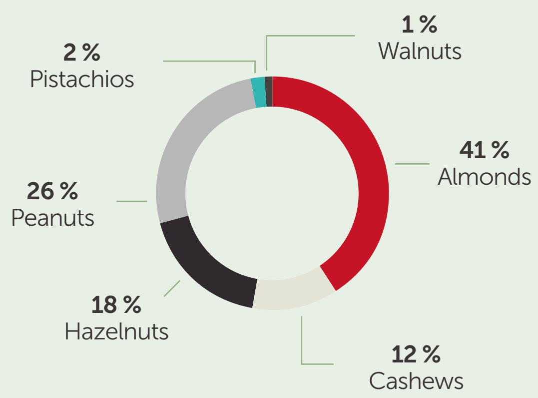
Challenges

Most cashew nuts are produced in Africa and subsequently processed in Vietnam. This means low traceability and higher greenhouse gas emissions during transport. In addition, both primary production and the initial processing take place in countries where there is a high risk of child labour and poor working conditions.

Orkla's approach, developments in 2020 and the way forward

Ensuring that cashew nuts are sustainably produced is very difficult, since there is no certification that is sufficiently reliable or comprehensive. Orkla therefore participates in industry collaboration under the auspices of Ethical Trade Norway aimed at improving working conditions in the cashew nut supply chain. The project focuses on building expertise at both farm level and in nut processing in Vietnam. In 2020, the original version of the project was completed with good results. Among other things, 338 farmers received training in responsible farming practices and around 40 subcontractors were given training on social and work-related matters. The project has applied for government support in order to continue in 2021, either with focus on further training for the farmers who have participated so far, or on expanding training programmes to include more farmers. Orkla will also assess how the Group can achieve increased traceability in the cashew nut value chain, including use of digital tools to trace raw materials back to producers.

Types of raw materials (per spend)



Main countries of origin

- USA
- Ghana
- Ivory Coast
- Turkey
- Vietnam

Marine raw materials

Fish is a key raw material for both food-related brands such as Stabbur-Makrell and Abba Sill and health brands such as Möller's.

Challenges

Irrespective of species or geographical origin, the challenge lies in preventing overfishing and securing sustainable fish stocks, so as to maintain the natural balance in the marine ecosystem. Moreover, social challenges can arise in parts of the value chain, such as breaches of workers' rights and working conditions.

Orkla's approach, developments in 2020 and the way forward

Certification programmes such as the Marine Stewardship Council (MSC) and KRAV standards help ensure that the fish stocks that Orkla companies purchase are monitored and maintained at a satisfactory level. Orkla also carries out its own analyses of data on changes in the stocks of the raw materials purchased by its companies.

In 2019, Orkla reported a decline in the percentage of MSC-certified fish raw materials. This was due to the fact that the internationally agreed fishing quotas for mackerel exceeded the recommendations of the expert organisation ICES, with the result that it was impossible to obtain certification of mackerel. In 2020, Orkla engaged in a dialogue with the Norwegian and Swedish authorities and other key players. Among other things, Orkla and Sjømat Norge jointly hosted a seminar on sustainable fishing for around 60 participants from the fish and food industries, relevant organisations and the Norwegian and Swedish governments. The aim was to increase knowledge of the problems related to management of herring, mackerel and blue whiting in the North East Atlantic and to discuss possible solutions. The challenges posed by quota allocation have led to a further reduction in the percentage of MSC-certified fish, which was 66 per cent in 2020.

Efforts to achieve MSC certification of the raw materials sourced by the companies will continue in 2021. Despite the quota allocation challenges, researchers believe that the status of both herring stocks and mackerel stocks is good. However, in order to ensure sustainable fishing and continued certification of raw materials, it is essential to reach international political agreement on sharing of herring and mackerel quotas between coastal states.

In 2020, UN Global Compact Norge established a platform for action for sustainable fishing, in which Orkla participates. The aim has been to identify joint projects to promote sustainable fishing, solve the problem of ocean plastic pollution and address other ocean-related sustainability challenges, and this work will continue in 2021.

Main sea areas

- Pacific Ocean
- The Norwegian Sea
- The North Sea
- Northwest Atlantic

Textile raw materials

The Orkla company Pierre Robert Group is taking the lead in reducing negative environmental and social impacts from the textile industry. The company consistently chooses raw materials that are less harmful to the environment and certification programmes that ensure responsible production.

Merino wool

Challenges

The challenges related to merino wool are primarily a question of animal welfare. In addition, wool can be associated with negative issues such as use of environmentally harmful chemicals and processes during production and breaches of workers' rights, depending on where it comes from.

Orkla's approach, developments in 2020 and the way forward

Pierre Robert Group is committed to ensuring that its merino wool comes from farms that maintain high animal welfare standards. For instance, 100 per cent of the merino wool is mulesing-free. Many Pierre Robert Group garments also feature the Nordic Swan Ecolabel, which certifies that both the product and the production process have met a number of environmental and social criteria. In 2020, 95 per cent of all Pierre Robert merino wool garments were Swan-ecolabelled. Pierre Robert Group is also engaged in a development project under the auspices of Norad and Ethical Trade Norway to promote workers' rights and animal welfare in merino wool production in South Africa.

Cotton

Challenges

Cotton is a natural, renewable fibre, but production processes are both water-intensive and require a great deal of fertiliser and pesticides, which can lead to the degradation of natural systems and biodiversity loss. Furthermore, the chemicals used in processing can cause water pollution, and the cotton value chain is exposed to the risk of forced labour and child labour.

Orkla's approach, developments in 2020 and the way forward

To ensure that the cotton purchased by Orkla is responsibly produced, Pierre Robert Group is in the process of switching to organic cotton, especially Global Organic Textile Standard-certified. GOTS is a widely recognised certification programme for organic textiles, which sets stringent criteria for water and energy efficiency and limited use of pesticides, dyes and chemicals. In addition, GOTS certification entails compliance with requirements regarding workers' social conditions throughout the production chain. The entire Pierre Robert collection of cotton undergarments is made from 100 per cent certified organic cotton, and in 2020 the proportion of garments made from GOTS or OCS-certified organic cotton in Pierre Robert Group was 84 per cent of all cotton products.

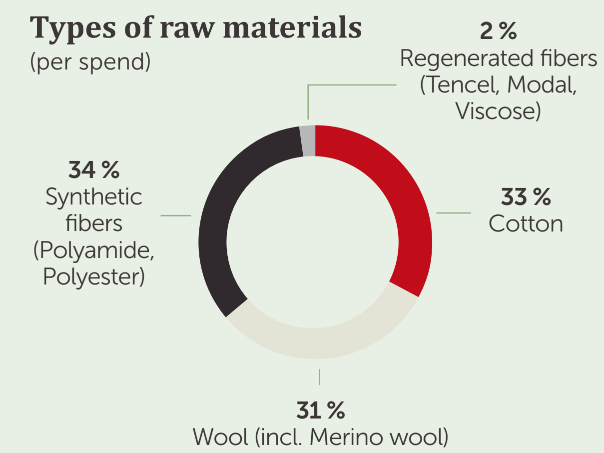
Synthetic fibres

Challenges

Synthetic materials are often necessary to create flexible, functional garments. At the same time, these textiles are primarily made from oil, the extraction of which requires extensive energy and resources and which is not renewable. In addition, synthetic garments can release microplastics during washing.

Orkla's approach, developments in 2020 and the way forward

Pierre Robert Group works systematically to switch from virgin to recycled synthetic materials, such as recycled polyamide made from textile waste and recycled polyester made from PET bottles (Global Recycled Standard-certified). Several new products made from recycled synthetic fibres were launched in 2020 (read more on page 79), bringing the percentage of recycled synthetic fibres to 25 per cent of total synthetic fibres used by the company. To address the challenges posed by microplastics in the ocean, Pierre Robert Group is engaged in a research project run by SINTEF and NTNU, and also works resolutely to raise consumer awareness of this issue.



Main countries of origin

- China
- Italy

Sustainable packaging

Packaging has an important function in terms of protecting products, prolonging shelf life and facilitating easy use. At the same time, the environmental challenges caused by single-use plastic have created broad engagement in finding new packaging solutions.

The biggest challenge posed by packaging is that it is often not recycled or reused, leading to excessive use of resources. Poor waste management also results in unnecessary pollution. Sustainable packaging is an important dimension of Orkla's criteria for sustainable products. For Orkla, sustainable packaging means reduced use of resources through the use of packaging that is easy to recycle, optimised in terms of size, storage and transport, and made from recycled materials.

Around 20 per cent of the packaging used by Orkla is plastic in various forms. Plastic usually comes from non-renewable resources, and Orkla is committed to reducing use of virgin plastic. The companies work purposefully to utilise recycled or renewable plastic and promote the transition to circular value chains. In cooperation with packaging suppliers and other partners, Orkla focuses on developing new packaging solutions that minimise use of fossil raw materials and contribute to increased recycling.

According to the Orkla Sustainable Life Barometer survey 2020, as many as 72 per cent of respondents say that they are worried about the negative consequences of using plastic packaging. A total of 63 per cent say it is important to them that the products they buy have recyclable packaging. But about just as many find it hard to tell whether the packaging is recyclable.

Developments in 2020

In the past three years, Orkla has significantly upgraded its competence on design for recycling and development of sustainable packaging solutions. The companies are involved in a variety of development projects in cooperation with suppliers, external centres of expertise and other players in the value chain. Orkla's targets for recycling and use of recycled and renewable materials are difficult to attain, but the Group is making progress in this area.

In 2020, Orkla companies continued their efforts to optimise packaging, design packaging to facilitate recycling and develop new packaging solutions based on recyclable, recycled or renewable materials. Orkla has increased its cooperation with key suppliers, specialist communities, organisations and other companies to find good, innovative solutions.

Design for recycling

Work on designing for recycling continued in every part of the Group in 2020. The companies focus particularly on finding good alternatives to materials that are technically difficult or expensive to recycle. This includes packaging made of combined materials that cannot be separated in the recycling process. In 2019, Orkla Confectionery & Snacks Norge succeeded in developing a recyclable crisps packet made of mono-plastic, and in 2020 has utilised this packet for other products such as Totenflak crisps. The new packet has also been introduced in Orkla Confectionery & Snacks companies in other countries.

Orkla Foods Sverige has switched to transparent plastic containers for FELIX ready meals, so that the containers can now be recovered, making it possible to recycle 91 tonnes of plastic per year. Orkla Home & Personal Care have replaced types of plastic that are difficult to recover with alternative materials in several packaging components, and has replaced paper labels with high-density polyethylene (HDPE) labels on Klorin and Salmi bottles, which will increase their recyclability.

The companies in Orkla Food Ingredients have continued to focus on recyclable packaging for professional customers in the bakery, food service and ice cream markets. For example, Dragsbæk Group has launched several products in mono-material boxes and continued its efforts to produce composite boxes using a new type of glue that will make it possible to separate the materials and thus sort them correctly. Condite Group has also begun to use new, more recyclable materials in several packaging components in order to increase recyclability.

Orkla's target is for 100 per cent of packaging to be recoverable by 2025. In 2020, 95 per cent of the packaging used by Orkla was made of materials that can be recycled.

A challenge that Orkla companies encounter when they develop recyclable packaging is that local waste systems and recycling technologies are often not advanced enough to actually recycle the packaging waste. Orkla is engaged in transnational efforts to encourage the development of better recycling systems through joint projects and dialogue with government authorities. Orkla also contributes to a circular economy by increasing demand for recycled plastic, which will hopefully accelerate development of recycling systems.

Cooperation on increased recycling

Orkla wants to contribute actively to promoting the development and utilisation of initiatives and technologies for efficient sorting of waste at source and recycling of packaging from everyday products, and takes part in several projects across companies and sectors to achieve this objective.

HolyGrail

HolyGrail is a joint international project under the auspices of AIM, the European Brands Assocation. The goal is to test digital watermarking for packaging which makes it possible to track the packaging through the value chain. By identifying types of plastic and previous applications, waste packaging can be sorted more accurately, and the quality of the recycled plastic can be improved. Orkla has been involved in the project since 2019, and in 2020 the new solutions were tested on several products.

A common pictogram system

In 2020, Orkla Foods Danmark participated in a programme to harmonise recycling logos on products and rubbish bins, to make it easier for end users to sort waste packaging correctly. The initiative is being implemented under the auspices of the Danish Waste Association, and the NATURLI'® brand has already begun to include the new pictograms on its packaging. A new national waste labelling system was also launched in 2020 in Norway by Avfall Norge and LOOP. The Orkla companies have been involved in the dialogue on the system, and are now starting to use the new symbols.

Packaging from recycled and renewable materials

Orkla companies make active efforts to use more recycled materials in packaging, and in 2020 these materials accounted for around 47 per cent of total packaging. About 9 per cent of plastic packaging came from recycled or renewable materials. The 2025 target is for 75 per cent of total packaging and 50 per cent of plastic packaging to be made of recycled or renewable materials. This is a challenging goal because there is limited availability of such materials, and because recycled plastic often does not meet food safety requirements.

Orkla Foods Sverige has relaunched BOB dilutable drinks in bottles made of 100 per cent recycled plastic. Orkla Foods Norge has done the same with its FUN products and Idun Industri is now using recycled plastic in its sourdough buckets. The proportion of recycled plastic has also increased to around 50 per cent in Define Hair Care bottles, 80 per cent in Define trays, 75 per cent in Grumme soap bottles and 90% in Dragsbæk Group's trays, which are used for fresh pasta and NATURLI'® products.

In 2020, Orkla Eesti introduced cardboard cups for pick-and-mix sweets in their chocolate stores, and replaced plastic lids with a more sustainable alternative. From 2021, the cups will also be produced from FSC-certified cardboard with a protective BioPBS coating. These cups will be completely compostable under natural conditions and recyclable in the paper waste flow. As part of the same project, all plastic bags were replaced with FSC-certified paper bags in Orkla Eesti's chocolate stores.

Orkla wants to help create a market for recycled materials by promoting demand for such alternatives and developing alternatives to fossil plastic that meet the Group's food safety and product quality standards. In 2020, Orkla Confectionery & Snacks Sverige launched four varieties of

OLW crisps in bags made of bioplast produced from pine oil, a residual product from the Nordic forest industry. Use of bioplast in the packaging reduces CO_2 emissions by 50 per cent compared with conventional plastic packaging. Several of Orkla's other companies are also examining the possibility of using renewable materials, and launches are expected for several brands in 2021.

Reduced use of materials
Orkla companies strive to find creative solutions for reducing the amount of material in packaging. This promotes more efficient use of resources and optimises transport, since it results in lower weight or smaller sizes. In 2020, Orkla Food Romania took steps to reduce the amount of cardboard in cardboard boxes and the amount of glass in jars. This will lead to a reduction of around 13 tonnes of cardboard and 32 tonnes of glass per year. Orkla Home & Personal Care has cut the amount of plastic in the caps of OMO, Blenda and Milo products by 52 per cent. This measure alone reduces plastic use by 25 tonnes per year. Orkla Confectionery & Snacks' Totenflak crisps have been relaunched in a new, smaller bag that requires 12 tonnes less plastic per year. The Pierre Robert brand switched from plastic to cardboard packaging for all its products in 2020, thereby cutting down on the company's use of plastic by around 33 tonnes per year.

The total amount of packaging used in Orkla's products, in relation to turnover, was reduced by 6 per cent from the previous year.

Orkla Health: Go circular, choose square
Orkla Health has carried out an assessment of the packaging of all the dietary supplement products produced at the company's factory at Ishøj, and in 2020 launched a plan for switching to more eco-friendly packaging solutions. As from 2020, existing packaging made of polypropylene, polyethylene and glass was replaced with more sustainable materials. The project encompasses 189 products under 21 brands. The factory at Ishøj manufactures dietary supplements for the Nordic region and several other countries.

The new packaging advances the transition to a circular value chain, where packaging can both be recycled and consists of recycled materials. The new containers are made of 48 per cent (coloured containers) and 100 per cent (transparent containers) recycled PET. The containers will also be given new labels and lids made of bio-based plastic, which is plastic extracted from renewable, sustainable resources, in this case household and industrial biowaste. The new containers are rectangular in shape so that they can be stacked more efficiently, thereby reducing emissions during transport.

Did you know that?

Orkla participates in several joint projects aimed at developing necessary expertise and solutions for realising the vision of circular packaging chains. Here are some examples:

- **Orkla** continued to be active in the Forum for Circular Plastic Packaging. The forum has previously launched a roadmap for ways in which players in the packaging value chain in Norway can help to realise the European strategy for plastic in a circular economy. Forum members collaborate on initiatives designed to make this happen.
- **Kotipizza** took part in a research project run by the Finnish research centre VTT, which aims to conceive of, design and implement new circular models by reusing packaging materials provided by customers. The project is funded by the Finnish government, will run for three years and involves major players in the Finnish food industry.
- **Orkla Foods Norge** continued its work on the Green Opportunities 2 project, which aims to achieve the most circular packaging economy possible in Orkla Foods Norge without increasing food waste. The project has been granted funding by the Research Council of Norway until 2023.
- **Orkla Home & Personal Care** is has continued its involvement in the joint industry project Futurepack. The project was completed in 2020, and has contributed important knowledge regarding implementation of circular economy principles in plastic packaging. The project has shown that conversion of biomass and plastic waste into resources for bioplastic can be an attractive future solution, and provided new knowledge regarding use of post-consumer recycled (PCR) materials in packaging applications.

The way forward

Sustainable packaging remained one of Orkla's primary priorities in 2020. Orkla seeks to engage actively in joint projects with suppliers, relevant centres of expertise and other companies to develop recyclable packaging and increase use of recycled and renewable materials. Orkla will also continue its efforts to create a market for recycled plastic by increasing use of this material.

Animal welfare

Orkla has many products that contain ingredients or components originating from animals, and as a leading food manufacturer Orkla wants to make a difference by ensuring good animal welfare in the value chain.

In 2018, Orkla developed an animal welfare policy that encompasses animals' welfare before, during and after their productive life. Methods for monitoring and improving animal welfare standards throughout Orkla's global value chain are based on the World Health Organisation's five freedoms: freedom from hunger and thirst, freedom from discomfort, freedom from pain, injury or disease, freedom to behave normally and freedom from fear and (chronic) distress. The objective of Orkla's animal welfare policy is to increase awareness of animal welfare, provide guidance for Orkla's suppliers and promote more responsible business practices.

The animal welfare guidelines apply to all animal raw materials and across Orkla's geographical business areas. The Group has also drawn up detailed animal welfare standards adapted to product category requirements (PCR) for the largest categories, including beef, pork, dairy products and eggs. A more detailed description of these categories may be found on Orkla's website.

Developments in 2020

In 2020, Orkla continued its efforts to improve its animal welfare standards. Based on dialogue with suppliers, animal welfare organisations and other stakeholders, Orkla has adopted new animal welfare standards for eggs and dairy products. These standards must be met by 2025 at the latest, but many will be met before then.

The new criteria for eggs include requirements that Orkla's production companies must use eggs from cage-free hens and take steps to enrich hens' living environment by enabling them to express more natural behaviour, such as dust bathing. Orkla Foods Norge, Dragsbæk, Sonneveld, Orkla Foods Danmark and Orkla Foods Sverige are some of the Orkla companies that have already been using eggs from cage-free hens for some time. The current roll-out of Orkla's new Group policy to all factories that use eggs as an input raw material means that more hens in even more countries will now benefit from it.

The new requirements for dairy ingredients include giving milk cows more time outdoors and using an anaesthetic during operations such as dehorning. This is relatively common practice in Nordic countries, but may constitute an area of risk when products from other countries are used.

The way forward

Implementation of the new animal welfare criteria for Orkla's main animal ingredients will continue in 2021. The same applies to the new Group policy for sourcing eggs. In 2021, Orkla will also implement a policy for broiler chicken. With these measures, Orkla has taken important steps towards its goal of ensuring that all the ingredients purchased by Orkla come from sustainable sources.

Future Farming

In the next ten years, all sectors will have to halve their greenhouse gas emissions in order to meet the 1.5 degrees target set in the Paris Agreement. Food production accounts for 25 per cent of global greenhouse gas emissions and plays a key role in efforts to address the climate change challenges facing the world.

The establishment of fair, healthy and environmentally friendly food systems is therefore a main topic of sustainable development discussions in the United Nations, the EU and the food sector. Climate changes increase the risk of extreme weather, drought and flooding, making it increasingly important to build resilient food systems to ensure nutrition for the world's growing population. Additionally, increased demand for agricultural products has led to excessive use of pesticides and aggressive farming practices, which cause soil degradation, deforestation and biodiversity loss.

It is important for Orkla companies to use raw materials that are sustainably produced, and to have a stable supply of these raw materials. By 2025, all key agricultural products must be sourced in accordance with Orkla's principles for sustainable agriculture. The Group has been a member of the joint Sustainable Agriculture Initiative Platform (SAI Platform) since 2018, and uses SAI's common framework for sustainable farming, the Farm Sustainability Assessment (FSA).

Through contract farming and close collaboration with farmers in several of the countries in which Orkla companies are present, the companies influence use of pesticides and ensure that raw materials are produced in compliance with Orkla's food safety, animal welfare and environmental standards. A good dialogue with producers also lays the foundation for even closer cooperation in the future.

In 2021, Orkla will continue to partner with raw material suppliers, local farmers and the SAI Platform to achieve improvements that can foster more sustainable agriculture. At the same time, the Group will maintain dialogue with other companies, expert communities and organisations on how to make the transition to sustainable food systems.

Local cooperation

Local cooperation is a key to ensuring that responsibly-produced agricultural products are used across companies and countries. Orkla companies are engaged in dialogue with local authorities to assess local standards for responsible farm practices in relation to the framework used by Orkla. In addition, Orkla's Norwegian companies are involved in establishing a new platform for cooperation on sustainable food under the auspices of the UN Global Compact.

Since 2018, MTR has participated in a joint project with Uluvayogi Horticulture Farmers Producer Company (HFPC) from Hubballi, Karnataka, aimed at procuring Byadgi chili directly from farmers at a fair price by eliminating middlemen. This cooperation seeks to ensure sustainable cultivation of chili and improve farmers' productivity and total household income by 20 per cent over a five-year project period.

Orkla Eesti works closely with around 20 local farmers within a perimeter of 150 sq.km around Orkla's factories in Estonia. In addition to ongoing contact, Orkla Eesti has in earlier years invited the farmers on educational visits to German and Finnish producers to enable them to learn from the producers' experiences and become acquainted with modern agrotechnical methods. The initiative has been well received and has helped the farmers to increase their crop yields substantially. The plan is therefore to continue these visits when conditions relating to the coronavirus pandemic permit. Orkla Eesti also contributes materials to cover vegetable beds and provides seeds to cucumber and pumpkin suppliers and to cucumber farmers.

Care for bees

Bees play a pivotal role in pollination of plants, but the number of bees in nature has fallen dramatically in the past few years. To safeguard biodiversity, some Orkla companies support external initiatives to protect bee populations.

Felix Austria, which has the Knüsperli muesli brand, has partnered with Hektar Nektar since 2018 and provided a private beekeeper with a bee colony every year since then.

In 2020, **Jästbolaget** began to support the Swedish Society for Nature Conservation's campaign to save endangered wild bees. Jästbolaget has also cultivated bee-friendly plants at the company's facilities to provide food for both bumblebees and other bees.

Sustainable sourcing

GRI references	Indicators	Unit	2020	2019	2018
Responsible sourcing procedures					
308-1	Share of new suppliers screened for environmental risk	%	100	100	100
308-2	Suppliers screened for environmental risk through audit or self-assessment	Number	65	104[1]	307
308-2	Suppliers with identified environmental non-compliances	Number	1	5	7
308-2	Share of suppliers with environmental non-compliances where improvement has been agreed	%	100	100	100
308-2	Share of environmental non-compliances that have been remediated	%	0	63	75
308-2	Share of suppliers with environmental non-compliances where the agreement has been terminated	%	0	0	0
414-1	Share of new suppliers screened using social criteria	%	100	100	100
414-2	Suppliers screened using social criteria through audit or self-assessment	Number	65	104	75
414-2	Suppliers with identified social non-compliances	Number	30	46	33
414-2	Share of suppliers with social non-compliances where improvement has been agreed	%	100	100	100
414-2	Share of social non-compliances that have been remedied	%	76	78	57
414-2	Share of suppliers with social non-compliances where the agreement has been terminated	%	0	0	0
204-1	Share of sourcing from local suppliers[2]	%	56	56	56

[1] Including food safety audits
[2] Suppliers located in the same country as Orkla's receiving business

GRI references	Indicators	Unit	2020	2019	2018
Sustainable raw materials					
301-1	Consumption of raw materials[3]	Tonnes	875 350	884 000	959 200
301-1	Share of renewable raw materials[4]	%	93	96	94
FP2	Share of certified cocoa (UTZ Certified or Fairtrade) of total volume purchased	%	84	77	77
FP2	Share of certified marine raw materials (MSC or ASC) of total volume purchased	%	66	78	85
FP2	Share of certified palm oil and palm kernel oil of total volume purchased	%	94	87	75
	- RSPO SG	%	31	38	31
	- RSPO MB	%	36	18	17
	- RSPO Credits	%	27	31	28
FP2	Share of certified soya (RTRS - Roundtable on Responsible Soy Certification, ProTerra)	%	11	55	-
FP2	Share of certified hazelnuts (Rainforest Alliance)	%	2	-	-
FP2	Share of Nordic Swan Ecolabelled textile products	%	5	5	4
FP2	Share of cotton purchase value from certified organic cotton (GOTS, OCS)	%	84	57	41
FP2	Share of verified mulesing-free merino wool of total volume purchased	%	100	100	100

Sustainable packaging

301-1	Share of packaging made from renewable materials[6]	%	35	29	31
301-2	Share of total packaging containing recycled materials[6]	%	47	35	44
Self-defined	Share of total packaging that is recyclable[6]	%	95	94	94
301-1	Packaging consumption, all types[6]	Tonn	156 717	151 742	133 500
301-1	Plastic packaging consumption[5,6]	Tonn	32 332	29 750	27 110
301-2	Share of plastic packaging from renewable or recycled materials	%	9	6	3
301-1	Consumption of packaging per revenue, all types[6]	Tonn/mill. NOK	3,3	3,5	3,3

[3] Raw materials used for own production ex. finished goods purchases
[4] Includes raw materials from agriculture, share of total raw materials (purchase value)
[5] Includes both pure plastic packaging and composite materials
[6] Includes paper-based materials and bio-based plastics. Improved reporting means that the data volume for 2020 is larger than before

Nutrition and wellness

- Products for a healthy lifestyle
- Joining forces for better public health

The big picture

There is a clear connection between food, health and climate. The UN Climate Panel estimates that global meat consumption must be halved in order to reach the world's climate targets. At the same time, more and more consumers want to eat healthily and sustainably, and demand for plant-based food is soaring. The shift towards increased consumption of plant-based food and healthier products is reinforced by the fact that many grocery chains and other professional customers are increasingly asking for this type of product. For Orkla, this offers opportunities for innovation.

Lifestyle diseases due to obesity are a major global health challenge, and authorities in many countries continue their efforts to improve the population's diet. As part of the work on the EU's Farm to Fork Strategy, there is currently active discussion of labelling systems and other initiatives to accelerate the transition to a healthy, sustainable diet.

Orkla's influence

Orkla contributes to better public health both by developing new, healthier alternatives and by making existing popular favourites healthier. The companies are reducing the content of salt, sugar and saturated fat in a growing number of foods that are part of the daily diet of many people.

Healthy food is increasingly popular, and Orkla provides more and more healthy options for snacks, biscuits and snack meals and products tailored to various needs. In the bakery industry, Orkla Food Ingredients offers an innovative portfolio of healthy, whole grain bakery products and vegan breads and cakes.

Orkla's approach

The Orkla companies' product development and innovation activities are based on local needs and taste preferences. At the same time, the companies work systematically to improve products' nutritional profile and focus actively on product development to reduce the content of salt, sugar and saturated fat. A more detailed description of the Group's procedures and processes for nutrition and wellness work may be found on Orkla's website under the GRI Management Approach.

Orkla's nutrition and wellness work supports the achievement of UN Sustainable Development Goal 2 on access to safe, nutritious food and Goal 3 on good health and well-being.

Orkla's 2025 sustainability targets

- Double consumption of products and services that promote a healthier lifestyle
- 15 per cent less salt and sugar[1]
- Inspire people to adopt a healthier lifestyle

[1] Reduction in overall consumption of salt and sugar from Orkla's food products. Base year 2015.

Products for a healthy lifestyle

Orkla is committed to promoting a healthy diet. Developing healthier foods is therefore high on the agenda of Orkla companies.

As a leading manufacturer of food and other grocery products, Orkla wants to contribute to a healthy lifestyle for consumers. Seemingly small changes in the salt, sugar and fat content of products that are eaten and drunk every day can make important changes in public health. Orkla's philosophy is that healthy food should taste good. That is why the Group companies never compromise on taste in their efforts to reduce the percentage of salt, sugar and saturated fat in well-known favourites or when developing new products.

Orkla companies have been working purposefully and with a long-term perspective to reduce the total contribution of sugar and salt from their product portfolio by 15 per cent in the period from 2015 to 2025. To successfully develop new products without diminishing the taste experience or food safety, companies team up with external centres of expertise. In the last 15 years, Orkla companies have achieved a substantial reduction in saturated fat, among other things by replacing palm oil with healthier oils. The companies also launch wholesome alternatives containing whole grains and more vegetables, and Orkla's assortment of fish products is constantly being developed.

Good, clear information is essential for consumers to be able to make conscious choices in stores. Orkla considers it important to make it easy for customers and consumers to know what products contain, by providing fact-based, comprehensible product information.

Plant-based food

Orkla continuously expands its portfolio of plant-based products, many of which are healthier alternatives to foods based on meat and dairy raw materials. According to the Norwegian Directorate of Health, a plant-based diet can have beneficial health effects and lowers the risk of a variety of diseases.

Orkla has several plant-based products that replace animal protein, and are based on ingredients such as oats, almonds, soya, peas and rice. Plant-based substitutes are often processed. Orkla emphasises the importance of choosing good raw materials and works continuously to improve processes.

Developments in 2020

In 2020, Orkla maintained its focus on offering consumers healthier food. An important investment was the purchase of the Havrefras brand, including Rug Fras and Mini Fras, which holds a strong market position in Scandinavia for healthy cereals. The products are high in fibre and feature the Green Keyhole healthy food label. Several healthier products have also been launched across multiple markets, and work on reducing salt and sugar has resulted in a number of product changes.

In 2020, the proportion of turnover from products that contribute to a healthy lifestyle was 19 per cent[1], the same level as in 2019.

Reduction of sugar, salt and saturated fat

In 2020, several Orkla companies achieved substantial reductions in salt, sugar and saturated fat in connection with the relaunch of existing products and launch of new ones.

Sonneveld reduced salt and sugar in bakery products and Orkla Foods Romania reduced salt in Unirea Original margarine. Orkla Foods Norge significantly reduced sugar by introducing new varieties of Fun Light dilutable fruit drinks with no sugar. Orkla Foods Sverige launched a new sugar-free muesli under the Paulúns brand, and Orkla Foods Norge launched instant oatmeal in a cup, with no added sugar and with the Keyhole label, under the Bare Bra brand. Both Idun in Norway and Beauvais in Denmark launched Keyhole-labelled ketchup with no added sugar. In Denmark, Credit launched a variety of cake products with no added sugar, a low fat content and a high fibre content.

Orkla's total consumption of sugar and salt has been reduced by 9 per cent and 6.5 per cent, respectively, since 2015[2]. In 2020, the companies reduced the sugar content in categories such as jams, dilutable fruit drinks and other beverages, ketchup, biscuits, marzipan, cakes, breakfast cereals, bars and chocolate. The content of salt has been cut in products including bread mixes, ready meals, sausages, sauces and dressings, ketchup, crisps and biscuits. The effect of this work was 2234 tonnes less sugar and 168 tonnes less salt in 2020.

Orkla has reduced saturated fat content in the product portfolio by 14 per cent during the period from 2015 to 2020.er redusert innholdet av mettet fett i produktporteføljen med 14 prosent i perioden 2015 til 2020. The companies have done this by replacing palm oil with healthier oils in several Orkla products, and many Orkla factories are now completely palm oil-free. Work on replacing palm oil with other healthier ingredients continued in 2020.

[1] This applies to Orkla Foods and Orkla Confectionery & Snacks.
[2] Figures are uncertain due to changes in measurement methods over time.

Healthier snack options

Orkla Confectionery & Snacks is stepping up its focus on healthier snacks. In 2020, several companies launched healthier snacks made of lentils and beans, under the Adazu, OLW and Taffel brands in Estonia, Latvia, Finland and Sweden. A number of cross-company development projects are being carried out with a view to further developing this market.

As a result of its long-term efforts to reduce sugar and salt in a broad range of products, Orkla Confectionery & Snacks Norge now has the lowest average content of sugar and salt in biscuits and chocolate in the market.

Dietary supplements

Orkla Health works to promote good health by offering healthy, positive and simple choices.

In 2020, Orkla Health launched Gevita SHE, a new range of dietary supplements for women in menopause. The products help to relieve common menopause complaints and have been launched in Norway and Sweden. Orkla Health also launched Sana-Sol Vitabons in Finland, a new range of soft vitamin and mineral gummies for adults which make it easier to remember to take vitamins every day.

The Möller's portfolio continued to grow in 2020, with the launch of cod liver capsules and liquid omega-3 without vitamins for dogs and cats, and the roll-out of Möller's omega-3 from seaweed for vegans in several countries.

The way forward

Orkla has achieved a significant reduction in salt and sugar over many years and will continue these efforts in the time to come. This has been possible thanks to a broad-based focus on this goal across companies and countries, where nutrition and wellness have become an integral part of product development work. Future work will continue along the same lines to achieve the target of a 15 per cent reduction in salt and sugar by 2025.

Joining forces for better public health

Orkla works closely with government authorities and the food industry in several countries to promote better public health.

Interest in health and healthy food has long been a strong trend– not just in the Nordic countries, but also in the Baltics and Central Europe. Orkla has worked resolutely for several years to make its products healthier and develop foods containing less salt, sugar and saturated fat. To shift the population’s taste preferences in a healthier direction, changes must be made place gradually, and the industry and authorities must work as a team. Orkla cooperates closely with government authorities and the food industry in several countries and is a driving force for new initiatives.

Developments in 2020

Driving change in industry practices

Orkla wants to contribute actively to establishing joint initiatives between the food industry and the authorities in markets where Orkla has a presence. In Norway, Orkla has been committed since 2016 to the agreement of intent to promote healthier food, which is a joint initiative between Norwegian authorities and the food industry aimed at making it easier for consumers to make healthier choices. A key element of this collaboration is the Salt Partnership, the goal of which is to reduce the proportion of salt in food products and foods served in restaurants and canteens. This partnership has produced good results. The majority of all new Orkla launches now have a salt content at the same level, or lower than, the salt targets set in the Norwegian Salt Partnership.

In order to achieve the same type of change in consumer preferences in other countries, it is essential that the entire industry teams up to reduce salt and sugar in their products. Using the Norwegian agreement of intent as a model, the authorities and food and drink industry in Denmark have established the Innovation Partnership, a joint endeavour designed to make it easier for Danish consumers to make healthier food choices. Orkla participates actively in this cooperation. In Sweden, the Swedish National Food Administration has been tasked by the government with reducing sugar and salt in the diet of the Swedish population, a process that began in 2020. Orkla is and will remain strongly involved in this work.

Orkla also wants to play an assertive role in changing industry practices through dialogue and collaboration with customers. Several Orkla companies are now intensifying their efforts to provide courses, guidance and other initiatives to make it easier for public institutions and professional kitchens to serve healthy meals. Broad cooperation and emphasis on research are important to achieving results and for reaching Orkla's targets by 2025.

Healthy food for children in kindergartens and schools

The Orkla Foods companies want to contribute to a healthy diet for children and are engaged in several new initiatives. In 2020, through the Barebramat.no web portal, Orkla Foods Norge continued to offer recipes and deliver food to kindergartens. The company also pursued a dialogue with Fiskesprell, a national dietary programme under the auspices of the Ministry of Health and Care Services, the Ministry of Trade, Industry and Fisheries, the Norwegian Seafood Council, the Norwegian Directorate of Public Health and the Institute of Marine Research, which provides courses on children and seafood for employees in kindergartens, the school day care service, schools and other target groups.

Orkla Foods Lietuva has been involved for 10 years in "Sveikatiada", a healthy lifestyle programme for schools and kindergartens. The project gives children knowledge and practical skills related to healthy nutrition and physical activity, and is a joint initiative established by the Lithuanian government authorities, business and industry and voluntary organisations.

To inspire and help both children and teachers to have a good, healthy relationship with food, Orkla FoodSolutions developed the "Hälsa på maten" (Say Hi to Food) concept, which targets schools and kindergartens. The concept consists of a cookbook with simple recipes for tasty, wholesome breakfasts, snacks and lunches, as well as inspiring tips and fun teaching strategies provided by researchers, public health developers, dietary experts, teachers and cooks.

The Cod Liver Oil study

During the winter of 2020–2021, Norwegian researchers at Oslo University Hospital (OUS) are conducting a study of whether cod liver oil prevents COVID-19. The reason for this is findings in the major Norwegian COVID-19 study which indicate that persons who take cod liver oil were more seldom infected with the coronavirus and those who were infected experienced a milder course of illness. This may be due to the cod liver oil, but it may also be due to cod liver oil users' healthier lifestyle. Through the Cod Liver Oil study, the researchers at OUS are seeking to ascertain whether there is a direct connection between use of cod liver oil and the low incidence of COVID-19.

At the request of OUS, Orkla has agreed to partially fund the Cod Liver Oil study. For Orkla, this support is both a contribution to the fight against the pandemic and, at the same time, a possibility to gain new insight into the positive effects of taking cod liver oil. Cod liver oil contains both vitamin D and omega-3 fatty acids. The cod liver oil used in the research project is Möller's Tran. The Cod Liver Oil study is one of the largest clinical studies of its kind with over 30 000 participants.

The way forward

Orkla wishes to be a driving force in also establishing joint initiatives between industry and government in other markets where Orkla is present. At the same time, the Group sees the need to increase research efforts in order to reach the target of a 15 per cent reduction in salt and sugar by 2025.

Important launches in 2020

Paulúns Supermüsli
New müsli with no added sugar or additives and high in fibre.

DOC Halslinser
All DOC throat lozenges have become sugar-free, to contribute to the reduction of sugar in the products in grocery checkout areas.

Taffel Linssips
Crisps made of lentils. They contain 13 per cent protein and 40 per cent less fat than ordinary potato crisps and they are vegan.

Bare Bra Supergrøt
The new wholesome oatmeal in a cup, with no added sugar and Keyhole-labelled.

Keyhole-labelled products

The year 2020 marked the tenth anniversary of Orkla's adoption of Keyhole-labelling for its products. The first Keyhole-labelled products were launched by Orkla in Norway in 2010, and the number of products has increased every year since then. The Keyhole label is a Nordic labelling system that denotes healthier products, and is used in Sweden, Norway and Denmark. In total, Orkla had 211 Keyhole-labelled products in 2020, an increase of 22 per cent since 2019. Turnover from these products is estimated to be around NOK 830 million. The goal for the whole Orkla Group is to increase sales of Keyhole-labelled products to NOK 1 billion by 2025. Categories that drive growth are vegan products and breakfast cereals. The biggest Keyhole-labelled products in Orkla are Stabbur-Makrell i tomat (mackerel in tomato sauce), Mors Flatbrød (crispbread) and Picnic (tinned ham).

Orkla Suomi offers food products featuring the Finnish "Sydänmerkki" (Heart symbol) label, and several companies offer whole grain products marked with the "Brødskalaen" (Bread Scale) and other similar labels.

Nutrition and health

GRI references	Indicators	Unit	2020	2019	2018
Reduction of salt, saturated fat and sugar[1]					
Self-defined	Decrease in salt due to reduction activities	Kg %	168 139 1.7	83 600 0.8	192 000 2.0
Self-defined	Consumption of salt (own production) per revenue	Kg/million NOK	280	325	300
Self-defined	Decrease in saturated fat due to reduction activities	Kg %	808 789 2.0	607 000 -	379 000 -
Self-defined	Decrease in sugar due to reduction activities	Kg %	2 233 695 2.2	1 825 000 2.1	3 382 000 2.7
Self-defined	Consumption of sugar (own production) per revenue	Kg/million NOK	2 856	2 660	3 800

[1] Concerns Orkla Foods, Orkla Confectionary & Snacks and Orkla Food Ingredients. Historical figures have not been adjusted for subsequent changes in corporate structure. There is some uncertainty attached to the figures due to variations in the calculation method.

Safe products

- Food safety
- Safe non-food products
- Contingency planning

The big picture

Consumers are taking a growing interest in what they are eating, where the food comes from and how it is made. Orkla takes high quality and safe food seriously. Through Orkla's own Food Safety Standard, strict requirements are set for how raw materials are cultivated, produced and transported. Guidelines ensure that ingredients, packaging and the product itself are safe to use.

The same applies to Orkla's non-food products. It is an absolute requirement that they are safe to use. Customers and consumers must know that they are receiving the same high quality every single time they choose Orkla's well-known, popular brands of household cleaning, personal hygiene and textile products.

Orkla's influence

As a branded consumer goods company, Orkla is dependent on trust. That's why the logo on the back of the packaging of all Orkla's branded products is a guarantee that they meet the Group's stringent food safety and product safety standards. Adopting common standards and systems ensures good, cost-efficient control of food safety risk throughout the value chain. Given the multitude of raw materials, production sites and suppliers, Orkla's risk picture is complex. However, the gradual transition to fewer, larger factories and common suppliers across the Group companies is helping to reduce this complexity. When acquiring new companies, the Group emphasises the importance of rapidly implementing Orkla's solutions and skills development programmes to lay the foundation for a strong food safety culture.

Orkla's approach

A detailed description of Orkla's food safety procedures and work processes may be found on Orkla's website under GRI Management Approach.

Orkla has worked determinedly to ensure food safety and product safety for many years. These efforts contribute to the achievement of UN Sustainable Development Goals 2, 12 and 17.

Orkla's 2025 sustainability targets

- 100 per cent food-manufacturing facilities at green level[1]
- 100 per cent approved suppliers[1]
- Continue to ensure that all products are safe

[1] In accordance with the Orkla Food Safety Standard.

Food safety

Ensuring that food is safe is a fundamental imperative at Orkla. It is therefore a main priority to ensure safe food in every part of the value chain, from the cultivation of raw materials to the product's arrival on store shelves. The goal is to match the best companies in the world when it comes to food safety.

The coronavirus pandemic impacted on Orkla's food safety work in 2020. Audits and courses were carried out digitally, but Orkla has still managed to maintain high standards for their suppliers and good traceability throughout the value chain.

Developments in 2020

Ensuring good control of food safety

Orkla has good control of food safety in its own operations. All factories and warehouses in the Group that handle food and drink are regularly audited in accordance with the strict requirements of the Orkla Food Safety Standard (OFFS). In the past few years, these audits have increased significantly due to the larger number of acquisitions. Orkla similarly requires its suppliers to meet strict requirements and has a well-established system for approving and monitoring suppliers using dedicated supplier auditors. In 2020, substantially fewer audits were carried out of both Orkla's own operations and suppliers due to COVID-19 and travel restrictions. As a substitute, digital audits were developed and conducted without the auditors actually visiting the factory or warehouse in question. Orkla has considered it important to monitor suppliers and its own operations despite the challenges posed by the pandemic. The digital audits functioned adequately as a best-possible solution. Moreover, Orkla's central food safety team is involved in all acquisition processes in the Group to identify risk at an early stage.

Competence-building strengthened through digital courses

Orkla attaches importance to having a strong quality culture and the competence to identify and deal with risk factors in the value chain early on. Providing courses for employees has therefore been an important focus in the past few years. Priority areas for skills development are HACCP (identification and handling of critical control points for food safety in production), root cause analysis, allergen management, internal audits, supplier monitoring and Orkla's Food Safety Standard.

In 2020, digital courses became the norm instead of courses requiring physical presence. This has proved to be highly effective and successful, with good feedback and widespread course attendance. As a result, extra courses were scheduled in the autumn of 2020. Since more people have the possibility of participating digitally, and this type of course does not affect quality, Orkla will continue to provide such training.

Sharing best practices

Orkla has established a common policy for food safety and quality, with common systems and work methods across companies. Companies that are acquired are quickly introduced to Orkla's standards and ways of working. Competence is also shared through quality networks and conferences.

Communication campaign on food safety

Orkla's Food Safety and Quality Week was held in November. The companies accentuated the importance of Orkla Golden Rules for Food Safety and Quality through clear communication materials, events and other creative activities. This served as a reminder of an important message and spurred active engagement at Orkla's factories.

The way forward

Efforts to ensure effective, cost-efficient control of food safety risk continue. Greater emphasis will also be placed on cyber security in Orkla's quality systems. At the same time, Orkla is attaching greater importance to quality-related risk and is including this risk in the HACCP manual with a view to reducing the number of complaints. Orkla is in a phase of growth and expansion, and the integration of newly acquired companies will therefore continue to have high priority, with a rapid introduction to Orkla's systems and work methods. A growing number of common solutions are being developed in various areas.

Safe non-food products

Environmental assessments and safety are key elements of all product development, and Orkla's non-food companies adhere to strict guidelines for product safety in every part of their value chain.

Based on the precautionary principle and the duty of substitution, the companies work systematically to replace ingredients that have a potential negative impact on health and the environment. The companies keep close track of relevant external research to stay abreast of potential health and environmental risks, and have procedures for assessing product safety in connection with product development projects and changes in production processes.

Developments in 2020

All products manufactured by Orkla Home & Personal Care, Orkla Wound Care, Lilleborg and Pierre Robert Group undergo routine assessment of factors of relevance to consumer health and safety. In Orkla House Care and HSNG, such assessments are primarily carried out in connection with launches, and the companies evaluate how risk identification procedures can be further improved. There were no cases involving breaches of product safety rules in Orkla's non-food companies in 2020.

Orkla Home & Personal Care conducts extensive research in its own laboratories. The company uses only well-documented ingredients and has made active use of the Nordic Swan Ecolabel since 1983. In 2020, Orkla Home & Personal Care relaunched the Define hair care range, and removed certain raw materials that could pose a potential risk to health and the environment. All silicones have been eliminated, all residues of MIT preservatives have been removed, and all non-degradable thickeners have been replaced. Furthermore, the new formulations are vegan. The Sterilan anti-perspirant stick was relaunched with no cyclical silicones. These ingredients are no longer used in any of the company's products. Non-degradable thickeners and a dye were eliminated from Sunsilk shampoo, and Jordan has launched four new Nordic Swan Eco-labelled toothpastes.

Lilleborg develops effective, sustainable hygiene and cleaning systems for the professional market. In 2020, the company relaunched Suma Tørremiddel A8 and DekoRen+ Tørr, both with a new Nordic Swan-Ecolabelled formulation. It also launched Swan-labelled Sun Profesjonell Maskinoppvask dishwasher detergent. Lilleborg works actively to carry out product assessments and substitution of both raw materials and methods. In 2020, it removed or changed the perfume in some products. Colorants were removed and a preservative was changed in some cleaning products.

Pierre Robert Group uses Nordic Swan Ecolabelled merino wool and organic cotton certified under the Global Organic Textile Standard (GOTS). Both these certifications have strict criteria for use of dyes and chemicals in garments. Both the Nordic Swan Ecolabel and GOTS certification set environmental and social requirements for every part of the value chain, and certification is verified by a third party. Read more about the certification of textile raw materials on page 94.

The way forward

The companies continue to work on renewing Nordic Swan Ecolabelling for existing products and obtaining certification for new products containing natural ingredients in 2021. Substitution work will continue to have high priority, with particular focus on perfumes and preservatives.

Contingency planning

It is crucial that Orkla put in place contingency procedures for responding to new risks. The companies must have sufficient knowledge and be ready to deal with a variety of situations, so that necessary action can be taken to ensure that all products are safe to use and to prevent Orkla from suffering adverse commercial effects.

Contingency planning expertise can be assured by in-house personnel or by securing access to external experts who can provide assistance. Orkla has chosen a combination of the two. Examples of new risks that have arisen in connection with food production are acrylamide in starchy foods and use of modern genetically modified organisms (GMO). In 2020, findings of the banned substance ethylene oxide in sesame seeds from India posed another challenge. This affected almost every country in Europe and led to extensive assessments, withdrawals and recalls of products from the market.

Developments in 2020

As part of the development process, all food products launched by Orkla undergo a thorough risk assessment in connection with work on identifying and controlling potential health hazards related to packag-ing, ingredients and use. The companies monitor changes in the risk picture in dialogue with Orkla's central food safety team and external partners. In 2020, Orkla saw a substantial reduction in contingency cases, particularly in the period March to July. This is because a wide range of infection mitigation measures were introduced in response to the COVID-19 pandemic. Infection controls, optimal hygiene, supple-mentary training and employee vigilance contributed to fewer errors and accidents at factories and supplier facilities. Orkla has had no Class 1 emergencies for many years related to food safety or non-food products entailing a risk of serious illness.

In 2020, Orkla's contingency planning took on an added dimension in the form of the Group's response to the COVID-19 pandemic. Read more about this topic on page 150.

The way forward

There is still a need to intensify efforts to reduce the number of quality and food safety emergencies, and great emphasis is placed on learning from actual cases and carrying out systematic root cause analyses. This is followed up in audits of the companies concerned.

Orkla works continuously to improve its contingency planning, focusing particularly on areas and causes involving multiple emergencies and companies.

Safe products

GRI references	Indicators	Unit	2020	2019	2018
Safe food production[1]					
FP5	Share of production volume manufactured in compliance with the Orkla Food Safety Standard	%	100	100	100
FP5	Factories audited according to the Orkla Food Safety Standard	Number	32[2]	89	102
FP5	Share of food manufacturing sites certified by independent third party	%	63	56	53
416-2	Incidents of non-compliance concerning food safety, risk level 1 (life threatening health hazard)	Number	0	0	0
416-2	Incidents of non-compliance concerning food safety, risk level 2 (serious health hazard or serious quality deviation)	Number	10	24	8
Safe deliveries of raw materials					
Self-defined	Risk assessment of suppliers: Self-assessments	Number	1 311	1 668	1 810
Self-defined	Risk assessment of suppliers: Assessments carried out by Orkla	Number	1 409	1 434	1 350
Self-defined	Risk assessment of suppliers: Supplier audits	Number	119	264	237
Food safety training					
Self-defined	Participants in courses run by Orkla's Food Safety Team	Number	353	256	400
Self-defined	Extent of courses run by Orkla's Food Safety Team	Hours	3 094	3 900	3 130
Self-defined	Participants in courses run by Orkla factories	Number	8 294	7 430	4 500
Self-defined	Extent of courses run by Orkla factories	Hours	18 716	18 570	9 700

[1] Concerns companies with food production
[2] The scope of audits was somewhat reduced due to the covid-19 pandemic and the emergency preparedness work related to this

Care for people and society

- Promote healthy and sustainable consumption
- Stakeholder dialogue
- Social engagement
- Responsible employer and human rights
- Occupational health and safety
- Integrity

The big picture
The world has ten years to achieve the global Sustainable Development Goals on which 193 countries reached agreement in 2015. If we are to succeed, all players in society must take responsibility. People are pivotal to a sustainable future. It is people who make choices when they buy products, and it is people who make choices when they produce them. People are Orkla's driving force, and it is essential that Orkla take good care of the people employed by the Group.

The COVID-19 pandemic has made it clear how much can be achieved by mobilising collective efforts. Collaboration and new partnerships between business and industry, government authorities and other key social players will be crucial to creating growth that is economically, environmentally and socially sustainable. Orkla wants to use its presence in many countries and sectors to make a significant difference and engage actively in making the transition to sustainable production and consumption.

Orkla's influence
Orkla wishes to help achieve good local solutions for addressing the major global challenges. The companies' most important contribution to sustainable development is to offer products with a smaller climate footprint and tackle the social and environmental challenges related to the products' raw materials and packaging. Furthermore, Orkla wishes to be an attractive employer that offers good working conditions and fair and competitive terms for all its employees. By investing in skills development and working systematically to ensure a good, safe working environment, the Group makes a positive contribution to employees' job satisfaction and personal development. Moreover, Orkla companies create economic ripple effects for local communities in the form of jobs, tax revenues and sourcing from local suppliers.

Orkla's approach
Orkla has adopted a comprehensive, systematic approach to the topic "Care for people and society" based on the precautionary principle and the principle of continuous improvement. A detailed description of procedures and processes may be found on Orkla's website under GRI Management Approach.

Work to promote stakeholder dialogue, social engagement and sustainable consumption supports the achievement of UN Sustainable Development Goals 12 and 17. Efforts to promote good workplaces with emphasis on diversity and inclusion, a safe working environment and respect for workers' rights support the achievement of UN Sustainable Development Goals 5 and 8.

Orkla's 2025 sustainability targets

- Create strong local engagement for sustainability
- 100% compliance with Orkla's human rights policy
- Create healthy workplaces with zero injuries
- Women in 50% of leadership positions at all levels
- Create a culture of integrity everywhere

Promote healthy and sustainable consumption

Orkla is committed to making sustainability an integral part of its operations and an increasingly important source of innovation and growth. All Orkla companies work every day to promote more sustainable consumption and production.

UN Sustainable Development Goal 12 – responsible consumption and production – is core to Orkla's sustainability work. Orkla companies want to help consumers make more sustainable choices, by making it easier for them to understand the impact of what they buy and offering new, more sustainable alternatives. As the biggest manufacturer of consumer goods in the Nordic region, Orkla has both a possibility of and a responsibility for influencing consumer preferences in the right direction by nudging consumers to make sustainable choices.

The key to success is openness and transparency. Orkla wants to communicate in an open and factually correct way about how its products are manufactured and what their impact is. The companies are increasingly using certification and labelling systems that create trust and are making it easier for consumers to compare products.

Developments in 2020

In 2020, Orkla companies launched several new products that make it easier to make good, environmental choices in everyday life (read more on page 79). In addition, several Orkla companies signed the Guide Against Greenwashing in 2020, thereby pledging to engage in responsible communication and marketing of sustainability measures. At the same time, Orkla has carried out various campaigns and initiatives aimed at inspiring consumers to adopt healthier, more sustainable consumption habits. For example:

- Orkla Foods Danmark has entered into partnership with **Too Good To Go**. Through an app, consumers can buy unsold food that would otherwise have been thrown away. Several companies in Orkla Food Ingredients are also involved in the initiative. Orkla Confectionery & Snacks Norge has also teamed up with Too Good To Go and before Christmas gave away 1800 bags of perfectly good Nidar products that would not have been sold in grocery stores.

- The **Next is Now platform** run by Orkla Foods Sverige's Orkla FoodSolutions collects knowledge, insights and solutions for healthy, sustainable food for the future, through workshops and webinars. The concept is intended to support efforts to be a good sustainability partner for B2B customers. In 2020, Next is Now held digital webinars on a variety of topics, including the shift from animal to plant-based proteins, and how health and eating habits are changing because of COVID-19. Each webinar attracts around 300-350 attendees.

- Orkla Eesti started a project in 2020 to increase awareness of the connection between calories and physical activity levels. Consumers of **Mesikäpp** chocolate products can see how much activity is required to burn off the calories in what they are eating. All Mesikäpp products will feature energy labelling in the course of 2021.

- Pierre Robert Group is an engaged member of the **Movement for Sustainable Textiles (MoST) and Tekstilaksjonen**. MoST is a cross-cutting, collaborative venture beween players in the Norwegian fashion and textile industry, new clothing concept developers, environmental organisations and textile recoverers. The Tekstilaksjonen is a meeting place for dialogue between companies and consumers. The overarching goal of MoST and the Tekstilaksjonen is to ensure that textiles are used twice as many times by 2024. In 2020, a wide range of activities and events were carried out to spread information to and inspire engagement among both consumers and public authorities regarding the importance of using clothes and other textiles longer.

- **Pierre Robert brand** focused on ensuring clearer labelling of more sustainable products in its online store in 2020. All garments with a smaller environmental footprint are now marked with a clear description of what makes the garment less harmful to the environment than conventional garments. For instance, the garment might be environmentally certified by GOTS, the Nordic Swan Ecolabel programme or GRS, and/or might be made from materials that have a smaller environmental footprint, such as Tencel™, Kapok, recycled synthetic fibre or organic cotton.

- Orkla Foods Sverige and the Felix brand tested a pop-up store called **The Climate Store** in Sweden in 2020. This was the world's first grocery store to price goods according to their climate footprint. Customers shopping at the supermarket had a weekly budget of 18.9 kilos of carbon dioxide equivalents, which is equal to half of the current average climate footprint of food (in Sweden) and is in line with the Paris Agreement on climate change. Goods that are carbon-intensive – such as products based on animal raw materials – were priced higher than their plant-based alternatives, which have a smaller climate footprint. The initiative was intended to increase consumer awareness of the impact of their food choices and encourage more consumers to choose foods with a smaller climate footprint.

- **Lilleborg** has launched several measures in the past few years to help reduce energy and water use and emissions for customers in the food industry. The EnduroPower concept is a combination of innovative products and methods that generate savings of up to 30 per cent of water and energy used in customers' factories. LilleborgControl is a digital tool that enables customers to adjust their washer so that it reuses more water, reuses larger amounts of cleaning products, optimises production and reduces product waste. Lilleborg QuickScan consists of a dedicated team of advisors who analyse customers' processes to identify and highlight possibilities of economising in the form of reductions in CO_2 in water and energy and in costs.

- **Orkla Wound Care** has started a project to update the packaging of all its products, and are including recycling symbols and instructions for proper sorting. The project will be implemented in 2020-2022.

Encouraging packaging reuse

Packaging is one of the most important areas of Orkla's sustainability work (read more from page 95), and more and more Orkla products are launched every year in new, more sustainable packaging solutions. But Orkla's responsibility doesn't end there, and the companies work purposefully to enable consumers and professional customers to reuse packaging.

Klar tests refills in cartons and in stores

In 2020, Klar began testing refill solutions in cartons for two of its best-selling products, hand soap and laundry detergents. The carton can be folded after use and sorted with other cardboard as paper waste. The carton-based packaging is still at the testing stage, but is an important step towards reducing use of plastic. Klar also tested in-store refills in 2020. Over a five-week period, consumers were given an opportunity to refill their own packaging with Klar soap and pay as usual at the checkout counter. The test pilot was a success, and Klar is maintaining its focus on making in-store refills a real option.

Grumme offers a deposit-based bottle return system

As of 2020, Swedish consumers can return all Grumme product bottles for deposit refund. This is possible due to a joint arrangement with PantaPå, an app that gives consumers a discount on other Grumme products when they scan empty packaging and place it in the correct waste container at the recycling station. In 2020, 25 036 Grumme bottles were returned through the app.

Lilleborg reuses containers

Lilleborg has collaborated with Noreko for several years on the collection, washing and reuse of Intermediate Bulk Containers (IBCs) that are used for products manufactured at Lilleborg's factory at Ski and for contract manufacturers in Norway. In 2020, Lilleborg began work on an innovation project to ensure the quality and testing of 200-litre vats for reuse. In addition, these vats are made of up to 80 per cent recycled plastic.

Climate impact labelling

In the past few years, several Orkla companies have introduced climate impact labelling of food. In 2019, Orkla Foods Norge launched its “Klodemerket” (The Planet Label) for TORO soups. The label is based on a climate impact scale developed in cooperation with the RISE Research Institute of Sweden. Products are ranked according to whether they have a high, medium, low or very low climate impact. TORO has calculated the carbon footprint per portion, based on the preparation instructions on the packet, and including any additional ingredients recommended. For a product to qualify for the Planet label, the greenhouse gas emissions for the meal must be at “low” or “very low” level, i.e. 0.8 kg CO_2 -equivalents or lower, which is compliant with UN recommendations for limiting global warming to a maximum of 1.5°C.

In 2020, "Klodemerket" was used on several products from Orkla Foods Norge, including a number of TORO products, Pizza Grandiosa mozzarella, pesto and tomatoes and Mandagspizza. Orkla Foods Sverige has launched a similar climate impact labelling system for several products from Felix, Paulúns and Abba, and Orkla Foods Česko a Slovensko has introduced climate impact labelling for Vitana soups in the Czech Republic and Slovakia.

In 2020, TORO also launched a new webpage aimed at inspiring climate-smart food choices. The webpage features content on the "Klodemerket" label, tips for green dinners, leftover-based meals and other information that makes it easier for consumers to choose climate-friendly food. Over half a million users have visited the webpage. TORO has also engaged with schools and taught 5000 pupils in grades 5 to 7 about climate-smart food.

In 2020, through a programme for industry collaboration on climate impact labelling of food, TORO brought together representatives from the Norwegian food industry in a dialogue on climate impact labelling. In a series of workshops they explored the possibility of establishing a common climate impact labelling system. The conclusions of their work were published in the autumn of 2020 in a report containing lessons learned and recommendations.

Good, responsible marketing

Orkla is committed to responsible marketing to all consumers through all communications platforms. Particular attention is focused on communications that target children and young people concerning unhealthy products. Orkla supports the principles set out in the EU Pledge, and the companies have procedures to ensure that food and drink are marketed in accordance with these principles. Orkla is a member of the Board of the voluntary joint industry body, the Food and Drink Industry Professional Practices Committee (MFU). In 2020, the MFU continued its work to promote responsible marketing to children and young people, including tightening the guidelines on marketing to young adults, and initiated efforts to increase consumer awareness of the programme. Orkla is active in the Professional Committee for Influencer Marketing (FIM), which promotes good, responsible market practices for players engaged in influencer marketing. The aim is to reduce body image issues and pressures among children and adolescents.

Orkla companies have adopted a conscious, cross-country approach when selecting influencers to market their products. The companies carry out an in-depth, overall assessment of influencers, the content they post and the age of their target group. It is important for Orkla that the influencers marketing Orkla products also promote values that are key to Orkla brands, such as a healthy lifestyle and body positivity. In 2020, some of Orkla's influencers underwent relatively extensive training that should equip them well to uphold Orkla's marketing principles. A conscious effort is also made across brands to ensure that influencers, models and actors involved in marketing Orkla products represent the broadest possible diversity in terms of background, ethnicity and body shape.

In 2020, three cases were reported under the regulatory framework for marketing and product labelling. A complaint was filed against Orkla Confectionery & Snacks Norge, which was found by the MFU to have shown advertising films that might appeal to children before 21:00 hours, in breach of the voluntary guidelines for responsible marketing to children. As a result of this case, the company tightened its procedures for ensuring that TV channels comply with Orkla's requirements regarding broadcast times. Two complaints were also lodged with FIM against the Orkla company Health and Sports Nutrition Group AB (HSNG) concerning use of influencers. One of these resulted in a statement by FIM that the general image of the influencer in question was of such a nature that the marketing for Orkla was deemed to be contrary to FIM's guidelines, even though the actual marketing itself was not. The matter has been followed up closely by Orkla.

The way forward

In the past few years, through Orkla's internal sustainability network and in-house "master classes" in sustainability communication, Orkla has significantly increased the knowledge of marketing and communications staff regarding global sustainability challenges and the importance of good sustainability communication. In the coming years, the companies will increase their efforts to guide and inspire consumers and professional customers to make healthy, climate-friendly purchase decisions. This will be done through product marketing, communications campaigns and participation in external collaboration projects.

Stakeholder dialogue

Through dialogue and partnerships with others, Orkla companies can make a real positive difference and contribute to the achievement of the UN's global Sustainable Development Goals. This is also important for ensuring trust in Orkla as a company.

Orkla engages in an ongoing dialogue with various stakeholder groups to understand their concerns, discuss important topics that affect the Group's operations, and jointly find solutions. Partnering with others makes it possible to achieve bigger solutions and make more progress than Orkla companies are able to do on their own.

Orkla's main stakeholders are its employees, customers and consumers, investors, government authorities, local communities, organisations, research communities and suppliers. Dialogues are conducted by means of meetings and other forms of direct communication, consumer and customer surveys, participation in networks and industry organisations and joint projects. Orkla follows up on issues that are raised and on the results of its companies' stakeholder dialogue through local communications and sustainability personnel, consumer service staff and the annual sustainability reporting process. Orkla's most important stakeholders and topics of dialogue in 2020 are summarised in a separate illustration and described in the respective thematic chapters.

Developments in 2020

In 2020, Orkla engaged actively in dialogue and cooperation with other companies, organisations, research communities and government authorities. The topics covered a broad range of issues, from problems relating to the pandemic, sustainable food production, farming in the future, circular business models and climate impact labelling to dialogue on increasing the collection, sorting and recycling of plastic packaging and developing future-oriented packaging. Orkla has also continued its dialogue with authorities and politicians at local and national level and in the EU on industrial policy framework conditions and other matters related to the Group's operations.

In 2020, the Group strengthened cooperation between the companies in each country by reorganising the communications function. This has further improved the stakeholder dialogue due to better coordination and joint initiatives.

Dialogue with government authorities

Orkla pursues an active dialogue with government authorities on matters of importance for the Group. This dialogue is conducted both through direct contact and through advocacy organisations of which Orkla is a member. At European level, Orkla is a member of the European Brands Association AIM, the Association of Chocolate, Biscuit and Confectionery Industries of Europe (Caobisco), the Committee of European Sugar Users (CIUS)) and the European Snacks Association (ESA). In addition, Orkla employees represent the European food industry in two different advisory groups appointed by the EU to provide the European Commission with information on specific raw material markets. Orkla is a member of the World Economic Forum (WEF), and engages actively in the organisation's work. Moreover, Orkla is a member of the Confederation of Norwegian Enterprise (NHO) and similar national advocacy organisations in countries including Sweden, Denmark, Finland and the Baltics. Orkla Home & Personal Care is a member of both the Norwegian Cleaning Suppliers Association (VLF) and the Norwegian Cosmetics Association (KLF).

In 2020, some of the Orkla companies took part in the debate on new rules governing the designation of plant-based products in the EU. NATURLI'® (part of Dragsbæk), Orkla Foods Sverige, Orkla Suomi and Orkla Confectionery & Snacks Sverige have been in contact with local authorities and EU parliamentarians to ensure that plant-based products can still be marketed as "burgers" or "sausages". NATURLI'® also played a leading role in the battle against the cocoa tax in Denmark, which was 76 times higher for plant-based drinks than for drinks based on dairy raw materials. NATURLI'® and other stakeholders fought for this to be changed, as a result of which the same tax now applies to both types of drinks.

Orkla continued its engagement in 2020 in respect of the Swedish and Norwegian governments in connection with the international negotiations on the allocation of mackerel and herring quotas between the coastal states Norway, the EU, Iceland, Russia, Greenland and the Faeroes. Orkla considers it crucial to reach political agreement on a fair and sustainable allocation of fish resources in accordance with scientific recommendations, both to ensure sustainable fish stocks for the long term and to be able to document sustainable fishing to consumers through the Marine Stewardship Council (MSC) certification programme.

Grocery market concentration was also a topic of dialogue with the government in 2020. In Norway, a white paper was submitted to the Norwegian parliament and was under consideration at the end of the year. In this connection, Orkla has engaged in extensive dialogue with the authorities and politicians to contribute to creating a healthy, sustainable market for the distribution and sale of food in Norway. Orkla is similarly active in processes in Denmark, Sweden and Finland where the EU Directive on unfair trading practices in the agricultural and food supply chain is to be transposed into national legislation.

Dialogue with organisations
The Group's dialogue with advocacy organisations primarily takes place at company level. Orkla conducted a close dialogue with the World Wild Fund for Nature (WWF) in 2020 through several companies and on a variety of topics. Among other things, WWF was the beneficiary of this year's TV fundraising campaign in Norway, where donations were collected all over the country to support projects for a clean ocean. Orkla's engagement for a clean ocean was also discussed in dialogue with other organisations such as Keep Sweden Tidy, Keep Norway Tidy and the Swedish Sustainable Food Chain initiative. The Orkla companies that work with fish have also maintained a close dialogue with various players on sustainable fishing.

The Orkla companies that work to promote climate impact labelling, such as Orkla Foods Norge and Orkla Foods Sverige, discussed this topic with various advocacy organisations, and dialogue on plant-based food has also had high priority.

Animal welfare was another important topic in 2020, and several Orkla companies pursued a dialogue on Orkla's new animal welfare guidelines with organisations such as the Norwegian Animal Protection Alliance, the Danish organisation Anima, the Swedish association Animal Rights and the Animal Freedom organisation (read more on page 100).

Sustainable packaging was a key topic in Orkla's dialogue with Grønt Punkt Norge, other producer responsibility organisations and various advocacy organisations. Several companies have engaged in dialogue with various organisations on food waste.

Consumer service
Consumers are among Orkla's most important stakeholders, and dialogue with them primarily takes place through companies' consumer service departments. Consumers are increasingly concerned about the environment and sustainability, and Orkla has seen a rise in the number of inquiries received by its consumer service staff on this subject. In 2020, 224 inquiries about sustainability were received in Norway alone.

Important topics of dialogue with consumers in 2020 were packaging, raw materials and the development of more sustainable solutions. Many consumers want information about where raw materials come from, what Orkla is doing to address challenges in the supplier chain, which packaging solutions are made of recycled plastic, whether product packaging can be recovered, and the correct way to sort at source. Orkla's consumer service team has also received a great deal of positive feedback and questions about launches of more sustainable products from brands such as Klar and Jordan Green Clean. Consumer interest in vegan products is on the rise, and the consumer service staff receive questions about both plant-based food and animal welfare.

Some brands have engaged actively with consumers through social media. For two years, for instance, Klar has administered a Facebook group called "Klart det har noe å si" (Of course it makes a difference), where consumers provide continuous feedback on products and play an important role in testing innovations.

The way forward
The active dialogue with authorities, organisations and other industry players aimed at preventing plastic pollution, reducing greenhouse gas emissions, tackling challenges in the value chain and promoting healthy, sustainable consumption will continue in 2021.

Important topics of stakeholder dialogue in 2020

Employees

- A good, inclusive working environment
- Injury prevention
- Diversity and non-discrimination
- Skills development
- Restructuring of businesses
- Orkla Aspirations 2030
- The coronavirus pandemic

Authorities

- A circular value chain for plastics
- Reduction of food waste
- Partnership for better public health
- Sustainable fishing management
- Deforestation-free supply chains
- The Norwegian Ethics Information Act
- Ongoing dialogue with supervisory authorities
- The Norwegian Fair Trade Practices Act
- Agricultural policy and customs issues
- Plant-based food
- Grocery market concentration

Customers and consumers

- Healthier products
- Food allergies
- Plastics and eco-friendly packaging
- Reduction of food waste
- Sustainable raw materials
- Animal welfare
- Recycling of textiles and packaging
- Product safety
- Contingency preparedness
- Product issues
- Most sustainable products
- Sustainable innovation
- Labelling and labels
- Plant-based food

Suppliers

- Sustainable packaging
- Sustainable farming
- Reduction of greenhouse gas emissions (Science-Based Targets)
- Deforestation-free supply chains
- Sustainable fish and seafood
- Improvement work cocoa, cashew nuts and hazelnuts
- Sustainable textile production
- Animal welfare
- Compliance with Orkla's Supplier Code of Conduct

Important topics of stakeholder dialogue in 2020

Local communities[1]

- Environmental initiatives
- Restructuring of businesses
- Collaboration on vocational training
- Building projects
- The coronavirus pandemic

[1]Two Orkla factories received complaints from neighbours in 2020 about production odours. Several Orkla factories also invited neighbours to information meetings and engaged in dialogue with local supervisory authorities regarding operations-related matters.

Advocacy organisations

- Clean oceans
- Climate impact labelling
- Plant-based food
- Food waste
- Animal welfare
- Sustainable packaging

Research communities

- Circular business models
- Recycling of plastic
- Reduction of greenhouse gas emissions (Science Based Targets)
- Environmental impact of products
- Development of healthy, sustainably produced food
- Efficient resource use
- Food waste
- Omega-3 and fish

Investors

- Orkla's sustainability strategy
- Orkla's sustainability targets
- Sustainability management procedures
- Climate risk
- Risk management
- EU Taxonomy
- Plastic

Social engagement

Orkla's decentralised structure with five business areas, 105 factories and more than 300 local brands makes the Group an important player for local communities.

Many Orkla companies are cornerstone enterprises and important employers in their local communities. By developing profitable businesses, Orkla creates positive ripple effects for communities in the form of skills development, jobs at suppliers and in the public sector, and through payment of direct and indirect taxes. Through cooperation with local authorities, schools and organisations, the companies also contribute to supporting projects of benefit to society.

Developments in 2020

Orkla companies partner with external centres of expertise, government authorities, schools and organisations to make a positive contribution to society, and were engaged in a wide range of projects in 2020. The level of activity increased in 2020, and Orkla contributed a total of NOK 46.9 million in support for various types of socially beneficial projects. Here are some examples of social engagement:

- Bølgen (The Wave): Orkla Foods Norge, Orkla Confectionery & Snacks Norge and Orkla Home & Personal Care Norge "took the wave", organising beach clean-ups and workshops as part of an initiative launched by Mepex and Keep Norway Tidy, funded by the Norwegian Environment Agency.

- TV Aksjonen (TV Telethon): Orkla Confectionery & Snacks Norge, Orkla Health and Orkla Foods Norge, as well as Orkla Group, supported the 2020 Norwegian TV Telethon in which the funds went to WWF and its work for clean oceans.

- A warmer society: In partnership with KIWI, Orkla Home & Personal Care ran a campaign to support the work of the Church City Mission. For each Define, Dr. Greve, OMO, Comfort and Blenda product sold by KIWI during the campaign period, NOK 2.50 went to fund the organisation's efforts to provide food and warmth to the needy.

- The Danish Food Bank: Since 2019 Orkla Foods Danmark has donated surplus food to people in a vulnerable situation, thereby also reducing food waste.

- Hospital Clowns: For over five years, Orkla Care Finland, Orkla Health and Orkla Confectionery & Snacks Danmark have all supported various organisations in which professional actors and doctors provide entertainment to spread joy to children in hospitals.

- Christmas Aid: Orkla Foods Danmark supported Røde Kors Julehjelp og Julehjælpen.dk in 2020, helping to give vulnerable, needy families with children a joyful Christmas. Orkla Confectionery & Snacks Norge provided funding for Fransiskushjelpen (Franciscan Aid) for its 2020 Christmas campaign to distribute packages of food and other gifts to the lonely and needy in the Oslo area.

Orkla's engagement during COVID-19

Orkla entered into partnership with the Norwegian Women's Public Health Association in 2020 to support its work. The association is one of Norway's largest humanitarian organisations and reaches a great many people who are isolated or in other ways affected by the COVID-19 pandemic. Orkla provides financial support and donates products.

- **MTR Foods** supported various local players in COVID-19 relief programmes, by donating both funding and food.
- **Kotipizza** donated pizza to 1900 people in Finland who found themselves in difficulty when the COVID-19 pandemic broke out.
- **Lilleborg** has drawn on its knowledge of hygiene and infection prevention in combination with effective products and methods to organise seminars and other information initiatives for a wide range of players in society, in collaboration with the Confederation of Norwegian Enterprise (NHO). Furthermore, Lilleborg has held dedicated webinars on infection control cleaning and provided advisory services for professional customers.
- **Orkla Foods Norge** donated several portions of TORO meals and bottles of NATURLI'® cocoa drink to hospitals in Norway during the COVID-19 pandemic.
- **Orkla Foods Sverige** offered assistance to needy consumers and customers during the pandemic in the form of food donations to nursing homes and free consultations and digital courses for customers.
- **Orkla Confectionery & Snacks Norge** helped to limit the impact of COVID-19 on cocoa farmers in Africa through a donation to the Rainforest Alliance and an aid programme that has benefited 2500 cocoa farmers.

Restructuring and social impacts

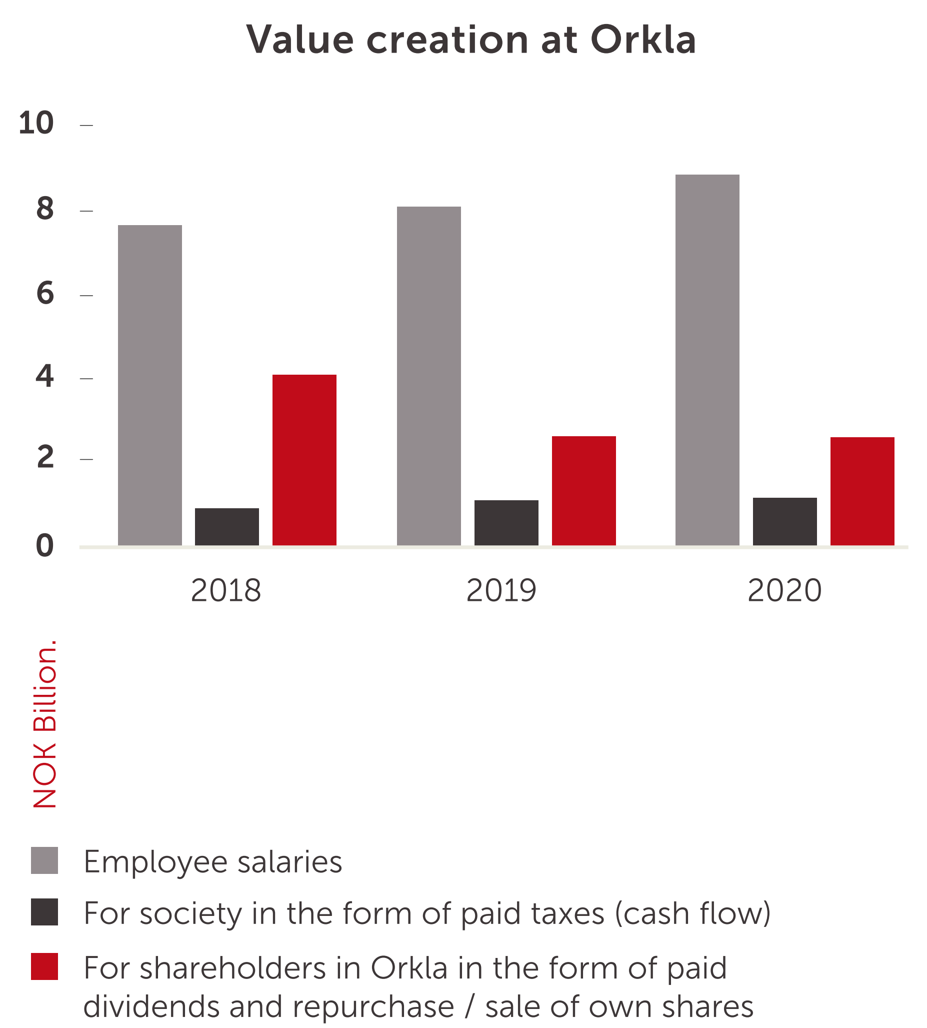
To ensure competitive operations for the long term, Orkla invested in new companies, production improvements and some major restructuring projects in 2020. Norgesplaster holds good positions in the wound care and first aid equipment sector and was Orkla's biggest acquisition in 2020. Orkla Confectionery & Snacks continued to invest in establishing new, modern factories for the production of chocolate and biscuits in Riga, Latvia. Orkla Foods International started a large project to establish a long-term, efficient production structure in Central Europe. In this connection, it was decided that a factory in Maratice, Czech Republic will be closed in 2021, and the business will be strengthened with three production facilities in Babice and Bzenec in the Czech Republic and in Mattersburg, Austria. Pierre Robert carried out restructuring processes that resulted in the winding-up of the business in Sweden. Orkla Food Ingredients invested in new ice cream and cake businesses, and the companies Kobo, Sebmag and Merkur were merged in Poland. The same applies to the two Swedish companies Risberg and Werners Gourmetservice. Orkla's central Group functions were also reorganised.

The investments in new companies and production facilities are generating positive ripple effects in the form of jobs and sourcing contracts with local suppliers. At the same time, as a result of the restructuring in 2020, around 380 employees were made redundant. Through long-term planning and active work placement facilitation, a large percentage of these persons have been offered other jobs within Orkla. Some employees were temporarily or partially laid off for some time in 2020 due to the coronavirus situation.

The elected employee representatives at both central and local level have been involved in the restructuring projects through regular consultation meetings.

Capital employed by geographical region

Norway	18 247	40%
Sweden	7 763	17%
Denmark	5 920	13%
Finland and Iceland	4 615	10%
Baltics	2 192	5%
Nordic and Baltic countries	**38 737**	**85%**
Rest of Europe	5 992	13%
Rest of World	832	2%
Total (NOK million)	**45 561**	**100 %**



The way forward

In 2020, Orkla strengthened its role as a local player through active engagement in local communities. COVID-19 has both given Orkla an opportunity to contribute to society and been a challenge for many Orkla companies. The efforts to ensure that the coronavirus situation at Orkla is dealt with effectively will continue in 2021. Orkla companies will also maintain their close cooperation with local players to contribute to the community of which they are a part.

Responsible employer and human rights

Orkla has continued to focus on developing good workplaces characterised by respect and consideration for others, human resource development, equal opportunities and fair working conditions.

People are Orkla's driving force, and the Group works systematically to ensure that its employees have a safe, fair and stimulating workday, across countries, companies and functions. Human rights must be respected in every part of the Group, and Orkla strives to be a diverse workplace that guarantees equal opportunities for all. All employees must be represented in important processes and actively involved in their own development. Furthermore, Orkla focuses on skills building and internal career development and works to be an attractive employer.

Developments in 2020

Respect for human rights

Efforts to ensure that all the companies in the Group comply with the principles set out in Orkla's responsible employer and human rights policy continued in 2020. Almost every company in all the countries in which Orkla has a presence updated its annual assessment of non-conformance risk in the areas covered by the policy. In addition, several of the companies carried out internal training activities related to the policy.

The risk assessments showed that the risk of breaches of workers' rights in Orkla companies is low. The companies have hiring procedures, work contracts, wage-setting processes and working hours that protect workers' rights and meet national statutory requirements. Orkla is committed to offering fair, competitive conditions, and wages are determined through collective bargaining or benchmarking against other companies. The wages of the lowest paid employees exceed, on average, national minimum wage requirements, and Orkla has internal guidelines to ensure that all employees are paid a wage that meets their basic needs. In a few companies, it was found necessary to increase the minimum wage, and these companies are in the process of doing so. The vast majority of permanent employees in Orkla companies are covered by either government pension plans or the companies' own pension plans. None of the Orkla companies has employees under the age of 15, and most of them apply a minimum age limit of 18 for employment. All the companies consider the risk of a breach of children's rights and workers' right of organisation and collective bargaining in their own operations to be low, and there are no cases of child or forced labour. In connection with the risk assessment in 2020, the companies identified relevant improvement measures to attain the goal of being a responsible employer.

"A Home to Grow"

In 2019, Orkla launched its pledge to employees of providing "A Home to Grow" in, as part of its efforts to be an attractive employer. The "A Home to Grow" pledge signifies that Orkla is committed to developing its employees and offering them personal and professional development through exciting career opportunities, an inspiring workplace with good colleagues and continuous training This is also one of the main pillars of Orkla's recently launched strategic Aspirations 2030. In 2020, to make Orkla "A Home to Grow" in, the Group established a Junior Advisory Board intended to serve as an advisory forum for Orkla's President and

CEO and the Group Executive Board, when it comes to sustainability, digitalisation, innovation and talent development. The members of this advisory board are young Orkla employees from a broad range of companies and countries, thereby ensuring a diversity of perspectives.

Even in a year as challenging as 2020, Orkla has managed to remain an attractive employer by holding digital career days targeting Nordic university colleges. A total of 5000 students participated in these events. Orkla's programme for summer students, the O-Life summer internship which combines some physical presence with a digital programme, was also carried out despite the COVID-19 situation. Orkla continues to have a high rating in Universum's career survey, and in 2020 was ranked in 8th place by business students in Norway, in addition to being rated one of Norway's most attractive employers for the first time by IT students.

Comprehensive professional development

A multitude of learning opportunities and continuous competence development are important aspects of Orkla's employee pledge, "A Home to Grow", and Orkla strives to offer good opportunities for development at every level and in every country. Skills development at Orkla is therefore achieved through interaction between global and local programmes. In the past few years, human resource development work has been significantly strengthened by better organisation, new, central competence-building programmes and increased use of digital training. Orkla's strategy for professional development consists of a combination of learning and development through on-the-job training, social dialogue and formal courses.

Orkla was already moving towards more modern, digitally supported training when the coronavirus pandemic broke out in 2020. The pandemic provided further impetus to enter the digital world. General knowledge of virtual communications methods was substantially strengthened in 2020, which facilitates virtual training. Although Orkla does not plan to convert all its courses into virtual offerings in the future, virtual training has become a strong alternative to physical gatherings. In 2020, Orkla adapted most of its existing programmes to digital training and launched new courses in digital skills, such as virtual facilitation techniques and leadership expertise for virtual teams. In addition, Orkla invested in technology to enable digital training. Orkla also strengthened the leadership training programme by updating the Group's leadership development programme, introduced a new digital academy for value chain management and development, and renewed Orkla's purchasing academy and sales academy. Furthermore, the companies carried out extensive local training in work-related topics such as environment, health and safety and food safety.

Orkla's goal is to have procedures that ensure that all employees have regular development interviews. Unfortunately, not as much progress as hoped is being made in this area, and more measures have been implemented in the past few years. A harmonised process and common IT tools for evaluating and following up on management staff and administrative employees are well established in Orkla. The system has been introduced in around 80 per cent of the companies, and the aim is to cover all the businesses. In 2020, to improve procedures for performance appraisal interviews for individual blue-collar workers, the Group established a common form and process for this purpose. Considerable efforts were also made in 2020 to improve the content of performance appraisal interviews, with emphasis on employees' personal development and learning, in addition to effective achievement of business goals. This is to be done by revising forms and systems, setting new requirements for feedback and providing training for managers, and will be followed up closely in 2021.

Active employee participation

Orkla is committed to promoting a corporate culture based on respect and consideration for others and to enabling the active involvement of employees in issues of importance for the Group's operations and the individual's work. To achieve this goal, both Orkla and the Orkla companies organised a number of internal gatherings, meetings and other communications and culture-building initiatives in 2020. Orkla's central agreement governing cooperation between Orkla and employee unions expired in 2020 and was then renegotiated. To supplement the central corporate democracy arrangements, Orkla wants all the companies in the Group to have formal consultation channels, through employee representation on the Board of Directors or formal liaison bodies. Orkla wants all companies to have formal bodies for dialogue and collaboration between management and elected union representatives or other employee-elected representatives, through liaison committees, working environment committees or EHS committees. Around 84 per cent of Orkla employees work in companies that have established such bodies. In 2020, Orkla decided to establish a separate liaison committee for the new business area Consumer & Financial Investments.

In 2020, the COVID-19 pandemic was the primary topic of discussion in the dialogue between management and elected employee representatives, so as to ensure that all Orkla employees were able to work safely and stay in good health. Other topics covered in the dialogue were wage negotiations, occupational health and safety and restructuring projects. When implementing changes that affect employees, the employee representatives must be involved at an early stage, in accordance with a process agreed on with Orkla's central employee representatives. The notification period at local level varies depending on national legislation and the type of matter concerned, and in most cases is two to eight weeks.

Diversity and equal opportunity

Orkla strives to promote diversity and equality of opportunity, and in 2020 several companies carried out awareness-raising programmes on diversity and unconscious discrimination. A total of around 1 100 employees took part in such training in 2020. In connection with the Black Lives Matter movement, a number of companies provided training on this issue, and Orkla held a digital seminar that was open to all employees. In 2020, Orkla also rolled out a new digital recruitment tool in every country, which is designed to prevent unconscious bias in connection with recruitment. Orkla has worked systematically for many years to increase the percentage of women in management positions. Women hold around 41.5 per cent of all management positions. The proportion of women in senior management positions is around 36 per cent. Although Orkla has achieved a positive change over time in the percentage of women in management positions at all levels, there is still a considerable way to go to reach the goal of an even gender balance. Promoting diversity in gender and other aspects is a priority objective for Orkla, and the Group will intensify its efforts in this area.

As part of the formal, annual employee evaluations, particular attention is focused on identifying women management candidates at both Group and company level. When recruiting new management team members at company or business area level, it is a requirement that there must always be at least one woman candidate. Furthermore, Orkla has decided that several new initiatives are to be implemented in Orkla's current HR processes to measure and foster a more even gender balance, particularly at senior management level.

Gender pay gap review

Orkla has formal, harmonised recruitment and wage-setting procedures designed to prevent discrimination. In 2020, new statutory requirements entered into force in Norway, whereby employers must map gender differences in several areas, including pay and involuntary part-time employment. Accordingly, in 2020 Orkla carried out a detailed review of salaries across the Group based on pay data from 2019.

The review covered 20 large companies in eight countries, broadly distributed across different business areas to provide a representative picture of the Group as a whole. The companies selected account for well over half of the total number of Group employees. The review covered management staff and white-collar workers. Factory workers were not included since wages for this group are chiefly determined by collective agreements, which means that the risk of gender wage disparities is low. Because the review was limited to management staff and white-collar workers, it covers around 20 per cent of the total number of Group employees.

The review showed that the average salary for men in 2019 was 12 per cent higher than the salary for women. Differences were smaller in the Norwegian companies, and slightly larger in the Nordic region. The review revealed greatest differences in Central Europe. A slightly higher percentage of men in management positions is the most important reason why the average pay of men is higher than that of women.

The industry concerned also appears to be a factor that could explain the differences, with substantially smaller gender differences in businesses like health and clothing and bigger differences in the IT sector. Age and seniority do not appear to have a significant impact on the figures.

Orkla has regularly carried out surveys of gender differences for senior executives in the Group, which to a greater extent have focused on differences between men and women in comparable job categories. A survey carried out in 2019 showed that the salary of male senior executives was 6.3 per cent higher than the median salary and that of female senior executives was 1.6 per cent higher than the median salary. This type of analysis thus reveals substantially smaller gender differences than the gender pay gap review and a general reduction in the gender-related pay differences in the last few years.

The results of the gender pay gap review will be further analysed to ascertain whether there are differences in pay for equivalent positions. To the extent that such differences are identified, the issue will be raised with the management of the relevant companies, who will consider actions to equalise any differences.

In addition to salary, bonus and car allowance payments were analysed. There is a majority of men in positions where bonuses are largely common, such as in sales and in positions with more direct profit responsibility. At senior executive level, the difference is small even where there is a large majority of men, which indicates a relatively good gender balance at this level.

Generally speaking, it appears that there are smaller differences with regard to bonuses and salary increases in the Norwegian companies, and that differences are bigger in other countries. The results will be presented to the senior executives of the companies concerned and plans of action will be drawn up.

As part of the gender pay gap review, figures for temporary employees, parental leave and voluntary/involuntary part-time employment were compiled and analysed. The review shows that the percentage of employees in temporary positions (2.8 per cent) and part-time positions (2.4 per cent) is low. Among those in temporary positions, there are relatively large gender differences. Close to 80 per cent of employees in temporary positions are women, and 20 per cent are men. The review shows that almost all employees who work part-time do so voluntarily. Only 0.03 per cent of men and 0.12 per cent of women work part-time involuntarily, and this applies only to Norwegian companies.

Orkla wishes to make it easier for all parents to be able to take parental leave, regardless of gender. Figures for Orkla companies in Norway and Sweden show that 6 per cent of women and 3 per cent of men took parental leave in 2020. The gender pay gap review, which covers several companies and countries, shows that women took 85 per cent and men 15 per cent of the total number of weeks of parental leave. To a large extent, these figures probably reflect differences in parental leave regulations in different countries.

The way forward

Efforts to promote human resource development, employee participation and diversity will continue in 2021, and areas for improvement identified through the pay review and management-employee dialogue will be followed up. The new framework for performance appraisal interviews for blue-collar workers will be tested. Orkla will increase the scope of digital training in the Group and implement a programme to raise awareness of diversity and non-discrimination issues. The new competence-building programme for senior management staff will be rolled out in 2021, including special activities to identify and develop CEO candidates in Orkla, both female and male. In addition, Orkla will conduct a new, Group-wide employee opinion survey in 2021, which will give all employees an opportunity to express their views on workplace issues. Not least, Orkla companies will be able to identify improvement initiatives on the basis of the survey.

Occupational health and safety

Orkla applies the same occupational health and safety standards in every place where the Group operates. Orkla's vision is zero injuries.

This is to be achieved by building a strong environment, health and safety (EHS) culture. An important element of this work consists of training and employee participation in every part of the business.

A safe, healthy working environment is a fundamental right for all employees and essential to ensuring stable, efficient operations. Good risk management, systematic focus on preventing injuries and occupational illnesses, and initiatives to promote a good working environment are crucial to achieving the zero vision.

Risk assessment is important to ensure good control of all the activities of Orkla businesses and forms the basis for effective action plans and improvement initiatives. All the companies regularly prepare such assessments. A significant share of risks across companies and countries is related to ergonomics, use of machinery, falls, storage and handling of chemicals, the psychosocial working environment and inadequate knowledge of safety risks and procedures. Orkla wants all its companies to establish principles for health-promoting workplaces, adapting the principles to conditions in each country. The companies' EHS work is based on the requirements and guidelines set out in Orkla's EHS standard. The systematic improvement work is carried out with emphasis on establishing a high level of knowledge and awareness and taking preventive action.

EHS monitoring

EHS work is monitored at company and business area level through status reports to the management teams, Group Executive Board and Orkla's Board of Directors. All the Orkla factories have been audited in the past three years, and factories that do not meet the requirements in Orkla's EHS standard at the time of audit are followed up closely. Newly acquired companies are quickly introduced to Orkla's EHS standard. In addition to ensuring that the businesses operate in compliance with laws and regulations, the purpose of the audits is to promote learning through systematic observation and feedback.

Developments in 2020

COVID-19 preparedness

In 2020, all of Orkla's businesses were in high preparedness mode in response to the COVID-19 situation. The paramount priority was to safeguard employees and prevent infection. At the same time, Orkla has a critical societal function as a manufacturer of foods, cleaning products, personal hygiene articles and other products that people need in a pandemic. To ensure that all employees could be safe at work, extraordinary hygiene and cleaning procedures and new guidelines were introduced. Impact assessments and emergency action plans in response to the pandemic were drawn up to prevent infection and deal with any infection that occurred. Factory premises had to be divided into zones, and work shifts were reorganised to be able to maintain physical distancing as far as possible and ensure the possibilities of tracking infection. Many of the office employees in Orkla businesses have worked from home for large parts of 2020. This has been a major change in their working environment, and Orkla has made systematic efforts to support employees in this new normal. Employees have been helped to optimise their work situation, information has been shared on the use of digital tools, and many companies have taken various actions to encourage both physical activity and social contact and relaxation in a challenging workday.

EHS audits

In 2020, EHS audits of Orkla factories and businesses were chiefly carried out digitally due to the pandemic. The use of digital audits has provided new knowledge and possibilities for future EHS audits. Audits scheduled in 2021 will be conducted digitally for the time being, after which a mode of working that combines use of digital tools and local reviews at the businesses will be established.

EHS Week

For the third year in a row, an EHS Week was held at Orkla in 2020. The aim is to strengthen internal engagement and the EHS culture to support the work to achieve zero injuries. EHS Week is intended to raise employee awareness throughout Orkla of important areas covered by the EHS standard and the Orkla Golden Rules. In 2020, the topic was EHS Dialogue, which is a simple tool for engaging employees and management in conducting structured conversations to identify hidden areas of risk and possibilities in the working environment. Businesses were also urged to carry out other relevant EHS activities locally. All Orkla businesses participate in EHS Week, and in 2020 a major effort was made to hold the event even if it had to be adapted to comply with level of restrictions. During EHS Week, employees took part in activities ranging from courses on EHS dialogue and fire drills to first aid courses, lectures on mental health, volunteering in the local community and much more. The businesses that participated were urged to share their activities in photos or videos. The four best contributions were awarded a prize. The material and experiences shared will be used in future EHS work.

Health promotion

The recorded sickness absence rate at Orkla was 4.6 per cent in 2020, which is slightly higher than in 2019. Sickness absence is affected by a multitude of factors and is a complex field. There are significant variations from country to country and company to company, and continuous work is done on improvement initiatives to follow up on absences and carry out preventive activities. Preventive activities are important for avoiding future sickness absence, and health risk is assessed in order to take the right remedial action. Several Orkla companies have carried out risk assessments that show that ergonomics and the psychosocial/organisational working environment are the factors that have the greatest effect on occupational illness. In 2020, the COVID-19 situation affected sickness absence in that the Group could see an increase in short-term absence during the autumn, but overall, total sickness absence was not significantly higher than at the same time in the past three years.

Injuries

The Lost Work Day Rate (LWDR) in 2020 was 3.7, which is a slight increase from 2019. Around two thirds of Orkla's entities had no injuries resulting in absence in 2020. Most injuries were of a less serious nature, such as cuts, blows or crushing injuries. All the incidents were followed up in the respective companies. Reporting and investigating EHS incidents provides important information for preventing future accidents and incidents, and injury reports are therefore shared across the companies. This promotes greater understanding and awareness of risk in the organisation. The companies took a variety of steps to prevent injuries. In addition to extensive training and improvements in internal procedures, various types of safety measures were carried out such as increased use of personal safety equipment, better labelling and replacement of old equipment.

No breaches of official EHS regulations were reported.

The way forward

Efforts to prevent injury and promote health will continue with emphasis on the key principles in Orkla's EHS standard. In addition to training and risk mapping, it will be important to consider which new measures must be introduced to ensure that good progress is made towards the goal of zero injuries. Management-employee dialogue on EHS is an important tool on which there will also be considerable focus in future. Focus on behaviour is key to further reducing the number of injuries, and employees' own safety awareness and that of their colleagues must be incorporated into the EHS culture of the entire Group. Developing good, proactive EHS indicators for tracking company performance will also be important. The pandemic necessitates continued high level of preparedness, in which the primary priority will remain safeguarding employees and preventing infection.

Integrity

Orkla seeks to foster a corporate culture based on integrity and good business practices, and in 2020 continued its efforts to promote good judgement and prevent ethical risk.

Corruption and other unethical business practices limit the possibilities of economic development and hamper competition on equal terms. 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.

Developments in 2020

In 2020, Orkla continued its long-term efforts to ensure high awareness of Orkla's Code of Conduct and preventing undesirable conduct. The anti-corruption manual, which was updated in 2019, was translated to all relevant languages in 2020. Orkla's internal audit staff is responsible for the Group's whistle-blowing system and for investigating and dealing with any matters reported. Orkla uses a whistle-blowing channel that enables employees to report matters anonymously in their mother tongue, and that ensures that Orkla is in compliance with personal data protection and information security rules. Orkla has reviewed its whistle-blowing procedures to make sure that they meet the new rules in the EU directive on protection of whistle-blowers, which entered into force as of 2020. During the year, 47 matters of varying scope and nature were reported in connection with possible breaches of Orkla's Code of Conduct. Most of the matters proved not to constitute a breach of the code. All matters reported through the whistle-blowing channel are dealt with in accordance with internal and external guidelines for handling whistle-blowing cases.

Orkla's ongoing e-learning programme on anti-corruption and competition law continued in 2020. In addition, the Group initiated digital risk-based dilemma training for companies in regions that are exposed to corruption or with employees in positions exposed to such risk. Through Orkla's Supplier Code of Conduct, companies require suppliers to have zero tolerance for corruption, and suppliers are monitored as necessary. In connection with acquisitions and major investments, Orkla assesses the risk of becoming involved in breaches of anti-corruption and competition law, and risk-mitigating measures are implemented whenever the Group considers that there is an obvious risk. Work on third-party risk management continued in 2020, and Orkla has focused on strengthening the Orkla Business Partner Program to ensure that the Group avoids any litigation or reputation-related matters that may arise in connection with working with third parties.

In 2019, the Norwegian Competition Authority opened an investigation of Orkla-owned Lilleborg AS based on suspicions of a possible breach of the Competition Act, and the company is assisting the competition authorities by facilitating an effective investigation. A case is currently pending concerning possible evasion of value added tax related to Hamé Ungarn dating from before Orkla acquired the company. The case has not been decided. In 2020, Orkla had no formal complaints or matters related to anti-corruption rules and regulations.

Work on ensuring good internal control of personal data processing continued in 2020, with emphasis on improving internal systems that make it easier for the Group to ensure compliance with personal data protection legislation and for consumers to exercise their rights. In 2020, the companies reviewed their personal data processing protocols to identify relevant improvements. Digital training was also rolled out in 2020 on the duty to protect the personal data of all employees in Orkla ASA. Similar training will be provided in Orkla companies in 2021.

The way forward

Internal training programmes and focus on raising awareness of ethical issues will continue in 2021. Orkla will continue its work on the new risk-based, anti-corruption dilemma training. An updated version of Orkla's Code of Conduct will also be rolled out in 2021. At the same time, the Group will continue to monitor companies to ensure that personal data processing procedures function as intended.

Care for people and society

GRI references	Indicators	Unit	2020	2019	2018
Stakeholder dialogue and social engagement					
203-1	Support for external organisations and projects				
	- Investment in local infrastructure	NOK million	0.1	0	1,5
	- Financial support for projects beneficial to the community[1]	NOK million	46.9	14.4	17.6
	- Value of products and work (pro-bono)[1]	NOK million	16.5	11.1	11.4
415-1	Financial support received from government during the year				
	- Subsidies for operations, energy investments, innovation, labour and environmental measures	NOK million	107.7	51.9[2]	51.6
	- Raw material price compensation	NOK million	160.2	159.3	159.8
202-2	Share of management team members recruited from the country where the business is located[3]	%	86	93	91
415-1	Total value of political contributions	NOK million	0	0	0
417-2	Formal complaints and matters related to product labelling laws and regulations	Number	0	2	2
417-3	Formal complaints and matters related to marketing laws and regulations	Number	3	2	0

GRI references	Indicators	Unit	2020	2019	2018
Responsible employer					
405-1	Employee diversity				
	- Total number of employees	Number	18 109	18 348	18 510
	- Share of administrative employees	%	43.1	44.3	47.0
	- Share of blue-collar workers	%	56.2	55.7	53.0
	- Share of employees under 30 years old	%	13.3	13.4	13.0
	- Share of employees 30-50 years old	%	52.3	53.0	51.7
	- Share of employees over 50 years old	%	33.5	33.6	35.3
	- Total share of women employees	%	43.9	47.3	47.8
	- Share of women administrative employees	%	50.0	51.5	47.5
	- Share of women blue-collar workers	%	40.7	44.0	48.1
405-1	Diversity in management				
	- Total number of managers at all levels	Number	2 167	2 082	1 850
	- Total share of women in management	%	41.5	39.9	41.4

Continued ↴

GRI references	Indicators	Unit	2020	2019	2018
Responsible employer					
405-1	- Total share of managers under 30 years old	%	2.6	2.5	1.7
	- Total share of managers 30-50 years old	%	65.1	67.2	61.5
	- Total share of managers over 50 years old	%	36.1	30.3	36.8
	- Managers on Orkla's Group Executive Board	Number	10	10	10
	- Share of women on Orkla's Group Executive Board	%	20	20	20
	- Managers in management teams at Group, business area and company level	Number	422	391	338
	- Share of women in management teams at Group, business area and company level	%	35.9	35.5	34.9
401-1	Workforce changes				
	- Number of new employee hires	Number	2 332	1 909	2 050
	- Employee turnover (new employees/total number of employees)	%	13	10	14
Self-defined	Temporary staff[4]				
	- Share of total employees	%	2.8	-	-
	- Share among female employees	%	4.0	-	-
	- Share among male employees	%	1.3	-	-
Self-defined	Voluntary part-time employees[4]				
	- Share of total employees	%	2.3	-	-
	- Share among female employees	%	3.4	-	-
	- Share among male employees	%	0.9	-	-
	Actual part-time employees[4]				
	- Share of total employees	%	2.4	-	-
	- Share among female employees	%	3.7	-	-
	- Share among male employees	%	0.9	-	-
401-3	Parental leave				
	- Proportion of women with parental leave during the year[5]	%	6	-	-
	- Proportion of men with parental leave during the year[5]	%	3	-	-
	- Total number of weeks of parental leave[4]	Number	4 369	-	-
	- Total number of weeks of parental leave, women[4]	Number	3 728	-	-
	- Total number of weeks of parental leave, men[4]	Number	641	-	-

Continued ↴

GRI references	Indicators	Unit	2020	2019	2018
Responsible employer					
404-1	Average hours of organised training per employee	Hours	8.6	8.5	6.8
412-1	Human rights risk assessment				
	- Number of business units that have carried out risk assessment during the year	Number	41	41	35
	- Share of business units that have carried out risk assessment during the year	%	93	93	83
412-2	Employee training on human rights issues				
	- Total number of hours of training	Number	23 427	42 000	29 700
	- Share of employees who have received training during the year (unique individuals not registered)	%	81	100	74
404-3	Share of employees covered by procedures for regular performance appraisal				
	- Total	%	59	60	61
	- Management	%	93	89	86
	- Administrative employees	%	80	77	85
	- Sales personnel	%	79	87	88
	- Blue-collar workers	%	40	46	48
406-1	- Formal complaints or cases related to breaches of anti-discrimination regulation	Number	0	1	1

[1] The increase from 2019-2020 is due to increased activity and improved reporting procedures
[2] Historical data adjusted due to a reporting error
[3] For companies with operations in only one country, close to 100% of the management team members come from this country. For companies with operations in several countries, the management teams have a composition that reflects this
[4] Estimates based on survey conducted in selected companies with a total of 3,329 employees: 1,833 women and 1,496 men. It includes 20 companies distributed in 8 countries
[5] Includes only employees in Norway and Sweden, a total of 2,032 employees

GRI references	Indicators	Unit	2020	2019	2018
Integrity					
205-2	Anti-corruption training				
	- Number of employees trained during the year	Number	1 733	887	3 950
	- Share of employees trained during the year	%	9.6	4.8	21.3
205-3	Formal complaints and cases related to breaches of anti-corruption regulations	Number	0	0	1
206-1	Formal complaints and cases related to breaches of competition law	Number	1	1	0
418-1	Formal complaints and cases related to breaches of privacy regulations	Number	0	0	0
419-1	Non-compliance with laws and regulations in the social and economic area				
	- Value of significant fines	NOK million	0	0	0
	- Number of non-monetary sanctions	Number	0	0	0
	- Number of cases brought through dispute resolution mechanisms	Number	4	6	4
Occupational health and safety					
403-10	Sickness absence[6]				
	- Sickness absence, total	%	4.6	4.4	4.6
	- Sickness absence, Norway	%	4.5	5.2	6.0
	- Sickness absence, Nordics (excl. Norway) and Baltics	%	4.2	3.8	4.5
	- Sickness absence, rest of world	%	4.7	4.8	4.8
403-9	Injuries[6]				
	- Lost Workday Rate[7] (LDWR), total		3.7	3.5	4.1
	- Lost Workday Rate[7], Norway		3.1	1.6	2.1
	- Lost Workday Rate[7], Nordics (excl. Norway) and Baltics		5.3	4.7	5.6
	- Lost Workday Rate[7], rest of world		2.6	3.1	3.5
	- Total Recordable Rate[8](TRR), total		7.3	7.0	8.9
	- Total Recordable Rate[8] (TRR), Norway		8.9	5.7	8.5
	- Total Recordable Rate[8], Nordics (excl. Norway and Baltics)		11.2	10.8	12.2
	- Total Recordable Rate[8], rest of world		3.4	4.5	6.2
	- Work-related fatalities		0	0	0

[6] Historical figures have not been adjusted for changes in group structure
[7] Number of injuries leading to absence per million hours worked
[8] Number of injuries leading to absence, need for medical treatment or restricted work per million hours worked

Annual Financial Statements Orkla Group

04

INCOME STATEMENT, EARNINGS PER SHARE AND STATEMENT OF COMPREHENSIVE INCOME

The Income Statement *presents revenues and expenses for the companies consolidated in the Group and measures the results of companies that are reported using the equity method. Results for the accounting period are measured in accordance with International Financial Reporting Standards (IFRS). All internal matters have been eliminated. Items which only to a limited degree are reliable indicators of the Group's ongoing profitability are presented on separate lines as "Other income" and "Other expenses". The notes explain the contents of the different lines of the statement.*
Earnings per Share *are calculated on the basis of profit or loss for the year attributable to owners of the parent divided by the average number of shares outstanding.*
The Statement of Comprehensive Income *shows the result of all items that are credited/charged to equity, but are not included in profit or loss for the year and are not transactions with owners.*

Amounts in NOK million	Note	2020	2019
INCOME STATEMENT			
Sales revenues	7, 9	46 962	43 381
Other operating revenues	7, 9	175	234
Operating revenues	7, 9	47 137	43 615
Cost of materials	10	(23 430)	(21 696)
Payroll expenses	11, 12	(8 971)	(8 202)
Other operating expenses	13	(7 300)	(6 886)
Depreciation	7, 19, 20, 21	(1 944)	(1 743)
Operating profit before other income and expenses (EBIT adj.)	7	5 492	5 088
Other income	7, 14	145	379
Other expenses	7, 14	(1 075)	(940)
Operating profit	7	4 562	4 527
Profit/loss from associates and joint ventures	6	1 000	659
Interest income	15	20	18
Interest costs	15, 21	(182)	(210)
Other financial income	15	9	15
Other financial costs	15	(61)	(78)
Profit/loss before taxes		5 348	4 931
Taxes	16	(926)	(1 033)
Profit/loss for the year		4 422	3 898
Profit/loss attributable to non-controlling interests	33	51	60
Profit/loss attributable to owners of the parent		4 371	3 838

Amounts in NOK million	Note	2020	2019
EARNINGS PER SHARE			
Earnings per share (NOK)[1]	17	4,37	3,84
STATEMENT OF COMPREHENSIVE INCOME			
Profit/loss for the year		4 422	3 898
Other items in comprehensive income			
Items after tax not to be reclassified to profit/loss in subsequent periods			
Actuarial gains and losses pensions	12, 16	(16)	(244)
Changes in fair value shares		42	1
Items after tax to be reclassified to profit/loss in subsequent periods			
Change in hedging reserve	16, 31	(107)	58
Items charged to equity in associates and joint ventures	6	(91)	29
Translation effects		1 260	(146)
Hedging of net investment in foreign operations	31	(146)	(3)
Comprehensive income		5 364	3 593
Comprehensive income attributable to non-controlling interests	33	62	58
Comprehensive income attributable to owners of the parent		5 302	3 535

[1]No dilutive effect.

STATEMENT OF FINANCIAL POSITION

***The Statement of Financial Position** presents the Group's assets, broken down into non-current and current items, and shows how they have been financed, broken down into equity and non-current and current liabilities. All internal matters have been eliminated. The statement of financial position items are explained in the notes to the financial statements.*

Amounts in NOK million	Note	2020	2019
ASSETS			
Property, plant and equipment	7, 20, 21	16 274	15 402
Intangible assets	7, 19	24 209	22 727
Deferred tax assets	16	125	27
Investments in associates and joint ventures	6, 7	4 799	4 176
Other financial assets	22	569	408
Total non-current assets		45 976	42 740
Inventories	23	6 530	5 868
Inventory of development property	23	96	90
Trade receivables	24	6 256	6 078
Other receivables and financial assets	24	936	968
Cash and cash equivalents	25	3 213	1 669
Total current assets		17 031	14 673
Total assets		63 007	57 413

Amounts in NOK million	Note	2020	2019
EQUITY AND LIABILITIES			
Paid-in equity	32	1 972	1 972
Retained earnings		35 270	32 480
Non-controlling interests	33	462	460
Total equity		37 704	34 912
Interest-bearing liabilities	21, 28, 29	9 359	7 783
Deferred tax	16	1 681	1 619
Provisions and other liabilities	26	3 390	3 181
Total non-current liabilities		14 430	12 583
Interest-bearing liabilities	21, 28, 29	664	803
Income tax payable	16	380	533
Trade payables	27	6 526	5 591
Other liabilities	27	3 303	2 991
Total current liabilities		10 873	9 918
Total equity and liabilities		63 007	57 413

STATEMENT OF CASH FLOWS

***The Statement of Cash Flows** in accordance with IFRS shows how the Group's cash flows are broken down into cash flow from operating, investing and financing activities, according to the indirect method. The cash flow statement explains the general changes in the Group's liquidity since the previous accounting period. Orkla also prepares a separate cash flow statement that is used for internal management purposes and is part of the basis for the comments in the Report of the Board of Directors and the presentation in the segment information; see Note 38.*

Amounts in NOK million	Note	2020	2019
Profit before taxes		5 348	4 931
Depreciation and write-downs	14, 19, 20, 21	2 454	2 221
Changes in net working capital, etc.		672	471
Profit/loss from associates and joint ventures	6	(1 000)	(659)
Dividends received from associates and joint ventures	6	233	184
Gains, losses and write-downs shares and financial assets, moved to investing activities	15	0	9
Financial items without cash flow effect	15	43	93
Taxes paid	16	(1 152)	(1 129)
CASH FLOW FROM OPERATING ACTIVITIES		6 598	6 121
Sale of property, plant and equipment	8	161	54
Investments in property, plant and equipment and intangible assets	8	(2 607)	(2 522)
Sold companies	5, 6	193	432
Acquired companies	5, 6	(700)	(2 858)
Other capital transactions		29	(197)
CASH FLOW FROM INVESTING ACTIVITIES		(2 924)	(5 091)

Amounts in NOK million	Note	2020	2019
Dividends paid		(2 666)	(2 648)
Sale of treasury shares		57	59
Net paid to shareholders	32	(2 609)	(2 589)
Proceeds from borrowings		1 462	2 210
Repayments of borrowings		(27)	(434)
Repayments of lease liabilities	21	(529)	(492)
Net change in current liabilities		(517)	116
Net change in interest-bearing receivables		(65)	(151)
Net cash flow from/(used in) financing activities[1]	29, 38	324	1 249
CASH FLOW FROM FINANCING ACTIVITIES		(2 285)	(1 340)
Currency effect on cash and cash equivalents		155	1
Change in cash and cash equivalents		1 544	(309)
Cash and cash equivalents 1 January		1 669	1 978
Cash and cash equivalents 31 December	25	3 213	1 669
Change in cash and cash equivalents		1 544	(309)

[1]Reported excl. interest-bearing liabilities and receivables that are part of company acquisition and disposal transactions; see the reconciliation in Note 38.

STATEMENT OF CHANGES IN EQUITY

Equity changes *from one period to the next in accordance with the Group's comprehensive income. Furthermore, transactions with owners will be presented as separate items. This applies to matters such as dividends to shareholders, share issues and the Group's purchase and sale of treasury shares. The equity in Orkla ASA (see the annual financial statements for Orkla ASA) constitutes the basis of calculation for and the limitation on the dividends paid to the Group's shareholders.*

Amounts in NOK million	Share capital	Treasury shares	Premium fund	Total paid-in equity	Hedging reserve[1]	Items charged to equity in associates and JV[2]	Net translation effects	Other retained equity	Total Group	Non-controlling interests	Total equity
Equity 1 January 2019	1 274	(24)	721	**1 971**	(158)	224	1 524	29 956	**33 517**	436	**33 953**
Profit/loss for the year	-	-	-	**-**	-			3 838	**3 838**	60	**3 898**
Items in comprehensive income	-	-	-	-	58	29	(147)	(243)	**(303)**	(2)	**(305)**
Group comprehensive income	-	-	-	-	58	29	(147)	3 595	**3 535**	58	**3 593**
Dividends paid	-	-	-	**-**	-	-	-	(2 599)	**(2 599)**	(49)	**(2 648)**
Cancellation of treasury shares	(22)	22	-	**-**	-	-	-	-	**-**	-	**0**
Net sale of treasury shares	-	1	-	**1**	-	-	-	58	**59**	-	**59**
Change in non-controlling interests (see Note 33)	-	-	-	**-**	-	-	-	(60)	**(60)**	15	**(45)**
Equity 31 December 2019	1 252	(1)	721	**1 972**	(100)	253	1 377	30 950	**34 452**	460	**34 912**
Profit/loss for the year	-	-	-	**-**	-	-	-	4 371	**4 371**	51	**4 422**
Items in comprehensive income	-	-	-	-	(107)	(91)	1 103	26	**931**	11	**942**
Group comprehensive income	-	-	-	-	(107)	(91)	1 103	4 397	**5 302**	62	**5 364**
Dividends paid	-	-	-	**-**	-	-	-	(2 598)	**(2 598)**	(68)	**(2 666)**
Net purchase of treasury shares	-	-	-	**-**	-	-	-	57	**57**	-	**57**
Change in non-controlling interests (see Note 33)	-	-	-	**-**	-	-	-	29	**29**	8	**37**
Equity 31 December 2020	1 252	(1)	721	**1 972**	(207)	162	2 480	32 835	**37 242**	462	**37 704**

[1] See Note 31 for unrealised gains before tax.
[2] Items charged to equity in associates and joint ventures (JV).

Oslo, 15 March 2021
The Board of Directors of Orkla ASA

Stein Erik Hagen
Chairman of the Board

Ingrid Jonasson Blank

Nils K. Selte

Liselott Kilaas

Peter Agnefjäll

Anna Mossberg

Anders Kristiansen

Terje Utstrand

Sverre Josvanger

Karin Hansson

Roger Vangen

Jaan Ivar Semlitsch
President and CEO

(This translation from Norwegian of the Annual Financial Statements has been made for information purposes only.)

Notes Group

NOTE 1 GENERAL INFORMATION

This general information provides an overview of the financial statements presented, who approves them and where the company is listed on a stock exchange. Alternative performance measures (APM), individual events that are unusual in this year's financial statements and any changes in accounting policies compared with previously presented financial statements are also described.

General

The consolidated financial statements for Orkla ASA, including notes, for the year 2020 were approved by the Board of Directors of Orkla ASA on 15 March 2021. Orkla ASA is a public limited company and its offices are located at Drammensveien 149, Oslo (Norway). Orkla ASA's organisation number is NO 910 747 711. The company's shares are traded on the Oslo Stock Exchange. The Orkla Group operates primarily in the branded consumer goods, renewable energy and real estate sectors. The business areas are described in the segment information in Note 7.

The financial statements for 2020 have been prepared and presented in full compliance with applicable International Financial Reporting Standards (IFRS), as adopted by the EU.

Accounting policies and estimate uncertainty are largely incorporated into the individual notes. The accounting policies have been highlighted with a "P" and estimate uncertainty is marked with an "E". Estimate uncertainty will vary, and the areas in which estimates will be most significant will be specified in both Note 4 and in the relevant notes, with cross-references. In addition, certain sustainability elements have been presented in relevant notes and marked with an "S".

The Group has made no changes in presentation or accounting policies nor applied any new standards that materially affect its financial reporting or comparisons with previous periods. For information regarding future changes in accounting standards, see Note 4.

Alternative performance measures (APM)

Orkla uses EBIT (adj.) in both the income statement and in its presentation of segment results. EBIT (adj.) is defined as "Operating profit or loss before other income and expenses". "Other income" and "Other expenses" are items that require special explanation and only to a limited degree are reliable measures of the Group's ongoing profitability. Items presented on these two financial statement lines are disclosed in Note 14.

Earnings per share (adj.) show earnings per share adjusted for "Other income" and "Other expenses" after estimated tax. If other items of a special nature arise under the company's operating profit/loss, adjustments will also be made for them. See Note 17 for further information on earnings per share (adj.).

Orkla uses the terms "Organic growth", "Changes in underlying EBIT (adj.)" and "Underlying EBIT (adj.) margin growth" to explain changes in operating revenues and EBIT (adj.). These are not accounting terms, but are used in the Report of the Board of Directors and the segment information in Note 7. Organic and underlying growth have been adjusted for currency translation effects, acquisitions and disposals.

With regard to investment decisions, the Group differentiates between "Replacement investments" and "Expansion investments". These terms are used in Note 38 "Orkla-format cash flow presentation" and in Note 7 "Segments".

Net interest-bearing liabilities are the Group's primary management parameter for financing and capital allocation, which is used actively in the Group's financial risk management strategy; see Note 29. The statement of cash flows (Orkla format in Note 38) therefore shows the change in net interest-bearing liabilities at Group level.

The definitions of the various alternative performance measures (APM) may be found on page 260.

Sales and purchases of companies

Acquisitions and disposals of companies are presented in Note 5. The biggest acquisitions in 2020 were the purchases of the Havrefras brand and the shares in Norgesplaster Holding AS.

Special matters in 2020

2020 was impacted by the COVID-19 pandemic. The primary focus for Orkla has been to safeguard its employees and prevent infection, ensure the flow of goods in all markets and maintain good cash flow and a strong balance sheet. So far in the pandemic, Orkla has succeeded in maintaining close to normal value chain operations. The companies and central Group staff are monitoring developments and the infection situation closely. Detailed plans have been drawn up for various scenarios. It is primarily businesses in Orkla Food Ingredients and the Out of Home segment that have been negatively impacted by the coronavirus pandemic. The pandemic's effects on the different Orkla businesses are otherwise described in the Group's Board of Directors' Report.

Note 1 cont.

The Group had substantial "Other expenses" in 2020. The financial statement lines "Other income" and "Other expenses" show a net total of NOK 930 million. The largest item, totalling NOK 437 million, concerns write-downs and recognised expenses related to the Group's ERP projects. Write-downs were also taken on goodwill and brands in PRG Finland and goodwill in Gorm's. There were costs related to acquisitions and integration and to several improvement and restructuring processes in the Group. Gains on the sale of property and brands included the SaritaS and Vestlandslefsa brands and factory properties in Romania and Ishøj, Denmark. See also Note 14 for information on "Other income" and "Other expenses".

The Norwegian krone weakened against the EUR, SEK and DKK in 2020. This resulted in the recognition in equity of a net total of NOK 1,114 million in positive translation differences.

Other matters
Orkla has no loan agreements containing financial covenants.

SUSTAINABILITY

A good dialogue with stakeholders is essential to fulfilling Orkla's responsibility towards various stakeholder groups, adapting to changes in society and building trust in Orkla's operations. Orkla is engaged in an active dialogue with customers, suppliers, employees, shareholders, authorities and civil society actors, and wishes to provide insight into the way the Group deals with matters of importance for the Group's operations and key stakeholder groups. Orkla reports on the progress made in its efforts to address environmental and social issues in a Sustainability Report, which is included as a separate section in Orkla's Annual Report. Further information on the reporting criteria may be found on pages 65.

NOTE 2 BASIS FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

It is crucial to understanding these financial statements that the user is informed of the fundamental policies for the recognition of items and the consolidation of the Group.

The assets in the statement of financial position are recognised on the basis of the purchase cost, and this will largely determine their further accounting treatment. Normally, the purchase cost will be the highest value at which an asset may be recognised. However, this does not apply to the treatment of financial assets and accounting hedges, which are reported at fair value on an ongoing basis. Assets that no longer justify their value are written down to the recoverable amount, which is the higher of value in use and fair value minus selling costs.

The financial statements are prepared on the basis of the going concern assumption. In general, the latter can be justified by Orkla's financial strength with an equity ratio of 59.8% as at 31 December 2020 and financial reserves that more than cover the Group's liabilities in the next 12 months; see Note 29.

An asset or liability is classified as current when it is part of a normal operating cycle, when it is held primarily for trading purposes, when it consists of cash or cash equivalents on the statement of financial position date or when the entity concerned does not have an unconditional right to defer payment for at least 12 months. Other items are non-current. A dividend does not become a liability until it has been formally approved by the General Meeting. Discontinued operations and assets held for sale are presented on separate lines as current items.

All amounts are in NOK million unless otherwise stated. Figures in parentheses are expenses or disbursements (cash flow). The functional currency of the parent company (Orkla ASA) is NOK and the Group's reporting currency is NOK.

The information in *italics* preceding the income statement, statement of financial position, statement of cash flows and notes is provided to give a more detailed explanation of the various presentations.

Consolidation policies and recognition of companies in the Group
The consolidated financial statements show the overall financial results and the overall financial position when the parent company Orkla ASA and companies in which the Group has sole control (subsidiaries) are presented as a single economic entity. All the companies that are consolidated have applied consistent accounting policies and all intercompany matters have been eliminated.

Note 2 cont.

In addition, associates and joint ventures are presented using the equity method, while any minor assets in other companies are presented at fair value, with changes in value reported in the comprehensive income statement.

Interests in companies in which the Group alone has controlling interest (subsidiaries) have been consolidated, line by line, on a 100% basis in the consolidated financial statements from the date the Group has control and are consolidated until the date that such control ends. The Group will have control if it has the power to govern the subsidiary, has exposure or rights to variable returns from the subsidiary and can affect the amount of the returns in the subsidiary. If the Group has control, but owns less than 100% of the subsidiaries, the companies are still consolidated, line by line, on a 100% basis, while the non-controlling interests' share of profit or loss after tax and their share of equity are presented on separate lines. As at 31 December 2020, no companies were consolidated in the Group based on the rules regarding de facto control, i.e. that the Group has < 50% ownership, but by virtue of the ownership composition nonetheless in fact has control.

Profit or loss from associates and joint ventures is presented on an ongoing basis as part of the Group's profit or loss. These are both presented using the equity method. This applies to interests in companies in which the Group together with others has controlling interest (joint ventures) and interests in companies where the Group has significant influence (associates). Both these categories are disclosed in Note 6.

Small ownership interests in other companies are disclosed in Note 22. These financial investments are mainly capitalised at fair value and both changes in value and any gains or losses are recognised as other items in comprehensive income.

If a material part of the Group's operations is divested, an agreement is made to divest it, or if the Group loses its controlling interest/significant influence, these operations are presented as "Discontinued operations" on a separate line in the income statement and the statement of financial position. A material part is defined as an individual segment, an individual geographical area or a substantial asset. Consequently, all other figures are presented exclusive of the "Discontinued operations". The comparative figures in the income statement are restated and aggregated with the "Discontinued operations" on one line. The comparative figures for the statement of financial position and the statement of cash flows are not restated correspondingly. If an agreement is entered into to sell operations or assets that constitute less than a segment, assets and liabilities are reported on separate lines of the statement of financial position as "Held for sale". The income statement and the statement of cash flows are not restated.

Policies for translating foreign currency

Revenues and expenses in subsidiaries with a different functional currency from that of the parent company are translated monthly at the average exchange rate for the month and accumulated. Statement of financial position items in subsidiaries with a different functional currency are translated at the exchange rate on the statement of financial position date. Translation differences arise from two different situations. The first is when an income statement with a different functional currency than that of the parent company is translated at the average monthly exchange rate, while the statement of changes in equity is translated at the closing rate. The second is when the opening and closing rates of the statement of changes in equity differ. When the average exchange rate in the income statement and the opening rate in the statement of changes in equity differ from the closing rate, translation differences arise in the explanation of changes in equity. Translation differences are recognised as other items in comprehensive income.

Translation differences related to borrowing and lending in another functional currency, identified as net investment, are also reported as other items in comprehensive income. This is shown as a separate item.

All exchange rates have been obtained from Norges Bank.

Main exchange rates on consolidation against NOK

	Average of monthly exchange rates		Closing rate 31 December	
	2020	2019	2020	2019
EUR	10.73	9.85	10.47	9.86
SEK	1.02	0.93	1.04	0.94
DKK	1.44	1.32	1.41	1.32

Transactions in foreign currencies are recognised at the exchange rate on the date of the transaction. Financial receivables and liabilities in foreign currencies are measured at the exchange rate on the statement of financial position date, and any gain/loss is reported in the income statement as a financial item. Other monetary items (e.g. accounts receivable and accounts payable) in a foreign currency are presented at the exchange rate on the statement of financial position date, and any gain/loss is reported in the income statement as an operating item.

NOTE 3 PRESENTATION OF THE FINANCIAL STATEMENTS

Key accounting policies elaborate on the basic policies applied and describe how individual items in the financial statements have been treated. All the policies are consistent with current IFRS, but choices, interpretations and adaptations must nonetheless be made which may affect the preparation and presentation of financial statements to varying degrees.

As stated by way of introduction, the disclosure of accounting policies has been presented in the relevant notes. This has been done so as to give financial statement users as clear an overview as possible when they consult the various notes.

The financial statements
The complete set of financial statements consists of an income statement, a statement of comprehensive income, a statement of financial position, a statement of cash flows and a statement of changes in equity. The financial statements present one comparative year.

The income statement presents the Group's ordinary profit or loss, is divided into lines for various income and expense items and culminates in the Group's profit or loss for the year. Orkla has chosen to present its income statement based on a traditional classification of expenses by nature.

The statement of comprehensive income is based on the Group's profit or loss for the year and presents items that are recognised in equity, but not included in ordinary profit or loss for the period. Actuarial gains and losses on pensions and gains or losses and changes in the value of share investments are recognised in equity with permanent effect, while the other items are recognised in equity temporarily and reversed when the related assets/items are sold or settled. Corresponding items in associates and joint ventures are reported in the same way.

The statement of financial position is traditionally structured, the assets section starting out with non-current assets and ending with cash and cash equivalents. Interest-bearing receivables except for cash and cash equivalents are not presented on separate lines, based on materiality considerations. The interest-bearing items are disclosed in notes. In the equity and liabilities section, a distinction is made between equity, interest-bearing and non-interest-bearing non-current and current items.

The statement of cash flows is structured using the indirect method, presenting cash flows from operating, investing and financing activities, and explains changes in "Cash and cash equivalents" in the reporting period.

Orkla also presents an Orkla-format cash flow statement in the Report of the Board of Directors and in Note 38. The bottom line of the statement shows the change in net interest-bearing liabilities. Segment information refers to this statement, as the Group's cash flows are reported and managed in this way. Cash flow from operations is an important management parameter at Orkla; see Note 7.

The statement of changes in equity presents all the items reported in equity, including items from the comprehensive income statement. Other items in addition to the latter consist of transactions relating to shareholders, such as dividends, the purchase and sale of treasury shares and transactions relating to non-controlling interests.

NOTE 4 USE OF ESTIMATES AND ASSUMPTIONS IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The preparation of financial statements entails that the executive management must make decisions on the closing date on the basis of the information and discretionary assessments available on the date in question. This may apply to estimates and assumptions relating to financial statement items or other matters that may also have a material influence on the valuation of the company. Any material change in value from 31 December and up until the time the Board of Directors approves the annual financial statements will be reflected in either the financial statements or in the notes.

Areas of greatest estimate uncertainty

The management has made use of estimates and assumptions in preparing the consolidated financial statements. This applies to assets, liabilities, revenues, expenses and supplementary information related to contingent liabilities.

Fair value assessments are affected by estimates of required rates of return. The required rate of return is determined by using the capital asset pricing model and is affected by estimates of risk-free interest and risk premium.

Most statement of financial position items will be affected to some degree by estimate uncertainty. This is disclosed in the respective notes. Some areas are substantially affected by estimate uncertainty, and the areas where estimates will have the greatest significance will be:

Amounts in NOK million

Accounting item	Note	Estimate/assumptions	Book value
Goodwill	18, 19	Net present value future cash flows/NSV[1]	17 365
Trademarks with indefinite life	18, 19	Net present value future cash flows/NSV[1]	6 226
Property, plant and equipment	18, 20	Net present value future cash flows/NSV[1]	14 983
Leases	21	Lease period, renewal options and net present value future cash flows	1 291
Discounts, reduction in prices of seasonal goods, etc.	9, 27	Estimated need for provision in line with agreements	1 745
Provisions for liabilities and other non-current liabilities	26	Estimated need for provision based on incurred liabilities and estimated exposure	630

[1]NSV: Net sales value

The areas where there is the greatest risk of material changes are capitalised goodwill and trademarks with an indefinite useful life. This is because the amounts involved are substantial and the value of the asset is based on recognition policies from purchase price allocations which can subsequently be affected by a change in value. Valuations relating to these non-current assets are described in Note 18. It is important to be aware that proprietary trademarks are not capitalised and consequently do not entail any risk in relation to the statement of financial position. Some Orkla businesses have been impacted by the coronavirus pandemic and the situation is being closely monitored with regard to indications of a need for write-downs.

The valuation and estimated useful life of property, plant and equipment are based on future information and will always involve a degree of uncertainty. Especially in a situation where the Group is planning major changes in its manufacturing structure and number of production sites, there will be extra focus on the assessments made of different production facilities. The various production sites are routinely assessed based on a going concern approach, but in a situation where a change in organisational structure could mean that some plants will be closed or reorganised, these assessments will have to be changed on an ongoing basis and could lead to the identification of both net book value surpluses and net book value deficits.

The Group's decision to invest in a common ERP platform for Orkla Foods, Orkla Confectionery & Snacks and Orkla Care, as well as a common ERP platform for Orkla Food Ingredients, may make it necessary to change the useful life of or write down some currently used IT systems. A valuation of the IT systems concerned will be made on the date the various companies formally confirm their investment in a new ERP system. In 2020, a total of NOK 437 million in write-downs and expenses were recognised for the ERP platforms developed. This is disclosed in Note 14.

In Branded Consumer Goods, discounts amount to a substantial total. The discounts do not appear directly in the financial statements. It is net turnover after discounts that is presented as the Group's operating revenues. The majority of the discounts are netted in the invoices. Provisions are made for the share of discounts that are not netted directly in the invoice. Discounts for which provisions are made are reported as a current liability and totalled NOK 1.7 billion as at 31 December 2020. Discounts for which provisions are made are related to contractual arrangements that are largely based on agreements with chains and reported sales. The discount structure is complex and discounts are calculated on the basis of various discount matrices and

Note 4 cont.

agreements, and entail an inherent risk of estimate variance.

Other sales revenue reductions such as reductions in the price of seasonal goods, etc. must be estimated, due to the fact that externally-sourced data will not be available until after the financial statements have been prepared and presented. These arrangements also entail an inherent risk of estimate variance. There have been no material variances between provisions for and actually reported sales revenue reductions in the past few years.

After the sale of its stake in Sapa in 2017, Orkla retained certain liabilities arising from its former ownership. These are primarily liabilities related to guarantees and specific indemnities given to Norsk Hydro. The remaining provision as at 31 December 2020 is deemed to be sufficient to cover Orkla's remaining liabilities; see Note 26.

Other estimates and assumptions are disclosed in various notes, and any information that is not logically included in other notes is presented in Note 37.

Looking ahead

Future events and changes in operating parameters may make it necessary to change estimates and assumptions. Orkla's partnership agreements with customers are mainly entered into for limited periods of time, as is the case for the rest of the industry. The parameters for the partnership are thus normally renegotiated at regular intervals. These negotiations can result in changes in both the conditions and positions covered by the individual partnership agreement. Agreements with individual customers are normally entered into by the Orkla companies (business units).

New standards, statements and interpretations of current standards may result in changes in the choice of accounting policies and presentation. Such changes will be recognised in the financial statements when new estimates are prepared and whenever new requirements regarding presentation are introduced.

At the time the Annual Financial Statements for 2020 were prepared and presented, there were no changes in standards or interpretations of standards issued but not yet effective, which are expected to have a material impact on the consolidated financial statements.

Exercise of judgement

The financial statements may be affected by the choice of form of presentation, accounting policies and exercise of judgement. This applies, for instance, to items that only to a limited degree are reliable measures of the Group's current earnings. These items are presented as "Other income" and "Other expenses" in the income statement. The items are included in the Group's operating profit, but not in EBIT (adj.) broken down by segment.

Assessments regarding the recognition of leases may also entail exercise of judgement. This applies, for instance, when assessing whether renewal options should be recognised as well as whether a distinction should be made between leases and service agreements.

Profit or loss from associates and joint ventures is presented after operating profit/loss as these companies are reported as an investment.

SUSTAINABILITY

The global challenges related to climate change, resource scarcity, nutrition and health affect Orkla's activities in the form of a risk of changes in raw material availability, costs, consumer preferences and political framework conditions. The Group monitors developments closely through an active dialogue with stakeholders and ongoing analyses. Orkla's sustainability strategy covers the topics considered particularly important for the Group based on a combined sustainability and business perspective. Through its sustainability work, Orkla's ambition is to contribute towards achieving the global sustainability goals, ensure effective risk management and exploit sustainability-related opportunities to create growth, trust and long-term profitability. The business risk for Orkla related to the global sustainability challenges is described in greater detail in the Sustainability Report .

NOTE 5 DISPOSALS AND ACQUISITIONS OF COMPANIES AND MATERIAL ASSETS

Sales and purchases of companies affect the comparison with the previous year's figures, and the changes in the various notes must be seen in the light of this factor. Purchased companies are presented in the financial statements from the date on which control transfers to the Group. Sold companies, which are not covered by the rules regarding "Discontinued operations", cease to be included in the financial statements from the date the Group no longer has control.

ACCOUNTING POLICIES

Disposals of companies
When a business is divested, the gain is measured as the difference between the selling price and the company's booked equity, minus any remaining excess value related to the business. Any sales expenses incurred will reduce the gain/increase the loss. Accumulated translation differences and any hedging reserves related to the divested business will be recognised in the income statement as part of the gain/loss, with a corresponding contra entry in other items in comprehensive income. The gain will be reported before tax and the business's associated tax will be recognised on the tax line of the income statement. The real gain is reflected in the sum total of the gain and the tax. If the sold business qualifies for recognition as "Discontinued operations", all the effects associated with the gain will be reported on the line for "Discontinued operations" in the income statement.

Acquisitions of companies
Business combinations are accounted for using the acquisition method. When a subsidiary is acquired, a fair value assessment is carried out, and assets and liabilities are valued at their fair value at the time of acquisition. The residual value in the acquisition will be goodwill. The acquisition is reported in the financial statements from the date the Group has control. The date of control is normally the date on which the acquisition agreement takes effect and has been approved by all the relevant authorities and will normally be after the contract date. If there are non-controlling interests in the acquired company, these will receive their share of allocated assets and liabilities, except for goodwill. Transactions with the non-controlling interests will be recognised in equity. In companies where the Group already owned interests prior to the business combination, any change in the value of earlier interests will be recognised in the income statement. The Group's equity will therefore be affected by the fact that the assets are repriced as if the entire acquisition had been made at this time. The same procedure will in principle be carried out in connection with the establishment of a joint venture and with the acquisition of an associate. However, these are not considered to be business combinations because the Group does not obtain control. M&A costs and subsequent integration costs are recognised as "Other expenses".

Disposal of companies

In the fourth quarter of 2020, Orkla Care Polen sold the company's skin care business in Poland. The purpose of the sale was to simplify the portfolio and concentrate Orkla's Polish operations on the health, wound care and personal care categories. The agreement concerned the sale of the Soraya and Dermika brands, 145 persons employed in the business and the production facilities in Radzymin including production equipment. Orkla's Polish skin care business became a part of Orkla Care Polen through the acquisition of Cederroth in 2015. Orkla's net sales revenues from the divested business totalled PLN 56 million (approx. NOK 144 million) in 2019. The sale was approved by the relevant competition authorities and completed on 31 December 2020. This sale had no material effect on profit or loss.

In December 2020, an agreement was also entered into on the sale of the Danish pizza restaurant chain Gorm's, entailing a reduction of Orkla's ownership interest from 66.67% to 19.99%. In total, NOK 89 million was expensed in write-downs and translation differences related to Gorm's in 2020 on the line for "Other expenses"; see also the information disclosed in Note 14.

In July 2020, Orkla Foods Norge sold the Vestlandslefsa brand. The purpose of the sale was to simplify the portfolio and concentrate production at Stranda on pizza. The agreement covered the disposal of the Vestlandslefsa brand, including recipes and production equipment, in addition to the Li-Klenning brand. Orkla's net sales revenues from the divested lefse products totalled around NOK 20 million in 2019. The agreement entered into force as of 6 July 2020. The transaction generated a gain of NOK 16 million, which was recognised in the income statement as "Other income"; see Note 14.

Orkla Foods Norge also sold the SaritaS brand to the newly established company Indian Gourmet AS in March 2020. The agreement covered the full disposal of the SaritaS brand, including a product portfolio of sauces and ready meals. The agreement entered into force on 2 March 2020. The transaction generated a gain of NOK 5 million, which was recognised in the income statement on the line "Other income"; see also Note 14.

In December 2020, Orkla sold its shareholding (51%) in Italiensk Bakeri AS with no material profit effect.

In 2020, Orkla sold a shareholding (20%) in the company Sandakerveien 56 to a business partner. Because this was a sale of a minority share, this transaction is only presented as an equity transaction.

Note 5 cont.

Orkla Eiendom sold its shares in Orkla's associates Alkärrsplans Utvecklings AB and Andersen & Mørch AS; see Note 6.

Acquisition of companies
Orkla Foods signed and completed an agreement with PepsiCo, Inc. ("PepsiCo") on the purchase of the Havrefras brand, including Rug Fras and Mini Fras, which holds a strong market position in Scandinavia in healthy breakfast cereals. Orkla has distributed the Havrefras products on behalf of PepsiCo in Norway, Sweden and Denmark. The Havrefras products are market leaders in healthy breakfast cereals in Denmark and Sweden and are number two in Norway. The acquisition of Havrefras is in line with Orkla's strategy to further develop a portfolio with a strong health profile. The agreement, which includes no employees or production facilities, came into effect as of 1 June 2020.

Orkla Care acquired 100% of the shares in Norgesplaster Holding AS ("Norgesplaster"). The company holds good market positions in wound care and first aid equipment, and through the purchase of Norgesplaster Orkla Wound Care has strengthened its presence in the pharmacy channel and the market for first aid products. The product portfolio is chiefly marketed under the Norgesplaster and Snøgg brands, and sold primarily in the pharmacy channel, B2B, through distributors and as exports. The company has 66 employees. The company was consolidated into Orkla's financial statements as of 1 April 2020.

Orkla Food Ingredients purchased 70% of the shares in Win Equipment ("Win") a leading supplier of soft serve ice cream machines in the Netherlands. Win adapts and sells machines for production of soft serve ice cream, milkshakes and frozen yoghurt to cafes, restaurants, bakeries, convenience stores and petrol stations and others. The company has 30 employees. The company was consolidated into Orkla's financial statements as of 1 February 2020.

Orkla Food Ingredients acquired 100% of the shares in the sales and distribution company Gortrush Trading Ltd. ("Gortrush"). Gortrush is a well-established supplier of ice cream ingredients and accessories to wholesalers, ice cream parlours and distributors in Ireland, Northern Ireland and the rest of the UK. The company has 13 employees. The company was consolidated into Orkla's financial statements as of 1 December 2020.

Orkla Food Ingredients also acquired the remaining 15% of the shares in the British sales and distribution company Orchard Valley Foods. Orkla purchased 85% of the shares in 2017, at the same time entering into an option agreement on the purchase of the remaining 15% interest; see also Note 14.

Some minor acquisitions and disposals were otherwise made of ownership interests in companies that are part of Orkla's venture portfolio; see Note 22.

In 2020, Orkla acquired a 24.9% interest in the raw material producer Arctic Seaweed AS as part of Orkla's investment in seaweed; see Note 6 for more information on associates.

Other matters relating to purchase price allocations
Capitalised goodwill related to acquisitions comprises synergies, assets related to employees, other intangible assets that do not qualify for separate capitalisation, future excess earnings and the fact that deferred tax in accordance with IFRS is not discounted.

As regards the acquisitions completed in 2020, the purchase price allocation for Win Equipment has been finalised. No other purchase price allocations had been finalised as at 31 December 2020, due to uncertainty attached to certain valuation factors. There are no variable payments for any of the acquisitions completed in 2020.

The purchase price allocations for all companies acquired in 2019 were completed in 2020. No material changes were made in the purchase price allocations.

Operating revenues and EBIT (adj.) for the largest acquisitions, before and after the acquisition, are presented in the table on the next page.

A total of NOK 78 million (NOK 94 million in 2019) was expensed in acquisition costs in 2020.

Orkla has entered into agreements to acquire companies that had not been completed as at 31 December 2020. These acquisitions are disclosed in Note 39 "Events after the balance sheet date".

E ESTIMATE UNCERTAINTY

In company acquisitions, the assets taken over are valued at fair value at the time of purchase. The various assets are valued on the basis of different models, and goodwill is the residual in this type of purchase price allocation. Errors in estimates and assumptions can lead to an error in the split of the value between the various assets, but the sum of the total value surplus will always be consistent with the purchase price paid.

Note 5 cont.

Acquired companies Amounts in NOK million	Acquisition: Date of control	Acquisition: Interest (%) after acquisition	Acquisition: Acquisition cost	Allocation of excess and deficit values: Trade-marks	Allocation of excess and deficit values: Property, plant and equipment	Allocation of excess and deficit values: Other	Allocation of excess and deficit values: Deferred tax	Allocation of excess and deficit values: Goodwill	Operating revenues: After acquisition date	Operating revenues: Before acquisition date	EBIT (adj.): After acquisition date	EBIT (adj.): Before acquisition date
2020												
Havrefras trademark, Orkla Foods	June	100%	350	-	-	-	-	-	-	-	-	-
Norgesplaster, Orkla Care	April	100%	241	32	-	-	(6)	159	114	47	11	4
Win Equipment, Orkla Food Ingredients	February	70%	38	-	-	-	-	32	48	1	3	(1)
Gortrush, Orkla Food Ingredients	December	100%	30	-	-	-	-	21	3	54	0	11
Orchard Valley Foods (remaining 15% share), Orkla Food Ingredients	January	100%	46	-	-	-	-	-				
Acquisitions at enterprise value			**705**	**32**	**0**	**0**	**(6)**	**212**				
Investments in associates and joint ventures (see Note 6)			5									
Purchase of other shares			23									
Acquisitions in segments, enterprise value (see Note 38)			**733**									
Interest-bearing liabilities acquisitions			(33)									
Cash flow effect acquisitions[1]			**700**									
2019												
Kotipizza Group, Orkla Consumer Investments	February	100%	1 547	431	-	(8)	(85)	1 146	982	83	82	5
Easyfood, Orkla Foods	May	90%[2]	398	-	-	(1)	-	310	293	141	18	9
Kanakis, Orkla Food Ingredients	April	80%	191	-	-	-	-	104	174	46	22	4
Anza Verimex, Orkla Consumer Investments	October	100%	168	-	-	-	-	274[3]	43	140	9	30
Vamo, Orkla Food Ingredients	September	100%	148	-	4	(2)	-	102	44	84	5	10
Confection By Design, Orkla Food Ingredients	July	100%	131	-	-	-	-	108	33	36	9	12
Risberg, Orkla Food Ingredients	June	100%	112	-	-	(2)	-	98	44	33	10	7
Other acquisitions			227	10	-	(7)	(5)	56				
Acquisitions at enterprise value			**2 922**	**441**	**4**	**(20)**	**(90)**	**2 198**				
Investments in associates and joint ventures (see Note 6)			115									
Purchase of other shares			26									
Acquisitions in segments, enterprise value (see Note 38)			**3 063**									
Interest-bearing liabilities acquisitions			(205)									
Cash flow effect acquisitions[1]			**2 858**									

[1]Equivalent to compensation for equity adjusted for cash and cash equivalents. Cash and cash equivalents in acquisitions totalled NOK 30 million in 2020 (NOK 275 million in 2019).
[2]The company has been recognised on a 100% basis due to option agreements entered into at the time of acquisition.
[3]Includes goodwill carried in the company's statement of financial position before the acquisition of the remaining 50% of the shares in Anza Verimex.

Note 5 cont.

Acquired companies statement of financial position

Amounts in NOK million	Total 2020 Fair value	2020 Norgesplaster	Total 2019 Fair value
Property, plant and equipment	15	10	385
Intangible assets	383	33	474
Inventories	50	32	239
Receivables	55	42	347
Assets	503	117	1 445
Provisions	(7)	(7)	(92)
Non-current liabilities, non interest-bearing	24	-	(85)
Current liabilities, non interest-bearing	(47)	(28)	(311)
Non-controlling interests	(3)	-	45
Net assets	470	82	1 002
Goodwill	213	159	2 198
Total acquisition cost at enterprise value	683	241	3 200
Paid more than estimated purchase price	22	-	-
Previous ownership interest in acquired companies	-	-	(278)
Acquisition cost at enterprise value 2020	705	241	2 922

SUSTAINABILITY

In 2020, Orkla invested in companies that increase the Group's ability to promote sustainable consumption. Through its purchase of Norgesplaster, Orkla Wound Care strengthened its position in wound care and first aid products. Through the establishment of the company Orkla Ocean and the purchase of an ownership interest in raw material producer Arctic Seaweed AS, Orkla is contributing to the development of seaweed as a new sustainable growth industry; see Note 6. Seaweed binds large amounts of CO_2 and could help to solve climate challenges. It could also make an important contribution to increasing global food production, in addition to being naturally rich in beneficial nutrients. Orkla Ocean will be a centre of expertise for developing, researching and commercialising seaweed in the European market.

NOTE 6 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates and joint ventures are investments in companies where the Group has significant, but not controlling influence on its own. In order to present the financial performance of such companies, they are consolidated on a single line of the income statement and the statement of financial position using the equity method.

ACCOUNTING POLICIES

The equity method

Investments in associates are investments in companies in which the Orkla Group has significant influence by virtue of its ownership interest. These are usually companies in which Orkla owns a 20-50% stake. Joint ventures are investments in companies where the Group, together with others, has controlling influence. Both associates and joint ventures are accounted for using the equity method. The Group presents its share of the companies' results after tax and non-controlling interests on a separate line in the income statement and accumulates the results reported for the share on a single line in the statement of financial position. Any value surplus that is to be depreciated is deducted from profit according to the same policies as for consolidated companies. Goodwill is not depreciated. Dividends received are reported against the ownership interest in the statement of financial position and are regarded as repayment of capital. The value presented in the statement of financial position thus represents the original cost price plus profit or loss accumulated up to the present date, minus any depreciation of value surpluses and accumulated dividends received. Account is also taken of the share of any translation differences and other equity transactions. Any write-downs of the value of the ownership interest are presented on the same line.

Associates and joint ventures

Orkla's 42.6% interest in Jotun is presented as an associate; see the separate section below. In addition to the companies commented on below, Orkla has only some smaller associates.

Orkla aims to develop seaweed as a new sustainable growth industry and has established the company Orkla Ocean. Through the new company, Orkla has purchased a 24.9% ownership interest in the raw material producer Arctic Seaweed AS. The company was established in 2016 and has developed and patented a technology that is gradually being rolled out at several facilities along the western coast of Norway.

Orkla Eiendom sold its shares in the associates Alkärrsplans Utvecklings AB and Andersen & Mørck AS in 2020. Gains of NOK 14 million and NOK 15 million, respectively, were taken to income on these two transactions.

Figures for associates and joint ventures which do not report in accordance with IFRS are restated prior to inclusion in the consolidated financial statements. Orkla has no contingent liabilities, either on its own or jointly with other investors, in associates or joint ventures.

Associates and joint ventures

Amounts in NOK million	Jotun	Other	Total
Book value 1 January 2019	3 530	319	3 849
Additions/disposals	-	(177)	(177)
Share of profit/loss	625	34	659
Dividends	(182)	(2)	(184)
Items charged to equity	29	-	29
Book value 31 December 2019	4 002	174	4 176
Additions/disposals	0	(62)	(62)
Share of profit/loss	970	1	971
Gain on sale	-	29	29
Dividends	(233)	-	(233)
Translation differences	-	9	9
Items charged to equity	(91)	-	(91)
Book value 31 December 2020	4 648	151	4 799

Cost price 31 December 2020	189
Ownership interest	42.6%[1]

[1]The Group has 38.4% of the voting rights in Jotun.

Note 6 cont.

Jotun

Jotun is one of the world's leading manufacturers of paints and powder coatings, with 58 subsidiaries, three joint ventures and five associates. Jotun has 38 production plants distributed across all of the world's continents. Jotun's activities consist of the development, manufacture, marketing and sale of various paint systems for the residential, shipping and industrial sectors. Jotun is divided into four segments: Decorative Paints, Marine Coatings, Protective Coatings and Powder Coatings.

The cost price for Jotun is NOK 189 million, while the carrying value using the equity method is NOK 4,648 million. Orkla's ownership interest (42.6%) serves as the basis for recognition using the equity method, while Orkla has 38.4% of the voting rights. Orkla owns 42,203 A shares and 103,446 B shares in the company. An A share carries 10 times as many votes as a B share.

Jotun is a family-controlled group, and Orkla has been an active minority shareholder in Jotun for approx. 50 years. The value of Orkla's interest in Jotun must be seen in the light of this situation. An internal valuation of Jotun substantiates that there are considerable value surpluses in Orkla's investment in Jotun in relation to its carrying value.

The following tables show 100% figures for Jotun.

Items in the income statement and statement of financial position

Amounts in NOK million	2020	2019
Operating revenues	21 070	19 652
Operating profit/loss	3 489	2 320
Profit/loss after tax and non-controlling interests	2 280	1 468
Other comprehensive income after non-controlling interests	2 044	1 487
Non-current assets	9 762	9 137
Current assets	10 812	9 998
Total assets	20 574	19 135
Non-current liabilities	3 675	3 939
Current liabilities	5 771	5 613
Total liabilities	9 446	9 552

Reconcilation of equity Jotun against Orkla's share

Amounts in NOK million	2020	2019
Equity in Jotun	11 128	9 584
Non-controlling interests	326	280
Owners of the parent's equity	10 802	9 304
Orkla's share of equity (42.6%)	4 648	4 002

NOTE 7 SEGMENTS

In the segment information, sales revenues, organic growth, profit and loss, cash flows and capital employed, together with operating margin and the number of man-years, are broken down between the different business areas. Sales revenues are also broken down geographically based on the customer's location.

Branded Consumer Goods

Orkla Foods offers well-known local branded products to consumers in the Nordics, Baltics, Central Europe and India. The business area holds leading market positions in a number of categories, including frozen pizza, ketchup, soups, sauces, bread toppings and ready-to-eat meals. A steadily growing percentage of sales comes from plant-based food products. Orkla Foods primarily sells its products through the grocery retail trade, but also holds strong positions in the Out of Home, convenience store and petrol station sectors. Norway and Sweden are Orkla Foods' two largest markets.

Orkla Confectionery & Snacks holds strong number one and number two positions in the confectionery, biscuits and snacks categories, with well-known local brands and tastes in Norway, Sweden, Denmark, Finland, Latvia and Estonia. The business area also develops bran and crispbread products, as well as healthy, high-energy snack meals. Its turnover chiefly comes from the Nordic and Baltic markets. Norway is its largest single market.

Note 7 cont.

Orkla Care consists of business units which serve home markets in the Nordics, Baltics, Poland and Spain, in addition to making substantial export sales outside the home markets. The two largest business units are Orkla Home & Personal Care which holds leading positions in personal care and cleaning products, and Orkla Health, which has strong dietary supplement, sports nutrition and weight control brands. Orkla Care is also well positioned in several European countries with Orkla Wound Care in wound care products and first aid equipment. HSNG runs the e-commerce portals Gymgrossisten and Bodystore, and is the biggest online player in the Nordics in the health and sports nutrition category.

Orkla Food Ingredients manufactures, sells and distributes ingredients and products to the bakery and ice cream markets in 23 countries. The Nordic region accounts for around half of the sales. Artisanal and industrial bakeries are the largest customer group, with around 65% of sales. Sales of ice cream ingredients account for around 15%, and around 20% are sales directly to consumers under well-known brands. The biggest product categories are margarine and butter blends, bread and cake improvers and mixes, yeast, marzipan and ice cream ingredients.

Orkla Consumer Investments consists of Orkla's painting tool businesses (Orkla House Care), basic garments sold through the grocery retail trade (Pierre Robert Group), professional cleaning (Lilleborg) and restaurant businesses (Kotipizza Group). The businesses operate primarily in the Nordic countries, but the UK is also an important market for Orkla House Care. Orkla Consumer Investments is part of the Orkla Consumer & Financial Investments business area.

Headquarters (HQ)

Activities at Orkla HQ include the Group's executive management and the corporate and shared functions Group HR, Compensation & Benefits, Corporate Communications & Corporate Affairs, Orkla Services, Internal Audit, Legal and Compliance, EHS, Group Finance, Orkla IT, Strategy and M&A, Group Sales, Digital Sales and Amazon Lead Team, Orkla Marketing & Innovation and Orkla Group Procurement. HQ is presented as a separate segment, but is shown as a sum total together with Branded Consumer Goods. Most of the activities at Orkla HQ are related to Branded Consumer Goods.

Industrial & Financial Investments

Orkla has investments outside Branded Consumer Goods, which are organised under Industrial & Financial Investments. The business area comprises Hydro Power and Financial Investments, in addition to the associate Jotun (42.6% interest); see Note 6. Industrial & Financial Investments are part of the Orkla Consumer & Financial Investments business area.

Hydro Power consists of wholly-owned power plants in Sarpsfoss and leased power plants through Orkla's 85% interest in AS Saudefaldene. The power operations in Sauda are regulated by a lease with Statkraft that runs until 31 December 2030. The energy operations produce and supply power to the Nordic power market and mean annual production (2011-2020) totals 2.5 TWh, of which around 1.1 TWh is a fixed delivery commitment with a net effect of zero on profit. See also Note 34.

Financial Investments consists of Orkla Eiendom and Orkla Ventures. Orkla Eiendom concentrates on investment in and development and sales of real estate properties primarily related to Orkla's activities. Orkla Eiendom also runs the Group's new headquarters which was completed in February 2019. Orkla Ventures was established in 2017 to reach out to a growing universe of entrepreneurial businesses and start-up companies. The purpose of Orkla Ventures is to invest in technology, concepts and business models that might be relevant for Orkla's businesses. Besides offering risk capital, Orkla provides both expertise and collaboration in relevant parts of the value chain. Investments will initially be made in the Nordic and Baltic regions, in line with Orkla's other core activities.

Further information on the individual business areas:
For a complete overview of Orkla companies, reference is made to page 296.

Note 7 cont.

ACCOUNTING POLICIES

Orkla has business areas as operating segments, which correspond to the way in which the business areas report figures to the Group Executive Board (chief operating decision maker), but are limited to an expedient number. See also the comments related to the Orkla Foods and Orkla Consumer & Financial Investments business areas in this note.

Sales revenues are broken down by geographical market based on the customer's location. The accounting policies on which segment reporting is based are the same as for the rest of the consolidated financial statements.

Transactions between different segments are priced on market terms. Orkla ASA provides services to the companies in the Orkla Group and charges them for these services based on the aforementioned policies.

Breakdown of segments
Orkla's business areas are reported as operating segments. Internally, the Orkla Foods operating segment has been reported as two segments, Orkla Foods Nordic & Baltics and Orkla Foods International. Externally, however, these two business areas have been presented as a single operating segment based on the rules regarding similar operating segments. Orkla Foods Nordic & Baltics and Orkla Foods International are primarily located in Europe and within the EU/EEA regime. This means that they largely have the same framework conditions. Products, production processes and types of customer are generally identical, and goods are distributed in the same way. Margins and future economic assumptions will vary in different markets and for different products, but the general economic criteria in a regulated market in Europe are mainly expected to show a similar financial trend in the long term. As of January 2021, Orkla Foods Nordic & Baltics and Orkla Foods International will be merged into a single unit internally as well.

The Orkla Consumer & Financial Investments business area is split into three operating segments. Orkla Consumer Investments consists of Branded Consumer Goods businesses and these businesses are reported as part of Branded Consumer Goods. Industrial & Financial Investments are investments outside Branded Consumer Goods and consist of the operating segments Hydro Power and Financial Investments.

Income statement items in the segment information
The segment information tables show sales broken down by geographical market, based on the customers' location. The products and services from which revenues are generated are specified in the description on the previous page. Orkla has three customers who each account for around 6-8% of turnover in Branded Consumer Goods.

Operating profit in the segment information is equal to the operating profit/loss in the consolidated income statement. Operating costs in the segment presentation are equal to the sum total of costs of goods sold, payroll costs and other operating costs. The Orkla Group has a centralised finance function, and the funding of the various segments does not necessary reflect the true solidity of each segment. Financial items are therefore presented for the Group as a whole. The same applies to taxes. Cash flow figures are taken from the Orkla-format cash flow statement; see Note 38. The breakdown of non-controlling interests' share of profit/loss for the period is presented in Note 33.

Statement of financial position items in the segment information
Statement of financial position items covered by Orkla's definition of capital employed are broken down by segment in this note. Capital employed represents net capitalised working capital in the different segments. This is an important measurement parameter in Orkla with regard to the breakdown of capital between the different segments. Net working capital is closely monitored in order to reduce the funds tied up in capital in the Group companies; see also the description of financial targets on page 8.

Net working capital is defined in a separate table below.

Specification net working capital Branded Consumer Goods incl. HQ

Amounts in NOK million	2020	2019
Trade receivables	6 237	6 062
Other current receivables	711	729
Inventories	6 530	5 868
Trade payables	(6 512)	(5 573)
Value added tax, employee taxes etc.	(982)	(845)
Other current liabilities	(2 105)	(1 975)
Net working capital	3 879	4 266

Figures showing the geographical breakdown of capital employed, investments in owned property, plant and equipment and number of man-years are also presented; see Note 8.

Note 7 cont.

Segments 2020

Amounts in NOK million	Orkla Foods	Orkla Confectionery & Snacks	Orkla Care	Orkla Food Ingredients	Orkla Consumer Investments	HQ	Elimin-ations	Branded Consumer Goods incl. HQ	Hydro Power	Financial Investments	Elimin-ations	Orkla
REVENUES/PROFIT/LOSS												
Norway	4 791	2 111	2 228	1 139	1 250	7	-	**11 526**	493	-	-	**12 019**
Sweden	5 133	1 562	1 601	1 764	239	1	-	**10 300**	-	1	-	**10 301**
Denmark	1 421	651	612	1 963	150	-	-	**4 797**	-	-	-	**4 797**
Finland and Iceland	1 096	1 261	681	706	1 288	-	-	**5 032**	-	-	-	**5 032**
The Baltics	571	1 166	79	381	15	-	-	**2 212**	-	-	-	**2 212**
Rest of Europe	3 863	358	1 200	4 374	872	16	-	**10 683**	-	-	-	**10 683**
Rest of the world	1 276	50	446	126	17	3	-	**1 918**	-	-	-	**1 918**
Sales revenues	18 151	7 159	6 847	10 453	3 831	27	-	**46 468**	493	1	-	**46 962**
Other operating revenues	11	5	31	21	7	19	-	**94**	26	55	-	**175**
Intercompany sales	139	7	27	222	9	598	(982)	**20**	-	68	(88)	**-**
Operating revenues	18 301	7 171	6 905	10 696	3 847	644	(982)	**46 582**	519	124	(88)	**47 137**
Organic growth (Branded Consumer Goods)	*3.7%*	*2.0%*	*9.2%*	*-5.9%*	*2.1%*			*1.6%*				
Operating expenses	(14 943)	(5 653)	(5 714)	(9 855)	(3 272)	(904)	982	**(39 359)**	(344)	(86)	88	**(39 701)**
Depreciation	(717)	(315)	(172)	(341)	(171)	(67)	-	**(1 783)**	(133)	(28)	-	**(1 944)**
EBIT (adj.)	2 641	1 203	1 019	500	404	(327)	-	**5 440**	42	10	-	**5 492**
Other income and expenses	(214)	36	(48)	(86)	(217)	(388)	-	**(917)**	-	(13)	-	**(930)**
Operating profit/loss	2 427	1 239	971	414	187	(715)	-	**4 523**	42	(3)	-	**4 562**
CASH FLOW (see Note 38)												
Cash flow from operations	2 506	1 296	1 022	709	504	(686)	-	**5 351**	88	(1)	-	**5 438**
Of this replacement expenditures	(759)	(433)	(262)	(511)	(139)	(147)	-	**(2 251)**	(57)	(23)	-	**(2 331)**
Expansion investments	(297)	(22)	(9)	(141)	(10)	-	-	**(479)**	-	-	-	**(479)**
CAPITAL EMPLOYED												
Net working capital	1 609	207	801	1 137	237	(112)	-	**3 879**	18	67	-	**3 964**
Investments in associates and joint ventures	78	-	-	-	29	37	-	**144**	-	4 655	-	**4 799**
Intangible assets	9 318	5 279	4 727	2 363	2 475	28	-	**24 190**	19	-	-	**24 209**
Property, plant and equipment	5 419	2 326	1 088	2 508	560	693	-	**12 594**	1 967	1 713	-	**16 274**
Pension liabilities, net	(1 012)	(267)	(364)	(202)	(16)	(663)	-	**(2 524)**	(17)	(3)	-	**(2 544)**
Deferred tax, excess values	(420)	(427)	(150)	(10)	(130)	-	-	**(1 137)**	-	(4)	-	**(1 141)**
Capital employed	14 992	7 118	6 102	5 796	3 155	(17)	-	**37 146**	1 987	6 428	-	**45 561**
KEY FIGURES												
Operating margin EBIT (adj.)	14.4%	16.8%	14.8%	4.7%	10.5%	-	-	**11.7%**	8.1%	-	-	**11.7%**
Total man-years 31 December	7 468	2 711	1 927	3 650	1 228	346	-	**17 330**	45	13	-	**17 388**

Note 7 cont.

Segments 2019

Amounts in NOK million	Orkla Foods	Orkla Confectionery & Snacks	Orkla Care	Orkla Food Ingredients	Orkla Consumer Investments	HQ	Elimin-ations	**Branded Consumer Goods incl. HQ**	Hydro Power	Financial Investments	Elimin-ations	**Orkla**
REVENUES/PROFIT/LOSS												
Norway	4 706	1 878	1 986	1 065	1 164	7	-	**10 806**	794	4	-	**11 604**
Sweden	4 466	1 378	1 263	1 619	219	-	-	**8 945**	-	1	-	**8 946**
Denmark	1 256	693	519	1 900	186	-	-	**4 554**	-	-	-	**4 554**
Finland and Iceland	978	1 097	560	715	1 156	-	-	**4 506**	-	-	-	**4 506**
The Baltics	521	1 155	67	366	11	-	-	**2 120**	-	-	-	**2 120**
Rest of Europe	3 608	354	1 126	4 322	609	12	-	**10 031**	-	4	-	**10 035**
Rest of the world	1 130	43	312	102	28	1	-	**1 616**	-	-	-	**1 616**
Sales revenues	16 665	6 598	5 833	10 089	3 373	20	-	**42 578**	794	9	-	**43 381**
Other operating revenues	9	8	23	20	5	24	-	**89**	32	113	-	**234**
Intercompany sales	102	6	31	183	7	534	(846)	**17**	-	60	(77)	**-**
Operating revenues	16 776	6 612	5 887	10 292	3 385	578	(846)	**42 684**	826	182	(77)	**43 615**
Organic growth (Branded Consumer Goods)	*1.8%*	*4.6%*	*0.0%*	*0.6%*	*-3.4%*			*1.3%*				
Operating expenses	(13 860)	(5 225)	(4 874)	(9 379)	(2 946)	(879)	846	**(36 317)**	(393)	(151)	77	**(36 784)**
Depreciation	(640)	(293)	(158)	(287)	(142)	(61)	-	**(1 581)**	(141)	(21)	-	**(1 743)**
EBIT (adj.)	2 276	1 094	855	626	297	(362)	-	**4 786**	292	10	-	**5 088**
Other income and expenses	(159)	(73)	(196)	(85)	(223)	(56)	-	**(792)**	-	231	-	**(561)**
Operating profit/loss	2 117	1 021	659	541	74	(418)	-	**3 994**	292	241	-	**4 527**
CASH FLOW (see Note 38)												
Cash flow from operations	2 649	1 061	902	568	348	(730)	-	**4 798**	276	(141)	-	**4 933**
Of this replacement expenditures	(504)	(318)	(172)	(389)	(180)	(368)	-	**(1 931)**	(162)	(194)	-	**(2 287)**
Expansion investments	(424)	(26)	(17)	(164)	-	-	-	**(631)**	-	-	-	**(631)**
CAPITAL EMPLOYED												
Net working capital	1 600	344	847	1 425	323	(273)	-	**4 266**	4	62	-	**4 332**
Investments in associates and joint ventures	78	-	-	-	27	37	-	**142**	-	4 034	-	**4 176**
Intangible assets	8 765	4 974	4 236	2 125	2 547	60	-	**22 707**	19	1	-	**22 727**
Property, plant and equipment	5 027	2 121	1 028	2 164	610	764	-	**11 714**	2 042	1 646	-	**15 402**
Pension liabilities, net	(907)	(233)	(322)	(178)	(34)	(632)	-	**(2 306)**	(17)	(3)	-	**(2 326)**
Deferred tax, excess values	(421)	(403)	(132)	(8)	(100)	-	-	**(1 064)**	-	(4)	-	**(1 068)**
Capital employed	14 142	6 803	5 657	5 528	3 373	(44)	-	**35 459**	2 048	5 736	-	**43 243**
KEY FIGURES												
Operating margin EBIT (adj.)	13.6%	16.5%	14.5%	6.1%	8.8%	-	-	**11.2%**	35.4%	-	-	**11.7%**
Total man-years 31 December	7 488	2 825	1 839	3 541	1 352	580	-	**17 625**	47	20	-	**17 692**

NOTE 8 GEOGRAPHICAL BREAKDOWN OF CAPITAL EMPLOYED, INVESTMENTS AND NUMBER OF MAN-YEARS

Capital employed, investments and number of man-years are broken down by geographical markets based on the location of the companies. The note shows to what extent and in which countries/areas the Orkla Group has a physical presence.

	Capital employed		Investments[1]		Number of man-years	
Amounts in NOK million	2020	2019	2020	2019	2020	2019
Norway	18 247	17 573	651	1 148	2 784	2 841
Sweden	7 763	6 708	660	462	3 406	3 339
Denmark	5 920	5 783	405	262	1 500	1 632
Finland and Iceland	4 615	4 448	130	111	810	824
The Baltics	2 192	2 023	248	158	1 603	1 797
Nordic region and the Baltics	38 737	36 535	2 094	2 141	10 103	10 433
Rest of Europe	5 992	5 829	454	356	5 547	5 511
Rest of the world	832	879	42	30	1 738	1 748
Total	**45 561**	**43 243**	**2 590**	**2 527**	**17 388**	**17 692**
Link between segments and "Investments":						
Net replacement expenditures, from segments (see Note 7)			2 331	2 287		
Sale of property, plant and equipment (see cash flow statement)			80[2]	54		
Expansion investments (see Note 7)			479	631		
New capitalised leases (see Note 21 and 38)			(283)	(450)		
Changes in accounts payable investments			(17)	5		
Total			**2 590**	**2 527**		

[1]Does not apply to property, plant and equipment acquired through purchases of companies.
[2]In addition, the sale of fixed assets for NOK 81 million was presented as a cash effect from other income and expenses in Orkla's internal cash flow statement; see Note 38.

Capital employed is the enterprise's net capitalised productive capital and is defined in the segment note as the net of segment assets and liabilities. Goodwill, intangible assets and property, plant and equipment constitute a large share of capital employed.

Investments are the total of replacement investments and expansion investments in owned property, plant and equipment.

The number of man-years is the number of employees adjusted for fractional posts in the current reporting period. See Note 7 for segment information.

SUSTAINABILITY

Many Orkla companies are major employers, and both employees and management are chiefly recruited from the country in which the business is located. By developing profitable workplaces, Orkla creates positive ripple effects for society in the form of skills development, new jobs at supplier companies and in the public sector, and payment of direct and indirect taxes. To ensure long-term, competitive operations, Orkla carried out several major improvement and expansion projects related to production and business systems in 2020. This resulted in substantial investments in Norway, Sweden, Denmark, Latvia, Slovakia and the UK.

NOTE 9 REVENUE RECOGNITION

The date on which revenue is recognised and the policies applied will be decisive in determining the profit or loss in the reporting period. In the same way, both the policies applied to and the definition of the term "sales revenue reductions" (discounts, etc.) will play a role in determining the total amount of operating revenues.

ACCOUNTING POLICIES

IFRS 15 "Revenue from Contracts with Customers" establishes a theoretical framework for recognition and valuation of the Group's revenues in Branded Consumer Goods and Hydro Power. The date on which the revenue is recognised is determined through a five-step model, the main points of which are identification of a contract with the customer, identification of separate performance obligations, fixing of a transaction price, allocation of the transaction price to separate performance obligations and recognition of revenue upon fulfilment of the performance obligations. Recognition means the date on which an amount is to be taken to income and valuation means how much is to be reported in income. An enterprise fulfils a performance obligation by transferring control of the agreed product or service to the customer, and revenue is recognised at the time the performance obligation is fulfilled.

Sales revenues from Branded Consumer Goods are presented after deducting discounts, value added tax and other government charges and taxes such as the confectionery tax. The Orkla Group sells goods and services in many different markets. Sales revenues from Hydro Power consist of sales of electric power that are taken to income upon delivery.

Operating revenues from Financial Investments essentially consist of revenues from property leases. The revenues are recognised in income when earned during the lease period.

Breakdown of external operating revenues

Amounts in NOK million	2020	2019
Branded Consumer Goods	46 516	42 623
HQ	46	44
Branded Consumer Goods incl. HQ	46 562	42 667
Hydro Power	519	826
Financial Investments	56	122
Industrial & Financial Investments	575	948
Total external operating revenues	**47 137**	**43 615**

See Note 7 Segments for further breakdown of operating revenues in Branded Consumer Goods and operating revenues broken down by geographical areas.

Operating revenues Branded Consumer Goods

Sales channels split of external operating revenues Branded Consumer Goods:

Amounts in NOK million	2020	2019
Grocery	26 373	23 515
Specialised Trade[1]	5 610	5 688
Industry[2]	5 573	5 339
Hotel, Restaurants and Catering	4 075	4 111
Export[3]	2 894	2 496
Other channels	1 991	1 474
Total external operating revenues Branded Consumer Goods	**46 516**	**42 623**

[1]External sales where the product is sold in a specialised outlet.
[2]External sales to other industrial companies or business-to-business customers.
[3]External sales outside the company's home market.

A sale is chiefly defined as an isolated delivery obligation that has been fulfilled and is recognised in income when the goods are transferred to the counterparty, either when they leave the Group's factory premises or when they arrive at the customer's property. Sales are recognised in income at the expected value of the consideration after deducting benefits to customers, including estimated bonus payments, discounts and reductions in the price of seasonal goods. As at 31 December 2020, a provision of NOK 1.7 billion (NOK 1.5 billion in 2019) had been made for total discounts, presented under "Trade payables" in the statement of financial position; see Note 27. These are mainly yearly discounts that will be paid out in the following year. The Group otherwise has no material, capitalised delivery obligations related to sales revenues.

Operating revenues Industrial & Financial Investments

In Hydro Power, external sales of electric power are recognised in income on the basis of the price agreed with the customer upon delivery. Electric power is mainly sold by the Saudefaldene and Sarpsfoss plants.

Note 9 cont.

In Financial Investments rental revenues are recognised in income when earned. Payments related to housing projects for which the company has profit and loss responsibility are recognised in income upon delivery. This means that a long period of time may elapse between the start of a building project and the recognition of revenues. In the intervening period, incurred project expenses are reported as inventories. Any sales of companies are taken to income when the agreement is completed.

Ⓔ ESTIMATE UNCERTAINTY

The estimate uncertainty relating to sales revenue reductions in the Branded Consumer Goods business is disclosed in Note 4.

Ⓢ SUSTAINABILITY

Orkla strives to foster a corporate culture characterised by good judgement and the ability to comply with rules and regulations and deal with ethical challenges. The Group has zero tolerance for corruption, price-fixing agreements, market sharing or other practices that hamper free competition; see also Note 37. Internal training is regularly provided and the Group companies are monitored to reduce the risk of non-compliance with rules.

NOTE 10 COST OF MATERIALS

The cost of materials is by far the largest cost item in the income statement and accounts for close to 50% of operating revenues. The cost of materials consists of the cost of all raw materials, goods for resale, packaging, etc. that are necessary to be able to sell the quantity of goods recognised in the sales revenues.

Ⓟ ACCOUNTING POLICIES

The cost of materials is incurred as goods are sold according to the price-related "first in, first out" inventory method. Changes in stocks of internally manufactured finished goods will have a virtually neutral impact on profit or loss based on the full cost pricing method. The cost of goods is correlated with the sale of the goods and accounted for on an accruals basis through changes in inventory. This applies to both purchased raw materials and goods for resale. Purchased goods are not recognised as a cost until the goods are in the manufacturing process.

The cost of goods is estimated and recognised through standard cost systems. Goods in inventories are counted at least once a year. Due to materiality considerations, the change in stocks of internally manufactured finished goods is presented on the line for cost of materials.

In 2020, the largest product groups were (figures in parentheses show the category ranking in 2019):

1. (1.) Packaging
2. (5.) Additive
3. (2.) Vegetable oils and margarine
4. (4.) Dairy product
5. (6.) Vegetable
6. (7.) Animal meat
7. (3.) Grain based
8. (10.) Fruit and berry
9. (11.) Sugar
10. (12.) Cocoa & chocolate
11. (13.) Chemical
12. (9.) Nut

Ⓢ SUSTAINABILITY

The challenges posed by climate change and commodity scarcity entail a risk of increased raw material costs, reduced availability of certain raw materials and breaches of Orkla's Supplier Code of Conduct. Orkla helps to ensure responsible production of raw materials by monitoring suppliers, applying certification systems, participating in industry initiatives and collaborating on projects with authorities and specialised organisations. The Group works purposefully to ensure that the raw materials used in Orkla products are sustainably produced by 2025. To reduce the risk of raw material shortages, the Group has alternative suppliers for at-risk raw materials.

Orkla seeks to prevent plastic pollution and achieve efficient use of resources by contributing to circular value chains for packaging materials. This work includes increased use of recycled packaging materials, development of packaging solutions that can be recovered, and collaborating with other value chain players on actions to increase recovery. Costs related to this work are considered important for the Group's ability to offer products that meet customer and consumer expectations.

NOTE 11 PAYROLL EXPENSES

Payroll expenses are all types of remuneration for personnel employed by the Group, including compensation of Group officers. These expenses concern only the Group's own employees, not contract manpower.

ACCOUNTING POLICIES

Payroll expenses comprise all types of remuneration to personnel employed by the Group and are expensed when earned. Ordinary pay can be both fixed pay and hourly wages and is earned and paid periodically. Holiday pay is earned on the basis of ordinary pay and is normally paid in the holiday months of the following year. Bonuses (see below) are earned and calculated on the basis of various performance targets, and are paid in arrears. The employer's national insurance contribution is calculated and expensed for all payroll-related expenses, and is normally paid in arrears every other month. Pensions are earned in accordance with special rules; see Note 12. Other payroll expenses largely consist of the remuneration of the Board of Directors, which is earned on an ongoing basis in accordance with special agreements approved by the General Meeting.

SUSTAINABILITY

Orkla wants to be an attractive employer that offers good working conditions and fair and competitive conditions for all employees. Pay is determined locally, based on the Group's general guidelines and using external benchmarking tools for pay and conditions. All fulltime employees shall, as a minimum, receive pay and additional benefits that are adequate to meet their fundamental needs.

Amounts in NOK million	2020	2019
Wages	(7 146)	(6 540)
Employer's national insurance contributions	(1 270)	(1 155)
Pension costs[1]	(505)	(467)
Other remuneration etc.	(50)	(40)
Payroll expenses	(8 971)	(8 202)
Average number of man-years	17 656	17 622

[1]Pension costs are disclosed in further detail in Note 12.

General comments on remuneration at Orkla

Orkla has a reward policy that determines the different elements of the Group's overall compensation. The policy aims to ensure that Orkla is able to recruit, develop and retain personnel with the necessary competence to create results and shareholder value. Orkla's reward policy is adopted by the Board of Directors and administered by the Board's own Compensation Committee. Orkla's reward policy is in accordance with the guidelines issued by the Norwegian Corporate Governance Board (NUES).

Orkla operates in 34 different countries, and compensation elements are organised locally in accordance with local practice, thereby ensuring that the compensation plans are competitive but not leading. The companies in the various countries must adhere to the principles of Orkla's reward policy, which is based on the market median for fixed remuneration and above market median for variable remuneration.

(i) Fixed salaries

Orkla uses internationally recognised job assessment systems to determine the "right" level of job position and compensation. Jobs are assessed in relation to their local market (country) and a pay range of the median +/- 20% is applied. The employee's responsibilities, results and performance determine the amount of compensation. Fixed salaries at Orkla must be competitive in the different countries in which the Group operates.

(ii) Bonus programmes

Orkla has bonus programmes in the various countries which reflect local practice for ensuring competitiveness. Orkla's practice is to have variable reward systems offering the possibility of making awards at above market median levels. The annual bonus programmes in the different countries are based on guidelines ensuring that they underpin the Group's strategy and reflect Orkla's central annual bonus programme for executive management and senior managers/key personnel.

a) Orkla's central annual bonus programme

Orkla has an annual bonus programme for around 160 management stafff and key personnel in the Group (2020).

The purpose of Orkla's central annual bonus programme is to:

• Reward annual performances that contribute to Orkla's value creation

Note 11 cont.

- Reward desired behaviour in accordance with Orkla's leadership principles
- Ensure that the organisation delivers on defined, prioritised targets for the different businesses and roles in Orkla
- Ensure competitive rewards for management staff

Under the central annual bonus programme, a maximum bonus equivalent to 100% of the employee's annual salary may be paid out. Achievement of ambitious predefined targets can result in a bonus payout of approximately 50% of the employee's fixed salary as at 31 December of the entitlement year. Historical payouts averaged around 31% in 2016-2019.

The elements of Orkla's central annual bonus programme for 2020 (bonuses to be paid out in 2021)
The annual bonus programme applicable as from 2020 (bonuses to be paid out in 2021) was changed from the principle in previous years of measuring improvement from the preceding year to measuring achievement in relation to defined, ambitious targets for the year for the various financial elements.

The bonus payout is calculated on the basis that achievement equal to the defined target entitles the employee to half of the maximum bonus for the financial bonus element concerned. There will be an equal result interval below and above the defined target. The starting point for the result interval below the defined target is the starting point for bonus achievement, while the end point for the result interval above the defined target entitles the employee to the maximum bonus for the financial bonus element concerned.

At the same time, as from 2020 (bonuses to be paid out in 2021) the programme was restructured from being the same for everyone to being adapted to different functions in Orkla. Consequently, as from 2020 there will be:

- a programme for Branded Consumer Goods, excluding Orkla Consumer & Financial Investments, including Group Executive Board members who are in charge of a business area
- a programme for the Orkla Consumer & Financial Investments business area
- a programme for Corporate Functions, including Group Executive Board members who are not in charge of a business area, including the President and CEO.

Since the maximum bonus award is 100% of the employee's annual salary, it means that the weighting of each element in the following description is equivalent to the maximum bonus (as a percentage of annual salary) for the element concerned.

The annual bonus programme for Branded Consumer Goods, excluding Orkla Consumer & Financial Investments, consists of five elements:

- Financial quantitative measures (80% weighting)
  - Organic growth[1] "own level"[2] (40% weighting for business area management teams, 25% for company management staff)
  - Organic growth "level above"[3] (0% weighting for business area management teams, 20% for company management staff)
  - Contribution margin[4] achievement "own level" (20% weighting for both business area management teams and company management staff)
  - EBIT (adj.)[5] achievement "own level" (20% weighting for business area management teams, 15% for company management staff)
- A flexible element (20% weighting), of which a minimum of half must be individual targets and up to half may be other financial targets than those specified above. Financial targets, if any, are set by the manager and approved by the manager's manager. Such financial targets may differ from one business area or company to another, but must be the same for all employees within a business area or company.

With regard to individual targets, 2–4 targets must be defined for each participant. The individual targets must be designed so as to reflect each participant's possibilities of contributing to Orkla's development and growth. The targets can be either business targets (specifying effect and out-

[1]Organic growth – definition under alternative performance measures (APM); see page 260.
[2]"Own level" is the company level of the position of the individual manager. This will depend on the different participants in the bonus programme, and may be an operating company, a business area or the entire Branded Consumer Goods business at Group level.
[3]"Level above" is the reporting level above the reporting level of the position of the individual manager. For participants employed in an operating company, it will be the business area of which the operating company is a part. For participants in business areas, the "level above" will be the entire Branded Consumer Goods business. For participants in the programme at Group level, there is no "level above", but they will be measured on the basis of an equal weighting of the change in underlying EBIT (adj.) in the business areas in Branded Consumer Goods.
[4]Contribution margin – defined as contribution margin as a per cent of operating revenues. Contribution margin is sales revenues minus variable costs. Variable costs are costs that are directly related to manufactured and sold volume. This primarily applies to intermediate goods such as raw materials, packaging, payroll expenses (which vary with manufactured volume) and energy costs. For goods manufactured by a third party, the contribution margin is sales revenues minus purchasing costs of goods sold.
[5]EBIT (adj.) – definition under alternative performance measures (APM); see page 260.

Note 11 cont.

come), or behaviour-related targets (how to act in accordance with Orkla's leadership principles and/or values), or a combination of the two. Orkla's Board of Directors approves these targets for the President and CEO, and the relevant manager approves the targets for the other participants.

The annual bonus programme for the companies in Orkla Consumer & Financial Investments consists of the following elements:

- Financial quantitative targets (80% weighting):
  - Organic growth "own level" (40% weighting)
  - Contribution margin achievement "own level" (20% weighting)
  - EBIT (adj.) achievement "own level" (20% weighting)
- A flexible element (20% weighting), to be handled in the same way as described above for Branded Consumer Goods.

For the business area's management team, the bonus will be calculated based on a weighting of bonus achievement in the underlying companies, combined with a flexible element equivalent to that of the company management staff.

The annual bonus programme for Corporate Functions (including the President and CEO) consists of the following elements:

- Financial quantitative targets (50% weighting):
  - Organic growth for Branded Consumer Goods (25% weighting)
  - EBIT (adj.) achievement for Branded Consumer Goods incl. HQ (25% weighting)
- An element tied to the return on the Orkla share (25% weighting):
  - To be calculated by adding a basic amount equivalent to 5% of the employee's annual salary to the return on the Orkla share for the year, computed on the basis of the average share price in the fourth quarter measured against the average share price in the fourth quarter of the previous year, plus any dividend paid out. The return on the Orkla share is multiplied by a factor of 1 for Group Executive Board members and a factor of 0.5 for other Corporate Functions staff. The bonus payout for this element as a percentage of annual salary will thus be 5% plus the return (positive or negative) multiplied by the aforementioned factor. This bonus element may not exceed 25% of the executive's annual salary.
- Individual targets (25% weighting):
  - Individual targets (25% weighting), to be handled in the same way as described above for Branded Consumer Goods.

After the initial calculation of the bonus in relation to the financial quantitative targets and individual target achievement, each manager shall make a concluding discretionary assessment of the total bonus earned by the employee, in which the initial calculation is assessed in relation to the overall performance for the year of the company (where the employee works). This concluding discretionary assessment may have the effect of increasing or reducing the final bonus in relation to the initial calculation. This concluding discretionary assessment applies to the bonus programme for Branded Consumer Goods, Orkla Consumer & Financial Investments and Corporate Functions.

Changes in Orkla's central annual bonus programme applicable from 2021 (bonuses to be paid out in 2022)

The annual bonus programme applicable in 2021 will be adjusted somewhat in relation to the 2020 programme.

The programme for Branded Consumer Goods will be changed to the following elements and weightings:

- Financial quantitative measures (80% weighting)
  - Organic growth "own level" (40% weighting for business area management teams, 25% for company management staff)
  - Organic growth "level above" (0% weighting for business area management teams, 20% for company management staff)
  - EBIT (adj.) achievement "own level" (40% weighting for business area management teams, 35% for company management staff)
- A flexible element (20% weighting), as described above for 2020

The programme for the Orkla Consumer & Financial Investments business area will be changed to the following elements and weightings:

- For the companies in the business area:
  - EBIT (adj.) achievement "own level" (50% weighting)
  - Financial and/or operational quantitative elements (30% weighting): Here different elements may be defined for the different companies. For each element ambitious targets are to be defined for bonus achievement.
  - Individual targets (20% weighting) as described above for 2020
- For the business area management team:
  - EBIT (adj.) achievement "own level" (50% weighting)
  - Portfolio growth and structural agenda – qualitative elements (30% weighting)
  - Individual targets (20%) weighting, as described above for 2020.

Note 11 cont.

The bonus payout will be calculated based on logic similar to that described earlier for 2020, i.e. achievement of the defined target entitles the employee to half of the maximum bonus for the applicable financial and quantitative bonus element. There will be equal result intervals below and above the defined target.

The concluding discretionary assessment of the total bonus achieved by each manager, as described earlier for 2020, is to be maintained for 2021.

b) Long-term incentive (LTI) programme
In 2020, Orkla introduced a share option-based LTI programme that replaced the previous cash-based LTI programme. The purpose of the programme is to:
• Reward long-term value creation and value creation across the Group
• Establish a long-term commonality of interests with shareholders
• Help to retain necessary expertise (management/key personnel)
• Maintain competitive overall compensation conditions for management/key personnel

Participants will be nominated each year to participate in the share option programme subject to the approval of the President and CEO. The number of nominees will be approximately the same as in the past few years, i.e. around 90 central management staff and key personnel. In addition, 10–15 younger talents will be nominated. Nomination will not be automatic, so being nominated one year does not necessarily mean that the person will be nominated in subsequent years. The President and CEO has authority to increase the number of participants provided that this does not increase the programme's total budget.

Options will be awarded partly on the basis of position (estimated option value equivalent to 15% of basic salary), partly on the basis of a discretionary assessment of performance in relation to predefined long-term targets (estimated option value equivalent to a maximum of 15% of basic salary), and a discretionary assessment of achievement of sustainability-related targets (estimated option value equivalent to a maximum of 5% of basic salary). Sustainability-related targets will be set and evaluated by the Board of Directors. On this basis, the outcome for participants will be an option value in the range 15 to 35% of salary depending on performance. The option value will be calculated according to the Black-Scholes model.

If the President and CEO takes the opportunity to expand the group of participants from the above-mentioned 100-105, the afore-mentioned awards must be reduced proportionately for all or parts of the group.

Predefined long-term targets shall ideally be linked to:
• Profitable organic growth
• Innovation and increased market shares
• Sustainability as a growth factor
• Structural growth in priority categories and geographies
• Establishment of a cost-effective organisation and realisation of synergies
• Development of human resources and collaborative relationships

Options will be awarded once a year, and for the first time in 2021 for those who were nominated in 2020. Awards will be based on the share price on the day after the Annual General Meeting. The Board of Directors will recommend candidates for awards in the Group Executive Board, while awards to other employees must be approved by the President and CEO. 20% of the options awarded for the year may be exercised after one year, another 20% after two years, and the remaining 60% after three years. In the case of the Group Executive Board, however, no options may be exercised until three years after they were awarded. The last date on which they may be exercised is five years after the award date, after which the options expire. The redemption price will be set at the market price at the award date with an increase of 3% per year in the vesting period. The redemption price will be adjusted for dividends. In the event of the employee's resignation, all options that have not been exercised will expire.

Based on an average estimate where the value of the option is equal to 30% of the participants' annual salary, approximately 5,500,000 share options will be required for the awards in 2021. The General Meeting approved giving the Board of Directors and the President and CEO a total limit of 5,500,000 share options to be awarded in 2021. It is proposed that the Board of Directors and the President and CEO be given a similar limit to be awarded in 2022, i.e. a total limit of 5,500,000 options and that the General Meeting approves this limit. The number of options is equivalent to around 0.55% of shares outstanding.

The gain on one year's awarded options may not exceed six times the value of awarded options at the award date, calculated in accordance with the Black-Scholes model. If a participant is awarded options with an estimated option value equivalent to 30% of his or her basic salary, the gain in this case may not exceed 180% of the basic salary.

The Group Executive Board must use 25% of their gross gain from the exercise of options to purchase Orkla shares, and purchased shares will be subject to a lock-in period of three years. Other participants are expected to use a percentage of their gross gain to purchase Orkla shares.

Note 11 cont.

Payments from the LTI programme in 2020 were in accordance with the previous cash-based programme. Awards were last made to the participants in the previous programme in May 2020, with 1/3 of the award to be paid out in 2022, 1/3 in 2023 and 1/3 in 2024. The amount awarded is adjusted in accordance with the Orkla share price performance from the day after the Annual General Meeting in 2020 until the bonus is paid out.

(iii) Other compensation elements

Discounted shares for employees:
For several years the Group has implemented a programme whereby employees may buy a limited number of shares at a discount on the market price. For 2020, employees were offered the opportunity to purchase shares for three different amounts: NOK 30,000, NOK 15,000 and NOK 10,000 (amounts before discount). In 2020, the discount was 25% on the market price. The lock-in period for shares purchased is three years. The costs of the employee share purchase programme in 2020 totalled approx. NOK 18 million.

The Board of Directors intends to maintain the share purchase programme in 2021 with the same purchase options as in 2020, i.e. NOK 30,000, NOK 15,000 and NOK 10,000 (amount before discount). The discount will be maintained at 25%, and the lock-in period will be maintained at three years.

Share-based incentive programmes

ACCOUNTING POLICIES

The sale of shares to employees at less than market price is accounted for by recognising the difference between the market value of the shares and the purchase price as a payroll expense.

Orkla has had a Long-Term Incentive (LTI) programme in which the last awards were made at the Annual General Meeting in 2020. The programme was cash-based as well as being tied to the share price performance (see separate description in this note). Accounting for the award reflected the vesting period and expensing began after awards were made.

As disclosed in the note, Orkla will introduce an option-based LTI programme as from the Annual General Meeting in 2021. Options awarded to management staff are valued on the basis of the option's fair value at the award date. The Black-Scholes model is used for valuation. The cost related to the option is reported on an accrual basis over the period in which the employees earn the right to receive the options. Option costs are reported as payroll expenses and offset in equity. A provision based on the accrued amount is made for employer's social security contribution to share option programmes related to the difference between the issue price and the market price of the share at year end.

NOTE 12 PENSIONS

The Group has both defined contribution and defined benefit pension plans. In a defined contribution pension plan, the company is only responsible for paying regular amounts to the employee's pension plan, while the employee will personally bear the risk for the future increase or reduction in the value of his or her own pension assets. In a defined benefit pension plan, the company will have full responsibility for and bear the risk attached to paying a future pension to the employee based on his or her final pay on retirement. The majority of Orkla's pension plans are defined contribution plans.

ACCOUNTING POLICIES

In a **defined contribution pension plan**, the company is responsible for making an agreed contribution to the employee's pension assets. The future pension will be determined by the amount of the contributions and the return on the pension savings. Once the contributions have been paid, there are no further payment obligations attached to the defined contribution pension, and there is no liability to report in the statement of financial position. The pension costs related to defined contribution plans will be equal to the contributions to employees' pension savings in the reporting period.

A **defined benefit pension plan** is based on a promise by the company to the employees that they will receive a certain level of pension upon retirement, normally defined as a percentage of final pay. The company is responsible for the amount of the future pension benefit and the financial value of this obligation must be reported in the income statement and statement of financial position.

The accrued obligation is calculated on a straight-line accruals basis, and is measured as the present value of the estimated future pension payments that are vested on the statement of financial position date. The capitalised net liability is the sum of the accrued pension obligation minus the fair value of associated pension fund assets.

Changes in the liability for defined benefit plans due to changes in pension plans are reported in their entirety in the income statement in the case of changes that give rise to an immediate paid-up policy entitlement. Other variances from estimates are recognised in equity through other comprehensive income in the period in which they arise. The discount effect of the pension obligation and expected return on pension assets are presented net under "Other financial costs" in the income statement.

Defined contribution plans

Most of the employees in the Orkla Group are covered by pension plans classified as defined contribution plans. Defined contribution plans also comprise pension plans that are common to several companies and where the pension premium is determined independently of the demographic profile in the individual companies (multi-employer plans).

Orkla has contribution rates for the companies in Norway that are aligned with the regulation-based limits for contribution rates for private company pension plans. See Note 5 to the financial statements for Orkla ASA.

Defined benefit plans

The Group has some pension plans that are classified as funded defined benefit plans and some defined benefit plans that are financed from operations. A large part of the Group's defined benefit plans are in Sweden and Norway. These countries account for around 67% and 31%, respectively, of the Group's net carried pension liabilities.

Sweden

The pension plans in Sweden are "net plans" that do not link the Group's obligations to changes in Swedish social security. The plans are largely determined by collective agreements. They are not funded, but provisions are made in the companies' statement of financial position. To secure accrued pension rights, companies must take out a credit insurance in the PRI Pensionsgaranti insurance company which records and calculates the companies' pension obligations. According to the collective agreements, all employees born in 1979 or later must be covered by a defined contribution plan, which means that the number of defined benefit plans will gradually be reduced.

The Group also has some pension plans, primarily related to executive management, financed through endowment insurances. The gross amount of these plans is reported in the financial statements.

Account has been taken of payroll tax on the pension obligations in Sweden.

Norway

Net pension obligations in Norway mainly consist of unfunded pension plans for former key personnel, early retirement schemes for the Group Executive Board, and carried liabilities related to contribution-based plans for employees who earn more than twelve times the Norwegian basic amount (12G).

The pension plan for employees in Norway who earn more than 12G is a contribution-based

Note 12 cont.

plan, but is treated as a defined benefit plan in accordance with IFRS. The actual deposits and interest accrued in the plan are reported as at 31 December.

The AFP contractual pension scheme is a multi-employer defined benefit plan, but is recognised as a defined contribution plan, in line with guidelines issued by the Ministry of Finance. Companies that participate in the AFP scheme are jointly responsible for two-thirds of the payable pension. The majority of Orkla companies in Norway participate in the AFP scheme. In 2020, the AFP premium was 2.5% of total payments of wages between 1 and 7.1 times the average basic amount.

Assumptions relating to defined benefit plans
The discount rate in Norway is fixed on the basis of Norwegian covered bonds (OMF). The Norwegian Accounting Standards Board considers the OMF market to be a sufficiently deep market to be used for computing the discount rate. Orkla has chosen a discount rate based on the average life of the pensions in each company and in each pension plan. In cases where the life exceeds 15 years, the OMF yield curve has been extrapolated on the basis of the swap rate.

The discount rate is adjusted to the interest rate level in each country. In Norway, the discount rate varies between 0.9% and 1.5%, depending on the life of the pension.

The discount rate in Sweden is based on Swedish covered bonds and was reduced to 1.0% for 2020, from 1.3% in 2019. In light of the lower interest rate, the estimate for expected inflation was also reduced slightly, from 1.7% to 1.5%, and expected wage adjustment was reduced from 2.4% to 2.2%. The combined effect of the two changes will be slightly higher obligations with a recognised effect in other comprehensive income (OCI).

Parameters such as wage growth, increase in the basic amount (G) and inflation are determined in accordance with recommendations in the various countries.

The mortality estimate is based on mortality tables for the various countries that are as up-to-date as possible. In Norway the K2013 life table is adapted and in Sweden the DUS14, and in the UK the most recent version of the CMI_2019 mortality table was used in 2020. The actuarial gains and losses are recognised in comprehensive income and are essentially related to changes in economic assumptions.

Pension plan assets
Virtually all the Group's pension plans with pension plan assets are now in the UK. Pension plan assets are mainly invested in bonds and some in shares. The estimated return will vary depending on the composition of the various asset classes. A breakdown of pension plan assets is presented in a separate table in this note. Contributions of pension plan assets in 2021 are expected to total NOK 3.1 million.

Ⓔ ESTIMATE UNCERTAINTY

Defined benefit plans are calculated on the basis of a set of selected financial and actuarial assumptions. Changes in parameters such as discount rates, future wage adjustment, etc. could have substantial impacts on the estimated pension obligation. Similarly, changes in the selected assumptions for the return on pension assets could affect the amount of the pension assets. The Group will not be materially affected by a reasonable expected change in key assumptions. Changes in these parameters will mainly be reported in comprehensive income. Orkla has determined parameters in line with recommendations in the individual countries.

	Norway		Sweden	
	2020	2019	2020	2019
Discount rate	0.9–1.5%	2.2–2.3%	1.00%	1.30%
Future wage adjustment	2.00%	2.25%	2.20%	2.40%
G-multiplier[1]	2.00%	2.25%	2.20%	2.40%
Adjustment of benefits	0%	0%	1.50%	1.70%
Personnel turnover	0–5%	0–5%	3.00%	3.00%
Expected average remaining vesting period (years)	6.0	5.9	12.2	12.6

[1]As at 31 December 2020, 1G was NOK 101.351.

Breakdown of net pension costs

Amounts in NOK million	2020	2019
Contribution plans	(427)	(398)
Current service cost (incl. national insurance contributions)	(78)	(69)
Curtailments and settlements pension plans[1]	(6)	(10)
Pension costs defined as payroll expenses	(511)	(477)
Interest on pension obligations	(55)	(99)
Expected return on pension plan assets	9	13
Pension costs defined as financial costs	(46)	(86)
Net pension costs	(557)	(563)

[1]Primarily concerns the conversion of the pension plan in LG Harris and is presented as "Other expenses".

Note 12 cont.

Breakdown of net pension obligations as at 31 December

Amounts in NOK million	2020	2019
Present value of funded pension obligations	(553)	(437)
Pension plan assets (fair value)	547	437
Net funded pension liabilities	(6)	-
Present value of unfunded pension obligations	(2 538)	(2 326)
Capitalised net pension liabilities	(2 544)	(2 326)
Capitalised pension liabilities	(2 585)	(2 358)
Capitalised plan assets	41	32

Breakdown of gross pension obligations during the year

Amounts in NOK million	2020	2019
Pension obligations 1 January	(2 763)	(2 425)
Current service cost (incl. national insurance contributions)	(78)	(69)
Interest on pension obligations	(55)	(99)
Actuarial gains and losses reported in statement of comprehensive income	(143)	(319)
Acquisition/sale of companies	-	(4)
Curtailments and settlements pension plans[1]	-	(7)
Benefits paid during the year	121	146
Currency translation effects	(173)	14
Pension obligations 31 December	(3 091)	(2 763)

[1]Primarily concerns expenses related to the conversion of the pension plan in LG Harris.

Change in pension assets during the year

Amounts in NOK million	2020	2019
Pension plan assets (fair value) 1 January	437	436
Expected return on pension plan assets	9	13
Actuarial gains and losses reported in statement of comprehensive income	97	50
Acquisition/sale of companies	-	-
Curtailments and settlements pension plans[1]	(5)	(3)
Contributions and benefits paid during the year	(29)	(46)
Currency translation effects	7	19
Effect of asset ceiling	31	(32)
Pension plan assets (fair value) 31 December	547	437

[1]Primarily concerns expenses related to the conversion of the pension plan in LG Harris.

Breakdown of pension assets (fair value) as at 31 December

	2020	2019
Cash, cash equivalents and money market investments	0%	4%
Bonds	95%	85%
Shares	5%	11%
Total pension plan assets	100%	100%

Overview of net pension obligations and actuarial gains and losses in the last four years

Amounts in NOK million	2020	2019	2018	2017
Pension obligations	(3 091)	(2 763)	(2 425)	(2 412)
Pension plan assets	547	437	436	456
Net pension liabilities/obligations	(2 544)	(2 326)	(1 989)	(1 956)
Actuarial gains and losses in pension obligations	(143)	(319)	(73)	(67)
Actuarial gains and losses in pension plan assets	97	50	(14)	25

NOTE 13 OTHER OPERATING EXPENSES

The Orkla Group has chosen to present its income statement based on the nature of the item of income or expense. Operating expenses have been broken down into the following main items: "Cost of materials", "Payroll expenses", "Depreciation" and "Other operating expenses". A break-down of the most important items in "Other operating expenses" is presented below.

Amounts in NOK million	2020	2019
External freight costs	(1 118)	(1 008)
Energy costs (production and heating)	(739)	(734)
Advertising	(1 845)	(1 629)
Repair and maintenance costs	(578)	(502)
Consultants, legal advisors, temporary staff etc.	(565)	(598)
Operating expenses vehicles	(137)	(156)
Short and variable lease expenses	(102)	(89)
Other	(2 216)	(2 170)
Total other operating expenses	**(7 300)**	**(6 886)**

Expenses reported in "Other" include costs related to IT, insurance, travel, courses and conferences.

Ⓟ ACCOUNTING POLICIES

Other operating expenses are recognised as and when they are incurred and are types of costs that are not classified on the lines for cost of materials, payroll expenses or depreciation and write-downs.

Ⓢ SUSTAINABILITY

Orkla's goal is to achieve a 30% reduction in energy consumption for the 2014–2025 period. Transfers of lessons learned and best practices between companies and factories are an important means of reducing energy use. Consumption is reduced through energy efficiency projects and improvement of production processes. Adjusted for acquisitions and increased turnover, energy consumption has been reduced by 19% since 2014.

NOTE 14 OTHER INCOME AND EXPENSES

"Other income" and "Other expenses" will largely consist of items that only to a limited degree are reliable explanations of ongoing earnings. The main purpose of these lines is to present such items separately to ensure that the changes in and comparability of the lines presented in EBIT (adj.) are more relevant to the company.

Other income and expenses

Amounts in NOK million		2020	2019
Other income			
Gain on sale		78	346
Refund of indirect taxes previous periods		67	-
Income related to transition from joint venture to subsidiary		-	33
Total other income		145	379
Other expenses			
M&A and integration costs		(105)	(130)
Final settlement employment relationships etc.		(136)	(80)
Write-downs property, plant and equipment and intangible assets		(511)	(477)
Other restructuring costs and other items		(323)	(253)
Total other expenses		(1 075)	(940)
Total other income and expenses		(930)	(561)
Of this:	Write-downs property, plant and equipment	(20)	(21)
	Write-downs intangible assets	(491)	(456)

Note 14 cont.

Items classified as other income and expenses belong to the following lines in the income statement:

Amounts in NOK million	2020	2019
Sales revenues	67	-
Other operating revenues	78	379
Cost of materials	(6)	(16)
Payroll expenses	(136)	(80)
Other operating expenses	(422)	(367)
Depreciation and write-downs	(511)	(477)
Total other income and expenses	(930)	(561)

Largest items in other income and expenses:

Amounts in NOK million	2020	2019
Write-down and costs related to ERP project	(437)	-
Write-down and disposal of Gorm's	(89)	-
Write-down goodwill and trademarks (Pierre Robert Finland)	(86)	-
Merger Hamé and Vitana (incl. IT systems)	(67)	-
Gain on sale of Treschows gate 16	-	294
Acquisition costs (M&A)	(78)	(94)
Write-down goodwill (House Care UK)	-	(238)
Write-down of trademarks (principally within Orkla Health)	-	(181)
Restructuring project at Orkla HQ	(65)	(49)

ACCOUNTING POLICIES

"Other income" and "Other expenses" are presented after Group profit or loss (EBIT adj.), broken down by segment, and include items such as M&A costs (acquisition costs), restructuring and integration costs, any major gains on or write-downs of both tangible and intangible assets, and other items that only to a limited degree are reliable explanations of ongoing profitability.

M&A costs are costs relating to the acquisition of companies that cannot be capitalised together with the shares. This applies to both completed and uncompleted acquisitions. Accrued expenses arising from the sale of companies are also presented on this line, until the sale is finally completed. At that time, the selling costs will be included in the profit or loss calculation and will be presented together with the latter.

Income
Buildings belonging to Orkla Care (Denmark) and Orkla Food Ingredients (Romania) were sold in 2020. The sales generated a total gain of NOK 53 million. NOK 67 million in refunds of indirect taxes in 2017-2019 were also taken to income.

Orkla Foods Norge sold the Vestlandslefsa brand at a gain of NOK 16 million. A gain of NOK 5 million on the sale of the SaritaS brand was also taken to income. Both these transactions are disclosed in Note 5.

Write-downs
A project is being implemented in the Group aimed at establishing a common ERP platform for Orkla Foods, Orkla Confectionery & Snacks and Orkla Care. The ERP project, entailing the construction of a common process core, or template, has been considerably more complex and time-consuming than originally anticipated when the project was started in 2017, besides which certain functionalities are no longer expected to be used. Furthermore, the coronavirus pandemic has necessitated extensive replanning, further postponements and consequently increased resource use. Write-downs and costs related to the project, totalling NOK 386 million, were therefore expensed in 2020. No further amounts will be capitalised in the balance sheet for this ERP project, in which some activities are still being carried out at the start of 2021. Slightly over NOK 100 million is expected to be incurred in connection with this ongoing ERP project in 2021, which will be reported as "Other expenses".

Note 14 cont.

The Orkla Food Ingredients business area also has an ongoing project to establish a common ERP platform. This project was written down and NOK 51 million was expensed in 2020, mainly because it has become more complex and time-consuming than originally anticipated, and certain functionalities are no longer expected to be used.

Write-downs of other IT systems, totalling NOK 27 million, were also taken in 2020. These are related to Group projects where the systems have not been used as intended and are thus not considered to have any real value.

Pierre Robert Finland (Orkla Consumer Investments) has delivered a weaker performance than anticipated since it was acquired, in addition to which the company has been negatively impacted by the coronavirus crisis. The market situation is still very challenging for the company. Consequently, goodwill and trademarks related to the business were written down by NOK 65 million and NOK 21 million, respectively, in the third quarter. A minor trademark in Orkla Confectionery & Snacks and a small goodwill item in Orkla Care were also written down.

A production line in MTR (Orkla Foods) was written down by NOK 14 million as at 31 December 2020. The production line was related to an unsuccessful product launch.

The Danish pizza restaurant chain Gorm's (Orkla Consumer Investments) was written down in the second quarter. Orkla purchased 67% of Gorm's in 2018 with an option to increase its interest to 100%. Gorm's was very negatively impacted by the coronavirus pandemic in 2020. The risk related to the profit performance required from the company was assessed as too high to justify Orkla's carrying values, and the business was therefore written down. An agreement on the sale of an equity interest in Gorm's was entered into in December 2020, which entailed the reduction of Orkla's interest to 19.99%. A total of NOK 89 million for write-downs and translation differences related to Gorm's in 2020 has been expensed on the line for "Other expenses".

Other expenses
A project was started in 2019 to ensure that the Group is optimally organised to increase organic growth and reduce complexity by strengthening the business areas and tailoring the Group's support functions to meet specific needs. This is intended to result in significant cost savings at Orkla Headquarters. The project was extended into 2020, and approx. NOK 65 million was expensed for the project in 2020.

Major restructuring projects have been carried out in Orkla Care and Pierre Robert Group (Orkla Consumer Investments). The total costs for these projects amounted to NOK 79 million in 2020. In Orkla Care, a restructuring programme was implemented that affects all the companies in the business area. Pierre Robert Group has entirely restructured the company, and in this connection the business in Sweden was closed down as of 30 June 2020. As a result of the closure, write-downs of NOK 6 million were taken on inventories in Sweden related to the winding-up of customer contracts, and costs related to employee severance pay were incurred.

Several coordination projects are also being carried out in Orkla Foods International, the biggest of which is the merger of Hamé and Vitana. Expenses totalling NOK 67 million were incurred in connection with this project in 2020. Other restructuring and coordination projects now ongoing in the Group are mainly the relocation of production from Felix to Hamé, construction of a chocolate and a biscuits factory in Latvia and merger and relocation projects in Orkla Food Ingredients.

In the first quarter, Orkla Food Ingredients purchased the remaining 15% of the shares in the UK sales and distribution company Orchard Valley Foods. Orkla acquired 85% of the shares in 2017, at the same time entering into an option agreement on the purchase of the remaining 15% shareholding. As a result of the option agreement, a provision was made at the time of acquisition for a debt related to the remaining purchase of the company. The difference of NOK 22 million between the actual and estimated purchase price was recognised in the income statement in 2020.

SUSTAINABILITY

To ensure competitive operations in a long-term perspective, Orkla carried out certain major restructuring projects in 2020. The purpose was to strengthen the Group's long-term competitiveness by making more effective use of capacity, improving operational efficiency and increasing the effect of investments in production equipment. Employees who have lost their jobs have been offered other jobs within Orkla or helped to find new employment.

NOTE 15 INTEREST AND OTHER FINANCIAL ITEMS

Financial income and financial costs mainly consist of interest income and interest costs related to the Group's total funding. They also include other financial items unrelated to operating activities.

ACCOUNTING POLICIES

Interest income and interest costs on loans and receivables are calculated using the effective interest method. Interest related to leases is reported as interest costs, while commitment fees and costs related to borrowings are reported as "Other financial costs". The financial element of pension costs is included in "Other financial costs" and disclosed in Note 12. Borrowing costs related to real estate under construction are recognised in the statement of financial position together with the asset. Foreign currency gains or losses arising from operating assets and liabilities, and the hedging of such, are reported as operating revenues or operating costs. Other foreign currency gains or losses are reported net as financial income and financial costs. The foreign currency gains or losses related to net investments in foreign entities are disclosed in Note 31.

Interest income and interest costs

Amounts in NOK million	2020	2019
Interest income	20	18
Interest costs	(142)	(151)
Capitalised interest costs	1	2
Change in fair value interest rate derivatives	(9)	(26)
Interest costs excl. leases	(150)	(175)
Interest costs, leases (see Note 21)	(32)	(35)
Total interest costs	(182)	(210)
Net interest	(162)	(192)

Financial income and financial costs

Amounts in NOK million	2020	2019
Gains, losses and write-downs shares and financial assets	0	(9)
Dividends received	1	21
Net foreign currency gains	4	2
Other financial income	4	1
Total other financial income	9	15
Interest pensions incl. hedge[1]	(29)	(54)
Other financial costs	(32)	(24)
Total other financial costs	(61)	(78)
Total other financial items	(52)	(63)

[1]Includes hedging of the pension plan for employees with salaries over 12G.

Reconciliation against cash flow

Amounts in NOK million	2020	2019
Interest, net	(162)	(192)
Other financial items, net	(52)	(63)
Total interest and other financial items (A)	(214)	(255)
Items that appear on other lines in the cash flow statement:		
Gains, losses and write-downs shares and financial assets	0	9
Dividends received	(1)	(21)
Total items that appear on other lines in the cash flow statement (B)	(1)	(12)
Items without cash flow effect:		
Change in accrued interest etc.	(12)	-
Interest pensions excl. hedge	46	86
Change in fair value recognised as interest income/interest costs	9	13
Change in fair value recognised as financial income/financial costs	0	(6)
Total items without cash flow effect; see cash flow statement (C)	43	93
Paid financial items in cash flow statement; see Note 38 (A+B+C)	(172)	(174)

NOTE 16 TAXES

Taxes refer to the authorities' taxation of the profits of the different companies in the Group and in different countries. Taxes also include withholding taxes, economic rent tax and tax on distributions. Value added tax, social security contributions, property tax, special taxes, customs duties and similar indirect taxes are not included in "taxes". Taxes are computed on the basis of accounting profit/loss and broken down into current taxes and change in deferred tax liability. Deferred tax liability is the result of temporary differences between financial accounting and tax accounting.

Ⓟ ACCOUNTING POLICIES

Current tax liabilities and assets are measured at the amount that is expected to be paid to or recovered from the tax authorities. The tax rates and tax rules used to calculate the amounts are those that have been adopted or substantively adopted by the end of the reporting period in the countries in which the Group operates and generates taxable income.

Deferred tax liabilities and assets are computed for all temporary differences between the carrying amount of an asset or liability in the consolidated financial statements and their respective tax bases and tax losses carried forward. For the calculation of deferred tax assets and liabilities, the nominal tax rates expected to be applied when the asset is realised or the liability is paid will be used.

Deferred tax assets relating to tax deficits and other tax-reducing temporary differences are recognised to the extent that it is probable that they can be applied against future taxable income.

Deferred tax liabilities related to withholding tax and other tax on dividends are recognised in connection with retained profits in associates and foreign subsidiaries when a dividend is expected to be paid in the foreseeable future.

Deferred tax liabilities for temporary differences associated with investments in subsidiaries and associates are recognised when it is probable that the temporary difference will reverse in the foreseeable future. Deferred tax liabilities or deferred tax assets are not recognised for the initial recognition of goodwill.

Deferred tax liabilities and deferred tax assets are only reported net to the extent that netting is permitted under the local tax rules, and the Group intends to make use of the opportunities to consolidate its tax positions by means of Group contributions or other tax consolidation.

Tax expense

Amounts in NOK million	2020	2019
Profit/loss before taxes	5 348	4 931
Current tax expense	(960)	(976)
Change in deferred taxes	34	(57)
Total tax expense	(926)	(1 033)
Tax as % of "Profit/loss before taxes"	17.3%	20.9%
Tax as % of "Profit/loss before taxes" adjusted for associates	21.3%	24.2%

Orkla's effective tax expense adjusted for associates decreased by 2.9 percentage points, from 24.2% in 2019 to 21.3% in 2020. The lower tax rate in 2020 is mainly due to a significant reduction in economic rent tax.

Reconciliation of the Group's tax rate

In the following table, reported taxes are reconciled with the tax expense based on the Norwegian tax rate of 22%. The main tax components are specified.

Amounts in NOK million	2020	2019
Norwegian tax rate on profit before taxes	(1 177)	(1 085)
Associates and joint ventures	220	145
Deferred tax on undistributed earnings in associates	(5)	(5)
Foreign operations with tax rates other than Norwegian tax rate	48	46
Changes in tax laws	10	5
Write-downs of shares, gains/losses and dividends within the tax exemption method	1	(1)
Non-deductible costs / tax free income	(27)	(24)
Non-deductible transaction expenses	(12)	(14)
Recognised deferred tax assets this year, previously unrecognised	2	15
Unrecognised deferred tax assets	(34)	(24)
Correction previous years' taxes	(3)	6
Write-downs of Group goodwill (Gorm's/Harris)	(19)	(45)
Reversal of net deferred tax liability outside Norway	75	74
Other taxes payable (economic rent tax and withholding tax)	(5)	(126)
The Group's total tax expense	(926)	(1 033)

Note 16 cont. ➔

Orkla's tax bases in Norway, Sweden and Denmark and Finland are substantial. The ordinary tax rate for companies domiciled in Norway and Sweden was reduced from 23% and 22% in 2018 to 22% and 21.4%, respectively, with effect from 2019. The company tax rate in Sweden will be further reduced to 20.6% in 2021. Denmark has an ordinary tax rate of 22% and Finland 20%.

Orkla's operations in countries with tax rates other than 22% make a net contribution towards reducing total tax expense. In 2020 the effect of this contribution was a reduction of NOK 48 million in total tax expense, of which the Baltic, Finnish and Swedish subsidiaries accounted for NOK 16 million, NOK 10 million and NOK 10 million, respectively.

Profit from associates is recognised on an after-tax basis and thus does not impact the Group's tax expense. However, a provision has been made for tax on undistributed earnings in associates, totalling NOK 33 million, of which NOK 5 million was recognised in the income statement in 2020.

The change in unrecognised deferred tax assets totalling NOK 34 million is ascribable to tax deficits in Poland, Germany, the Netherlands, the UK, Spain and Singapore, Finland and Slovakia. Recognition of previous years' unrecognised deferred tax assets totalling NOK 2 million relates to Orkla Food Ingredients companies in Romania and the Czech Republic.

The Group operates in the power industry which is subject to a special tax regime in Norway. In 2020, the economic rent tax rate was negative, which means that the Group had net economic rent income that accounted for 0.1 percentage points of the effective tax rate, adjusted for associates, of 21.3%.

Based on an assessment of the Group's overall tax exposure, provisions were recognised in the statement of financial position in line with expected risk in deferred tax liabilities.

SUSTAINABILITY

Through its presence in many countries, Orkla contributes to society by paying a variety of direct and indirect taxes, including company income tax. Orkla's corporate tax strategy sets out important tax policies to which all the companies in the Group must adhere. These policies are based on the desire for transparency, compliance with regulatory frameworks and good risk management. Orkla companies shall pay tax in accordance with the laws and regulations in the countries in which they operate.

The table below presents the current tax expense in the income statement for Orkla's main geographical areas:

Amounts in NOK million	2020	2019
Norway	268	361
Sweden	244	219
Denmark	115	124
Finland and Iceland	119	98
Rest of world	214	174
Total current tax expense	960	976

Note 16 cont.

Deferred tax liabilities

Deferred tax liabilities consist of the Group's tax liabilities that are payable in the future. The table below lists deferred tax assets and liabilities relating to the temporary differences between the carrying amount of an asset or liability and its tax base.

Deferred tax on temporary differences

Amounts in NOK million	2020	2019
Hedging reserve in equity	(64)	(31)
Intangible assets	1 218	1 119
Property, plant and equipment	335	328
Net pension liabilities	(336)	(325)
Gain and loss tax deferral	394	365
Leases	(43)	(43)
Other non-current items	177	218
Total non-current items	1 681	1 631
Provisions	(60)	(52)
Other current items	(57)	49
Total current items	(117)	(3)
Tax losses carried forward	(137)	(139)
Net deferred tax liabilities	1 427	1 489
Deferred tax hydropower tax regime[1]	(20)	(21)
Deferred tax assets, not recognised	149	124
Net deferred tax liabilities	1 556	1 592
Change in deferred tax	36	(59)
Net deferred tax asset on implementation of IFRS 16 Leases	0	(37)
Net deferred tax continuing operations	36	(96)
Change in deferred tax hedging reserve taken to comprehensive income	(33)	17
Change in deferred tax actuarial gains and losses pensions taken to comprehensive income	(4)	(64)
Acquisition/sale of companies, reclassification etc.	97	86
Hedging of net investments in foreign operations	(62)	0
Change in deferred tax income statement	34	(57)

[1]Deferred tax liabilities and deferred tax assets related to hydropower taxes have been recognised gross for each power plant.

Net deferred tax presented in the statement of financial position

Amounts in NOK million	2020	2019
Deferred tax liabilities	1 681	1 619
Deferred tax assets	125	27
Net deferred tax	1 556	1 592

Losses carried forward by expiry date

Tax losses carried forward totalling NOK 607 million constitute a deferred tax asset of NOK 135 million, of which only NOK 10 million has been recognised. Unrecognised tax losses carried forward amount to NOK 557 million. A total of NOK 348 million of these have no expiry date, NOK 78 million expire from 2027 onwards, NOK 15 million expire in the period 2024–2026 and NOK 116 million expire in the period 2021–2023.

Amounts in NOK million	2020	2019
2020	-	26
2021	30	25
2022	55	9
2023	31	72
2024	3	13
2025	12	0
2026	0	68
2027 or later	85	0
Without expiry date	391	412
Total tax losses carried forward	607	625

Deferred tax assets are only capitalised to the extent that it is probable that there will be sufficient future taxable profit for the tax asset to be used, either because the entity recently reported a profit or because assets with excess value have been identified. If it is unlikely that future profits will be sufficient to absorb the tax-reducing temporary differences, deferred tax assets are not recognised.

Note 16 cont.

The Norwegian, Swedish and Finnish tax groups have utilised all available tax losses carried forward and were liable to tax in 2020.

A net reversal of NOK 75 million was made in 2020 for a deferred tax liability related to operations outside Norway. A similar reversal of NOK 74 million was made in 2019.

Tax-deductible temporary differences with corresponding deferred tax assets

Amounts in NOK million	Tax-deductible temporary differences	Recognised deferred tax assets	Unrecognised deferred tax assets	Total deferred tax assets
Tax losses carried forward				
Spain	200	1	49	50
UK	70	0	13	13
Poland	75	0	14	14
Switzerland	42	0	10	10
Finland	41	0	8	8
Eastern Europe (excl. Poland and Romania)	23	0	4	4
Netherlands	44	0	11	11
Denmark	30	4	3	7
Others	82	5	13	18
Total	607	10	125	135
Other tax-deductible temporary differences	2 118	442	24	466
Total tax-deductible temporary differences	2 725	452	149	601
Netted deferred tax	(1 538)	(327)	0	(327)
Net tax-deductible temporary differences	1 187	125	149	274

NOTE 17 EARNINGS PER SHARE

Earnings per share are one of several indicators that can be used in financial analyses to assess a company's performance. This key figure shows the profit or loss for the year after non-controlling interests per share.

ACCOUNTING POLICIES

Earnings per share are calculated by dividing the profit or loss for the year after non-controlling interests by the average number of shares outstanding during the reporting period.

Earnings per share (adj.) show the profit or loss for the year after non-controlling interests per share adjusted for "Other income" and "Other expenses" after estimated tax for these two financial statement items. Items included in "Other income" and "Other expenses" are disclosed in Note 14. If other items of a special nature arise on the financial statement lines below the company's operating profit or loss, adjustments will also be made for them.

Amounts in NOK million	2020	2019
Profit/loss attributable to owners of the parent	4 371	3 838
Adjustments in earnings per share (adj.) attributable to owners of the parent		
Other income and expenses after tax	778	508
Gain on sale of associates and joint ventures	(29)	(35)
Reversal of deferred tax related to operations outside Norway	(75)	(74)
Adjusted profit/loss attributable to owners of the parent	5 045	4 237
Weighted average of number of shares outstanding	1 000 460 782	999 929 381
Earnings per share (NOK)	4.37	3.84
Earnings per share (adj.) (NOK)	5.04	4.24

Note 17 cont.

Effective tax related to “Other income” and “Other expenses” in 2019 and 2020 will be lower than the Group’s tax rate due to non-deductible transaction costs, write-downs with no tax effect and the effect on profit or loss related to the acquisition of the remaining interest in Orchard Valley Foods AS. The effective tax rate for other income and expenses for 2020 is 16.3% (9.5% in 2019).

An adjustment was also made in 2020 for gains on the sale of the associates Andersen & Mørck AS and Allkjärsplans Utvecklings AB. The gains related to these companies are reported on the line “Profit/loss from associates and joint ventures”; see Note 6. In 2019, an adjustment was made for a gain of NOK 35 million on the sale of Oslo Business Park. In both 2020 and 2019, adjustments were made for the reversal of net deferred tax liability related to operations outside Norway; see Note 16.

There are no share-based arrangements in the Group that have a dilutive effect. From 2021, however, options will be awarded to employees which could have a dilutive effect. See Note 11 for disclosure of this programme.

NOTE 18 IMPAIRMENT ASSESSMENTS

The value of long-term capitalised assets will largely be based on discretionary assessment and estimates. It is important that the financial statement users are familiar with the assumptions that apply to the valuation of these assets and the way the Group assesses future earnings. There will be particular focus on assets that are not initially depreciated. In the Orkla Group’s financial statements, this will largely concern goodwill and trademarks with an indefinite useful life.

Routine monitoring of non-current assets

The Orkla Group has material non-current assets in the form of both tangible (property, plant and equipment) and intangible assets. An explanation of the details of and changes in these assets is presented in Note 19 and Note 20. The Group also has other non-current assets that mainly consist of investments in companies recognised using the equity method. These are disclosed in Note 6 and are not covered in the description below.

The capitalised assets are routinely monitored and if there are indications that the value of an asset is no longer recoverable, an impairment test will immediately be carried out to determine whether the asset can still justify its carrying value. If new estimates conclude that the value is no longer recoverable, the asset is written down to the recoverable amount, i.e. the greater of the net sales value and the value in use (discounted cash flow).

Impairment testing and write-downs

Write-downs per business area:

Amounts in NOK million	2020	2019
Orkla Foods	(72)	(31)
Orkla Confectionery & Snacks	(5)	(21)
Orkla Care	(10)	(154)
Orkla Food Ingredients	(51)	(30)
Orkla Consumer Investments	(178)	(238)
HQ	(195)	(2)
Branded Consumer Goods incl. HQ	**(511)**	**(476)**
Hydro Power	0	0
Financial Investments	0	(1)
Orkla	**(511)**	**(477)**

Note 18 cont.

Branded Consumer Goods incl. HQ
In line with its adopted policies, the Group carried out impairment tests for all intangible assets with an indefinite useful life and for all goodwill prior to the presentation of financial statements for the third quarter 2020. As a result of these tests, goodwill and trademarks in Pierre Robert Finland were written down by NOK 65 million and NOK 21 million, respectively. In addition, a trademark in Orkla Confectionery & Snacks and a goodwill item in Orkla Care were written down in 2020.

In the second quarter of 2020, goodwill related to the Danish pizza restaurant chain Gorm's (Orkla Consumer Investments) was written down by NOK 84 million. In December 2020, an agreement was entered into on the sale of an ownership interest in Gorm's, entailing the reduction of Orkla's interest to 19.99%. The company was sold at the written down value.

A project is being carried out in the Group to establish a common ERP platform for Orkla Foods, Orkla Confectionery & Snacks and Orkla Care. Write-downs taken and recognised expenses related to this project totalled NOK 386 million in 2020. The Orkla Food Ingredients business area also has an ongoing project to establish a common ERP platform. This project was written down and expenses were recognised in 2020 for a total of NOK 51 million. Other IT systems were written down by NOK 27 million in 2020.

A production line in MTR (Orkla Foods) was written down by NOK 14 million in 2020. The production line was related to an unsuccessful product launch.

Further details of write-downs taken in 2020 are disclosed in Note 14.

In 2019, goodwill related to Orkla House Care's UK operations was written down by NOK 238 million. Trademark write-downs totalling NOK 181 million were also taken. The write-downs were primarily in Orkla Health, and the largest were related to Gerimax and Colon C. Means of production in Orkla Confectionery & Snacks were also written down by NOK 21 million as a result of a planned factory relocation, and a write-down was taken on a common ERP project in Orkla Food Ingredients.

Other activities
An updated assessment was also carried out of the value of the Sauda power plants, and the valuation justifies the Group's investment in Saudefaldene. The WACC applied reflects lower risk than for the other Group companies.

Other assessments
No other deficit values related to property, plant or equipment or intangible assets were identified in the Group. Some Orkla businesses have been impacted by the coronavirus pandemic and the situation is being closely monitored with regard to indications of a need for write-downs.

ACCOUNTING POLICIES

Goodwill and intangible assets with an indefinite useful life are not depreciated on a regular basis. These assets are therefore tested at least annually for impairment. At Orkla, impairment testing is carried out in the third quarter. If there are special indications of a reduction in value, impairment testing is carried out more frequently. Cash flows relating to the assets are identified and discounted. Future cash flow is based on specified assumptions (see separate table in this note) and the plans adopted by the unit. If the discounted value of future cash flows is lower than the capitalised value of the unit's capital employed, the assets are written down to the recoverable amount. If the discounted value is higher than the capital employed, this means that the value of the intangible asset or goodwill is recoverable. In cases where the discounted value exceeds the capital employed by less than 20%, a further sensitivity analysis is carried out to check the calculation. Capital employed is defined through the presentation of segments in Note 7. Where relevant, assumptions and estimates are reviewed and the robustness of the investment is measured in relation thereto. Alternatively, the sales value of the asset will be calculated to determine whether it justifies maintaining the carrying value.

Trademarks with an indefinite useful life are tested for impairment by discounting estimates of the future sales value of the trademark and measuring them against the trademark's carrying value. This process is based on a model whereby the trademark's discounted value is calculated on the basis of a percentage rate that indicates the strength of the trademark. This strength was assumed at the time of acquisition and is basically maintained in the impairment testing.

Cash-generating units
A cash-generating unit (CGU) is the lowest level at which independent cash flows can be measured. The highest level of a CGU will be a reported segment. None of the reported segments as at 31 December 2020 constituted a separate CGU.

Note 18 cont.

Orkla Foods and Orkla Confectionery & Snacks have a CGU in each country and are thus tested on a country basis. Orkla Care, on the other hand, consists of branded companies that have operations in several countries. In both Orkla Foods and Orkla Care there are companies that have been part of the Group for a long time, and these companies therefore have low or no capitalised intangible assets. Large acquisitions like the purchase of Rieber & Søn Norge in 2013 and Cederroth in 2015 have on the whole been fully integrated into Orkla's existing operations and the excess value associated with the acquisitions is therefore justified by the new aggregated units.

Orkla Food Ingredients consists of many different bakery and ice cream ingredient units, which mainly constitute separate CGUs. These are tested individually and a total of 23 tests were carried out.

Orkla Consumer Investments consists of Orkla House Care, Lilleborg, Pierre Robert and Kotipizza. All these units constitute separate CGUs except Orkla House Care. The UK business in House Care is an independent unit and is tested on an individual basis.

The segments are disclosed in Note 7 and an overview of book goodwill and brands in the largest CGUs in each business area is presented in a separate table in this note.

Trademarks
In the case of trademarks, a new organisational structure will normally not change assumptions underlying the measurement of the strength of the various trademarks. The trademarks continue to exist in the new organisation. The value of a trademark will be dynamic and new products launched under the trademark in question will help to maintain its value.

Assumptions
The Branded Consumer Goods business is basically relatively stable in the face of market fluctuations. Future cash flows are estimated on the basis of a number of assumptions. This applies both to factors such as assumptions concerning economic trends and factors such as assumptions concerning the estimated useful life of important trademarks. Future cash flows are estimated on the basis of the budget for next year and the following four forecast years. As from year six a terminal value is calculated. The main factors on which the impairment tests are based are summarised by segment in a separate table in this note. The CGUs operate in different markets, and the table is intended to provide an overview of the primary drivers.

Discount rate
The discount rate applied is based on the Group's cost of capital, which is estimated to be 5.8% after tax (5.8% in 2019), based on a weighted average of required rates of return for the Group's equity and debt (WACC). The required rate of return on the Group's equity is estimated by using the capital asset pricing model (CAPM). The required rate of return on debt is estimated on the basis of a long-term risk-free interest rate to which is added a credit margin derived from Orkla's marginal long-term borrowing rate. External information sources are used to calculate the cost of equity and the cost of debt. The discount rate is adjusted for country risk, the level of inflation and operational risk, depending on the particular value being calculated.

Sensitivity
The largest trademark and goodwill items are related to businesses that are developing well. A comparison of the book value of capital employed in Branded Consumer Goods with an average sum-of-the-parts (SOTP) value based on analysts' valuation of the corresponding area shows substantial excess value. The excess value varies from one business area to another, but all four Branded Consumer Goods business areas show that the SOTP value is clearly higher than the respective carrying values.

There may be uncertainty attached to brands and goodwill items in recently acquired companies. Plans and anticipated growth for such companies are based on developments in markets that are relatively new for the Group. Based on the assumptions and expectations applied in both the acquisition cases and further plans, however, most of these businesses justify their capitalised value. The performances of Health and Sports Nutrition Group (HSNG) and Orkla Confectionery & Snacks Latvia have been weaker than expected since the companies were acquired. Based on expected cash flows, the companies justify their book value, but their future performance will be monitored closely in relation to their anticipated profit performance. In the impairment test carried out in the third quarter of 2020, a decline from 0.5% to 0.0% growth in the terminal value for Orkla Confectionery & Snacks Latvia will result in a write-down of approx. NOK 70 million, while an increase in WACC before tax of 0.5 percentage points will result in a write-down of approx. NOK 90 million. For HSNG, an increase of 0.5 percentage points in WACC before tax will result in a write-down of approx. NOK 15 million according to the impairment test. The terminal value for HSNG is broken down into two parts, and a decline of 0.5 percentage points for the entire terminal period will result in a write-down of well under NOK 10 million, based on the calculations carried out. This picture can quickly change as it depends on the companies' expected future profit performance.

The goodwill and trademark items in Orkla's business areas are shown in tables on the following pages.

Note 18 cont.

Key assumptions for estimating future performance

	Orkla Foods (OF)					Orkla Confectionery & Snacks (OC&S)				
		Goodwill		Trademarks			Goodwill		Trademarks	
Amounts in NOK million	Units	2020	2019	2020	2019	Units	2020	2019	2020	2019
Units in segment	OF Norway	3 345	3 345	1 260	1 260	OC&S Norway	534	534	201	205
	OF Sweden	1 644	1 490	422	64	OC&S Sweden	904	818	411	372
	OF Denmark	440	414	62	58	OC&S Denmark	624	583	428	402
	OF Finland	107	100	2	2	OC&S Finland	619	584	766	721
	OF Baltics	62	59	45	43	OC&S Latvia	498	469	221	208
	MTR Foods	286	302	107	112	OC&S Estland	-	-	58	55
	OF Central Europe	614	597	505	491					
	OF Others	200	211	0	-					
	Total	**6 698**	**6 518**	**2 403**	**2 030**	**Total**	**3 179**	**2 988**	**2 085**	**1 963**
		2020		2019			2020		2019	
	Total capital employed 31 Dec.	14 992		14 142		Total capital employed 31 Dec.	7 118		6 803	
	EBIT (adj.)	2 641		2 276		EBIT (adj.)	1 203		1 094	
Factors that affect the discount rate	Operates largely in the Nordic and Baltic markets as well as Austria, Czech Republic, Slovakia, Russia, Hungary and India; low industry risk; budgets in local currency.					Operates largely in the Nordic and Baltic markets, low industry risk; budgets in local currency.				
Raw material price estimates are based on the market situation at time of calculation	Key raw materials: meat, eggs, vegetables, dairy products, fish, spices and other additives, fruits and berries, glass and metal packaging.					Key raw materials: sugar, potatoes, nuts, cocoa, flour, vegetable oil, spices, milk powder and packaging				
Production sites	Production is carried out in the Nordics, Baltics, Austria, Czech Republic, Slovakia, Russia and India.					Production is largely carried out in the Nordics and Baltics.				
Gross profit is based on past performance, adjusted for future expectations	Gross profit is affected by innovations, productivity, retail chain price negotiations and raw material prices which overall are expected to remain stable or rise slightly.					Gross profit is affected by innovations, productivity, retail chain price negotiations and raw material prices which overall are expected to remain stable or rise slightly.				
Customisation and ability to develop products in collaboration with customers	Orkla Foods tracks consumer trends and works continuously to seek growth and development in existing and new segments.					OC&S tracks consumer trends – growth is expected in existing segments.				
Economic conditions and market outlook	Markets and turnover are expected to remain normal – Orkla Foods is generally little affected by market trends.					Markets and turnover are expected to remain normal – OC&S is generally little affected by market trends.				
Terminal value	Growth rate 0.5–5%.					Growth rate 0.5%.				

Note 18 cont.

Key assumptions for estimating future performance

	Orkla Care					Orkla Food Ingredients (OFI)				
		Goodwill		Trademarks			Goodwill		Trademarks	
Amounts in NOK million	Units	2020	2019	2020	2019	Units	2020	2019	2020	2019
Units in segment	Orkla Home & Personal Care	1 501	1 397	332	333	OFI Sales & Distribution	590	546	-	-
	Orkla Health	1 427	1 346	558	537	Odense Group	100	95	-	-
	Orkla Wound Care	303	130	122	80	Credin Group	225	211	-	-
	HSNG	297	275	102	92	Idun Group	810	737	-	-
						Dragsbæk Group	215	200	4	5
						Sonneveld Group	262	247	-	-
	Total	**3 528**	**3 148**	**1 114**	**1 042**	**Total**	**2 202**	**2 036**	**4**	**5**
		2020		2019			2020		2019	
	Total capital employed 31 Dec.	6 102		5 657		Total capital employed 31 Dec.	5 796		5 528	
	EBIT (adj.)	1 019		855		EBIT (adj.)	500		626	
Factors that affect the discount rate	Operates largely in the Nordic markets and the Baltics, Poland and Spain; low industry risk; budgets in local currency.					Operates in several countries; moderate industry risk; budgets in local currency.				
Raw material price estimates are based on the market situation at time of calculation	Key raw materials: crude oil, fish oil, milk protein, vitamins, plastic packaging, plastic components, cardboard and paper-based packaging and tensides.					Key raw materials: vegetable oil, butter, molasses, sugar and flour.				
Production sites	Own production mainly in the Nordics and Malaysia for the part of Jordan included in Orkla Home & Personal Care (OHPC). Orkla Health has own production in Norway and Denmark. Wound care products are produced in Spain. Orkla Health, OHPC and HSNG also purchase goods for resale primarily from Europe.					Own production mainly in Scandinavia, but also in the Netherlands, Poland, Romania and at certain production units in Central and Eastern Europe.				
Gross profit is based on past performance, adjusted for future expectations	Gross profit is affected by innovations, productivity, retail chain price negotiations and raw material prices that overall are expected to remain stable or rise slightly.					Gross profit is affected by companies' competitive strength in delivery of products and services. This strength is supported by ability to develop good cost-in-use products. OFI seeks to offset changes in raw material costs in customer markets.				
Customisation and ability to develop products in collaboration with customers	Orkla Care tracks consumer trends – growth is expected in existing segments.					OFI tracks consumer trends and collaborates closely with its customers, who are manufacturers and suppliers. In recent years, OFI has focused on sustainability, and its portfolio includes a growing share of plant-based and other products.				
Economic conditions and market outlook	Markets and turnover are expected to remain normal – Orkla Care is generally little affected by market trends.					The coronavirus pandemic has affected markets and increased uncertainty in 2020 and at start of 2021. Within this context, relatively safe demand is expected since the products supplied by OFI are "basic goods" in the bakery and ice cream segments.				
Terminal value	Growth rate 0.5–1%.					Growth rate 0.5%.				

Note 18 cont.

Key assumptions for estimating future performance

	Orkla Consumer Investments				
		Goodwill		Trademarks	
Amounts in NOK million	Units	2020	2019	2020	2019
Units in segment	Pierre Robert Group[1]	41	98	19	38
	Lilleborg	18	18	-	-
	Orkla House Care	518	501	154	154
	Kotipizza	1 243	1 172	447	421
	Gorm's	-	116	-	-
	Total	**1 820**	**1 905**	**620**	**613**
		2020		2019	
	Total capital employed 31 Dec.	3 155		3 373	
	EBIT (adj.)	404		297	
Factors that affect the discount rate	Operates largely in the Nordic markets and the UK and Benelux; low industry risk; budgets in local currency.				
Raw material price estimates are based on the market situation at time of calculation	Key raw materials: plastic packaging, plastic components, chemicals, cardboard and paper-based packaging, wool and cotton, pizza crusts and pizza toppings.				
Production sites	Own production mainly in the Nordics, UK and China for Orkla House Care. Pierre Robert Group mainly buys its production from Italy and Asia. Lilleborg primarily buys goods for resale from Europe, in addition to own production in Norway. Kotipizza is primarily a franchisor of pizza concepts and is also wholesaler to its franchise network and selected external customers.				
Gross profit is based on past performance, adjusted for future expectations	Gross profit is affected by innovations, productivity, retail chain negotiations and raw material prices that overall are expected to remain stable or rise slightly. For the restaurant operations, gross profit is primarily driven by sales from restaurants, and innovation and operational efficiency.				
Customisation and ability to develop products in collaboration with customers	Orkla Consumer Investments tracks consumer trends – growth is expected in existing segments.				
Economic conditions and market outlook	Markets and turnover are expected to remain normal – Orkla Consumer Investments is generally relatively little affected by market trends.				
Terminal value	Growth rate 0.5–2%.				

[1]Carried goodwill and trademarks are mainly related to Pierre Robert Group in Finland.

NOTE 19 INTANGIBLE ASSETS

Intangible assets and goodwill are non-physical assets that have largely been capitalised in connection with the acquisition of a company. Intangible assets classified as non-depreciable are chiefly trademarks, have an indefinite useful life and it is impossible on the balance sheet date to foresee when the asset will cease to have value. Goodwill is not regularly depreciated either. Intangible assets and goodwill will be subject to considerable estimate uncertainty.

Ⓟ ACCOUNTING POLICIES

Research and development (R&D) expenditure is the expenses incurred by the Group in conducting research and development, studies of existing or new products, production processes, etc. in order to secure future earnings. Expenditure on research is always expensed directly, while expenditure on development may be recognised in the statement of financial position. However, there is considerable uncertainty throughout the decision-making process, and the fact that only a small percentage of all development projects culminate in commercial products means that no projects end in capitalisation. At the same time, the expenses that qualify for recognition in the statement of financial position are relatively small.

Expenditure on internally generated or customised IT systems is capitalised and presented as intangible assets.

Expenditure related to internally generated trademarks, etc. (marketing) is expensed directly and will never be capitalised. This is because the future economic benefits to the company cannot be identified and shown to be probable with any degree of certainty at the time the trademark is launched.

Intangible assets taken over by the company through acquisitions are capitalised. Long-established trademarks that have a sound development at the time of acquisition have an indefinite useful life and are not depreciated. An indefinite useful life means that it is impossible on the statement of financial position date to estimate the period during which assets will be available for use. Other identified trademarks will be depreciated over their anticipated useful life, which is normally 5–10 years. Other intangible assets will be depreciated over their useful life. Thus only trademarks that are purchased directly or indirectly through the acquisition of companies are capitalised in the consolidated financial statements, not internally generated trademarks.

Goodwill is the residual value consisting of the difference between the purchase price and the capitalised value of an acquired company. The concept of goodwill comprises payment for synergy gains, assets related to employees, other intangible assets that do not qualify for capitalisation as a separate item, future superprofit and the fact that deferred tax cannot be discounted. Capitalised goodwill derives solely from acquisitions; see Note 18.

Ⓔ ESTIMATE UNCERTAINTY

Considerable estimate uncertainty attaches to the value of intangible assets. These have no direct "cost price", which is essentially determined by the Group's own valuations, and are mainly capitalised in connection with the Group's acquisition of a new business. Goodwill is to be seen as a residual value in the same acquisition. The sum of all excess value including goodwill associated with acquisitions is thus basically to be regarded as the market value (fair value) of the total net assets, and the different types of assets (liabilities) are broken down on the basis of that value; see Note 18.

Ⓢ SUSTAINABILITY

Orkla expensed NOK 343 million for research and development in 2020 (NOK 300 million in 2019). This covers internal and external costs related to product development, and includes measures to reduce salt, sugar and saturated fat in foods, develop healthy products, develop new packaging solutions based on renewable, recovered materials, and use new raw materials that promote sustainable consumption.

A current project that will run for several years aims at establishing a common ERP platform for Orkla Foods, Orkla Confectionery & Snacks and Orkla Care. Write-downs and recognised expenses related to the project totalled NOK 386 million in 2020; see Note 14. NOK 712 million was capitalised in connection with this ERP system as at 31 December 2020. Orkla Food Ingredients also has a project to establish a common ERP system in its own business area. Write-downs and recognised expenses related to this system totalled NOK 51 million in 2020, and the capitalised value was NOK 185 million as at 31 December 2020. The ERP investments are mainly capitalised under "Assets under construction"; see Note 20.

Note 19 cont.

Intangible assets

Amounts in NOK million	Trademarks, not depreciable	Trademarks, depreciable	Other intangible assets	IT	Goodwill	Total
Book value 1 January 2019	5 438	9	93	364	14 673	20 577
Investments	-	-	-	83	2	85
Reclassifications[1]	1	-	1	77	-	79
Companies acquired[2]	441	-	30	3	2 198	2 672
Depreciation	-	(1)	(12)	(108)	-	(121)
Write-downs	(181)	-	-	(4)	(238)	(423)
Translation differences	(46)	1	5	-	(102)	(142)
Book value 31 December 2019	5 653	9	117	415	16 533	22 727
Investments	-	-	16	94	-	110
Reclassifications[1]	(4)	-	6	391	-	393
Companies acquired[2]	382	-	1	-	213	596
Sold companies / discontinued operations	-	-	-	-	(46)	(46)
Depreciation	-	(1)	(15)	(122)	-	(138)
Write-downs	(26)	-	-	(310)	(155)	(491)
Translation differences	221	-	10	7	820	1 058
Book value 31 December 2020	6 226	8	135	475	17 365	24 209
Initial cost 1 January 2020	5 805	147	943	1 148	19 135	27 178
Accumulated depreciation and write-downs	(152)	(138)	(826)	(733)	(2 602)	(4 451)
Book value 1 January 2020	5 653	9	117	415	16 533	22 727
Initial cost 31 December 2020	6 394	147	980	1 481	20 214	28 210
Accumulated depreciation and write-downs	(168)	(139)	(845)	(1 006)	(2 849)	(4 001)
Book value 31 December 2020	6 226	8	135	475	17 365	24 209
Depreciation	-	10–20%	10–20%	10–33%	-	-

[1]Net reclassifications relate to figures transferred from Note 20 and concern transferral of assets under construction.
[2]See Note 5 for information about intangible assets in acquired companies.

NOTE 20 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are various types of assets that are necessary for the Group's operating activities. Unless there are significant changes in operating parameters, these assets will largely necessitate corresponding reinvestment over time. They consist of items such as land, buildings, plants, machinery, fixtures and fittings, IT equipment and means of transport owned by the Orkla Group. Annual ordinary depreciation is an indication of the extent of the need for corresponding reinvestment.

P ACCOUNTING POLICIES

Property, plant and equipment are tangible items intended for production, delivery of goods or administrative purposes and have a lasting useful life. They are recognised in the statement of financial position at cost minus any accumulated depreciation and write-downs. Routine maintenance of assets is expensed under operating expenses while major periodical maintenance and expenditure on replacements or improvements are added to the cost price of the assets. Property, plant and equipment with an indefinite useful life (land, etc.) are not depreciated, while other property, plant and equipment are depreciated on a straight line basis over their useful life. Residual value is taken into account (especially in connection with properties), and the depreciation plan is reviewed annually. If there is any indication that the value of an asset may be impaired, the asset will be written down to the recoverable amount if the recoverable amount is lower than the carrying value.

When carrying out a purchase price allocation in connection with an acquisition, excess or deficit values are allocated to the assets concerned, so that these are capitalised at the Group's acquisition cost. Financing expenses related to the production of the Group's own property, plant and equipment are recognised in the statement of financial position; see Note 15.

E ESTIMATE UNCERTAINTY

The valuation and estimated useful life of property, plant and equipment are based on future information and will always involve a degree of uncertainty. Especially in a situation where the Group is planning major changes in its manufacturing structure and number of production sites, there will be extra focus on assessments made of different production facilities. The various production sites are routinely assessed based on a going concern approach, but in a situation where a change in organisational structure could mean that some plants will be closed or reorganised, these assessments will have to be changed on an ongoing basis and could lead to the identification of both net book excess value and net book deficit value.

See Note 35 for disclosures of pledged assets and mortgages related to the Group's property, plant and equipment.

Orkla is currently implementing an investment programme for pizza production at Stranda. The investment programme, which will run for five years, includes investments in both new innovations and improved production efficiency. Approximately NOK 515 million was capitalised for this project as at 31 December 2020. Project costs related to the different stages are recognised as "Other expenses".

Note 20 cont.

Property, plant and equipment Amounts in NOK million	Land, buildings and other property	Machinery and plants	Assets under construction	Fixtures, fittings, vehicles, IT equipment etc.	Total
Book value 1 January 2019	5 919	4 234	2 103	504	12 760
Investments	293	404	1 585	160	2 442
Disposals/scrapping	(19)	(16)	-	(3)	(38)
Companies acquired	118	55	2	15	190
Sold companies	(27)	(5)	-	-	(32)
Transferred assets under construction/reclassifications	997	531	(1 702)	82	(92)[1]
Write-downs	(1)	(24)	(34)	(1)	(60)
Depreciation	(269)	(703)	-	(173)	(1 145)
Translation differences	(20)	(41)	(4)	(5)	(70)
Book value 31 December 2019	6 991	4 435	1 950	579	13 955
Investments	229	397	1 736	118	2 480
Disposals/scrapping	(29)	(41)	(2)	(15)	(87)
Companies acquired	-	6	-	4	10
Sold companies	(27)	(7)	-	(34)	(68)
Transferred assets under construction/reclassifications	319	958	(1 800)	124	(399)[1]
Write-downs	(6)	(14)	-	-	(20)
Depreciation	(319)	(793)	-	(205)	(1 317)
Translation differences	144	204	59	22	429
Book value 31 December 2020	7 302	5 145	1 943	593	14 983
Initial cost 1 January 2020	10 695	16 008	1 984	2 416	31 103
Accumulated depreciation and write-downs	(3 704)	(11 573)	(34)	(1 837)	(17 148)
Book value 1 January 2020	6 991	4 435	1 950	579	13 955
Initial cost 31 December 2020	12 761	17 304	1 943	2 638	34 646
Accumulated depreciation and write-downs	(5 459)	(12 159)	-	(2 045)	(19 663)
Book value 31 December 2020	7 302	5 145	1 943	593	14 983
Linear depreciation	2–4%	5–15%	-	15–25% IT equipment: 16–33%	

[1]NOK 6 million (NOK 13 million in 2019) has been transferred to Leases in Note 21 and NOK 393 million (NOK 79 million in 2019) has been transferred to Intangible assets in Note 19.

NOTE 21 LEASES

The Group has agreements relating to the lease of property and other fixed assets. These are future liabilities for the Group. Under the new IFRS 16 implemented on 1 January 2019, all non-immaterial lease liabilities must be capitalised as interest-bearing liabilities. In parallel, leased right-of-use assets will be capitalised together with property, plant and equipment and depreciated. Short-term leases and leases of low value assets will be expensed like other operating expenses.

Ⓟ ACCOUNTING POLICIES

Upon entering into a contract, an assessment will be made of whether an agreement contains a lease arrangement entitling the Group to control the use of an identified asset. If the lease is identified as such, assets and associated liabilities are recognised at the start of the lease, i.e. at the date on which the underlying asset is made available to the Group. Short-term leases of 12 months or less and leases of low value assets are not capitalised. For these leases, lease payments are recognised in the income statement directly.

Upon entering into a contract, the lease liabilities are measured at the present value of all future lease payments. Lease payments include fixed payments and any payments varying according to an index or an interest rate, but not variable lease payments depending on the use of the asset. Lease payments also include residual value guarantees, purchase options and any termination expenses. The lease liability is reduced by ongoing instalments. The discount rate is the implicit interest rate in the lease, provided this is available. If this cannot be obtained, the lessee's marginal borrowing interest rate shall be used as the basis. Lease liabilities are classified like other interest-bearing liabilities in the statement of financial position. The interest effect of the discounting is presented as interest expense.

Right-of-use assets are capitalised at the equivalent of the estimated lease liability upon entry into the lease contract. Right-of-use assets are depreciated on a straight-line basis over the lease period and assessed to determine whether a write-down is necessary if there is any indication of a value impairment. The assets are included in non-current assets in the statement of financial position.

Orkla's leases
The companies in the Orkla Group largely own their own means of production and production premises. The Group's leases mainly concern the lease of restaurants (Kotipizza), office and warehouse premises and vehicles such as cars and forklifts. The leases are capitalised under "Non-current assets" in the statement of financial position.

Additionally, Orkla's leases with Statkraft, whereby AS Saudefaldene has use of all power stations until 2030, are deemed to fall within the scope of IFRS 16. The leases account for around 14% of the recognised right-of-use assets in the Group as at 31 December 2020 (14% in 2019). Orkla has a right to terminate the leases with Statkraft at any time subject to three to four years' notice, and renewal of the leases is considered annually. Between three and four years' rent will be capitalised at all times. These leases are presented in the table as "Machinery and plants".

Key considerations
Several of the Group's leases include options for renewal of the lease. This applies in particular to leases for office and warehouse premises. Only options that are reasonably certain to be exercised are recognised in the lease liability. Lease options for long-term contracts, mainly over five years, are not taken into account as there are constant changes in the Group, and it is therefore difficult to predict the likelihood of future renewals.

Leases that fall within the definition "low value assets" are not capitalised. This primarily applies to office equipment leases. Lease expenses related to short-term leases where the non-cancellable lease period is less than 12 months are also recognised directly in the income statement, provided that the company does not expect to use the asset after this period.

The Orkla Group has chosen to make use of the possibility offered in the standard of not applying IFRS 16 for intangible assets. In the case of Saudefaldene, this applies to waterfall rights that represent a right to use the power of the water in the Saudavassdraget river system. The liability arising from this right of use has not been recognised and thus has not been capitalised.

A review of various leases has been carried out, and the agreements have been assessed with regard to the distinction between them and service agreements. This applies, for instance, to agreements with carriers (transport agreements). The majority of the Group's transport agreements are of such a nature that no specific asset can be identified, or are of a short-term nature that does not fall within the standard's definition of a lease.

Note 21 cont. ➔

Several of the Group's leases include other services and components, such as shared costs, fuel and taxes. Non-lease components are treated separately from the lease and recognised as an operating expense in the consolidated financial statements.

Discount rate
When a lease's implicit interest rate is not available, the lessee's marginal borrowing rate is used as a basis. For most Orkla subsidiaries, this will be the internal borrowing rate in Orkla ASA. Orkla's internal borrowing rate is fixed at the floating market interest rate with a risk premium (company and country risk). This is deemed to be a good estimate of interest rate on an arm's length basis. The weighted discount rate for Orkla's lease liabilities in 2020 was 2.0% (2.3% in 2019).

Ⓔ ESTIMATE UNCERTAINTY

Recognition of leases is based on a present value calculation, in which assumptions concerning discount interest rates, lease payments, lease term and use of options are assessed and taken into account. Changes in one or more of these assumptions will impact on the estimated effects of the leases for the Group. The assessment of whether an agreement is to be regarded as a lease or service agreement will also have significant consequences for the accounting treatment of the leases.

Undiscounted lease liabilities and maturity of cash outflows

Amounts in NOK million	Offices and restaurants	Production sites and other property	Machinery and plants	Vehicles etc.	Total
Less than 1 year	178	75	101	86	440
1-2 years	136	59	91	56	342
2-3 years	110	53	89	29	281
3-4 years	79	50	87	11	227
4-5 years	45	44	2	4	95
More than 5 years	67	134	1	2	204
Total undiscounted lease liabilities at 31 December 2020	615	415	371	188	1 589

Note 21 cont.

Capitalised right-of-use assets

Amounts in NOK million	Offices and restaurants	Production sites and other property	Machinery and plants	Vehicles etc.	Total
Book value 1 January 2019	432	466	180	205	1 283
Investments[1]	138	43	174	95	450
Companies acquired	186	-	1	8	195
Sold companies	-	-	-	-	-
Depreciation	(176)	(73)	(104)	(119)	(472)
Translation differences	(1)	(4)	(1)	(3)	(9)
Book value 31 December 2019	579	432	250	186	1 447
Investments	133	1	61	88	283
Companies acquired	-	-	5	-	5
Sold companies	(21)	-	-	(1)	(22)
Reclassifications/transferred from assets under construction[1]	-	-	-	6	6
Depreciation	(203)	(76)	(101)	(109)	(489)
Translation differences	37	8	6	10	61
Book value 31 December 2020	525	365	221	180	1 291
Initial cost 1 January 2020	1 541	760	323	601	3 225
Accumulated depreciation and write-downs	(962)	(328)	(73)	(415)	(1 778)
Book value 1 January 2020	579	432	250	186	1 447
Initial cost 31 December 2020	1 768	778	400	734	3 680
Accumulated depreciation and write-downs	(1 243)	(413)	(179)	(554)	(2 389)
Book value 31 December 2020	525	365	221	180	1 291

[1]NOK 6 million (NOK 13 million in 2019) was transferred from property, plant and equipment, Note 20.

Note 21 cont.

Movement of the lease liabilities

Amounts in NOK million	2020	2019
At initial application 1 January	1 656	1 447
New/changed lease liabilities recognised in the period	283	450
Lease liabilities acquired companies	5	210
Sold companies	(22)	-
Lease payments	(529)	(492)
Interest expense on lease liabilities	32	35
Index adjustments	3	8
Translation differences	59	(2)
Total lease liabilities at 31 December	**1 487**	**1 656**
Current lease liabilities	335	361
Non-current lease liabilities	1 152	1 295
Net cash flow from lease liabilities	464	492

Other lease expenses recognised in income statement

Amounts in NOK million	2020	2019
Lease payments - short-term and low value leases	(84)	(74)
Variable lease payments	(18)	(15)
Total lease expenses (other operating expenses)	(102)	(89)[1]

[1]The figures for 2019 have been adjusted to reflect corrected reporting.

Rental agreements
The Group also rents out real estate under operating leases. Rental revenues in 2020 amounted to NOK 111 million. Total future rental revenues amount to NOK 204 million, broken down into NOK 101 million in 2021 and NOK 103 million from 2022 and thereafter.

NOTE 22 OTHER FINANCIAL ASSETS (NON-CURRENT)

Other assets (non-current) consist of financial items of a long-term nature. Shares are presented at fair value in the statement of financial position, with changes in value reported as other items in comprehensive income. Other assets also include net pension assets from companies that have more pension assets than liabilities. Other items are derivatives and receivables with a maturity of more than one year.

ACCOUNTING POLICIES

Other assets are classified as non-current when they are not part of a normal operating cycle and are not held for trading purposes or the entity has an unconditional right to defer payment for at least 12 months. Other receivables are current.

Shares and financial investments are investments of a financial nature and are recognised at fair value with both changes in value and gains/losses recognised as other items in the comprehensive income statement. Dividends received are reported in ordinary profit or loss when they are not to be regarded as a form of repayment of capital by the company. Any dividend is recognised in the income statement when it has been approved by the company paying out the dividend, which mainly coincides with the date of payment. Purchases and sales of shares are recognised on the trade date. This applies both to shares classified as non-current shares in this note and to current shares in Note 24.

Derivatives are described in Note 31. Pension assets are described in Note 12.

Amounts in NOK million	2020	2019
Share investments	140	102
Interest-bearing derivatives	96	19
Receivables interest-bearing	274	244
Receivables non interest-bearing	18	11
Pension plan assets	41	32
Total other financial assets (non-current)	569	408

Receivables are recognised at fair value in accordance with Level 3 valuation, and derivatives according to Level 2 valuation; see the measurement hierarchy in Note 31.

NOTE 23 INVENTORIES AND DEVELOPMENT PROPERTY

Inventories are the Group's stocks of all types of goods intended for sale. These consist of raw materials ready for production, finished goods and purchased goods for resale. Packaging to be used for sold goods is included. Any profit from intra-Group sales has been eliminated. During the period in which buildings built by the Group (Orkla Eiendom) for sale are under development, the cost price of the projects will be reflected on the line for inventory of development property until the buildings are sold.

Inventories

Amounts in NOK million	2020	2019
Raw materials	2 200	1 994
Work in progress	331	334
Finished goods and merchandise	3 999	3 540
Total inventories	6 530	5 868

Inventories relating to Branded Consumer Goods:		
Orkla Foods	2 838	2 504
Orkla Confectionery & Snacks	729	643
Orkla Care	1 183	999
Orkla Food Ingredients	1 288	1 219
Orkla Consumer Investments	492	500
Branded Consumer Goods	6 530	5 865

Ⓟ ACCOUNTING POLICIES

Inventories are valued at the lower of acquisition cost and net realisable value for the entire Orkla Group. Purchased goods are valued at cost according to the FIFO principle, while internally manufactured finished goods and work in progress are valued at production cost. Deductions have been made for obsolescence. The net realisable value is the estimated selling price minus selling costs. Property under development is valued at the total costs incurred.

An assessment of net realisable value was carried out after deducting selling costs. This resulted in a total write-down of inventories as at 31 December 2020 of NOK 76 million (NOK 102 million in 2019). Inventories valued at net realisable value as at 31 December 2020 totalled NOK 62 million (NOK 58 million in 2019).

Development property

Development properties amounted to NOK 96 million as at 31 December 2020 (NOK 90 million in 2019). The properties are mainly housing projects under development/construction and primarily consist of the projects at Sandakerveien 56 in Oslo and a development project in Larvik.

Ⓔ ESTIMATE UNCERTAINTY

Inventories consist of a great many individual lines of goods in the form of both raw materials and finished goods. The goods are counted and valued at the Group's acquisition cost, and account is taken of obsolescence. The Group has a large number of units in stock at all times, but there is not deemed to be any material form of uncertainty regarding either the quantity or quality of the Group's inventories.

NOTE 24 RECEIVABLES AND FINANCIAL ASSETS (CURRENT)

Accounts receivable and other trade receivables are directly linked to the operating cycle. Other receivables (current) can be both interest-bearing and non-interest-bearing. Financial assets are securities with a short-term ownership horizon.

Accounts receivable and other trade receivables

Amounts in NOK million	2020	2019
Accounts receivable (A - B)	6 104	5 941
Other trade receivables	152	137
Total trade receivables	6 256	6 078

Breakdown of accounts receivable by due date:

Amounts in NOK million	2020	2019
Accounts receivable not due	5 473	5 113
Overdue receivables 1–30 days	466	590
Overdue receivables 31–60 days	95	108
Overdue receivables 61–90 days	39	48
Overdue receivables over 90 days	165	197
Accounts receivable carrying amount 31 December (A)	6 238	6 056

Change in provisions for bad debts:

Amounts in NOK million	2020	2019
Provisions for bad debts 1 January	115	103
Bad debts recognised as expense	29	16
Provisions in acquired companies	3	16
Provisions in sold companies	-	-
Final bad debts	(22)	(19)
Translation differences	9	(1)
Provisions for bad debts 31 December (B)	134	115

Ⓟ ACCOUNTING POLICIES

Provisions are made for anticipated losses on receivables based on relevant information available at the time of reporting, including historical, current and future information in accordance with an expected loss model. The provision will have to be based on objective criteria. If an invoice is not paid, this will be a clear indication of an increased risk of default.

Accounts receivable are in principle recognised and presented at the original invoice amount and valued at amortised cost using the effective interest rate method. The interest rate element is disregarded if it is immaterial, which is the case for the vast majority of the Group’s accounts receivable.

The principle for assessment of financial investments is disclosed in Note 22. Derivatives are disclosed in Note 31.

Ⓔ ESTIMATE UNCERTAINTY

The credit risk related to accounts receivable is assessed as relatively low. Provisions have been made for bad debts, which cover uncertain receivables to a reasonable extent. See also the breakdown of accounts receivable by due date in this note and the disclosure of credit risk in Note 30.

Receivables and financial assets (current)

Amounts in NOK million	2020	2019
Non-interest-bearing derivatives	18	7
Interest-bearing derivatives	56	95
Interest-bearing receivables	4	8
Other current receivables	293	277
Financial investments	0	1
Total financial receivables and investments	371	388
Advance payment to suppliers/earned income	470	513
Tax receivables	95	67
Total current receivables and financial investments	936	968

Derivatives are recognised at fair value in accordance with Level 2 valuation and financial assets according to Level 3 valuation; see the measurement hierarchy in Note 31.

NOTE 25 CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents consist of liquid assets necessary for transactions and some current placements. Orkla ASA also has unutilised, long-term, committed credit facilities that may be drawn upon at short notice; see Note 28. Changes in liquid assets in the cash flow statement do not necessarily provide an accurate picture of the Group's financial standing as excess liquidity is routinely used to repay interest-bearing debt.

ACCOUNTING POLICIES

Cash and cash equivalents consist of cash, bank deposits and current deposits that have a maturity of three months or less, and an immaterial risk of a change in value. Restricted deposits are assets that only to a limited degree are available to the rest of the Group.

Cash and cash equivalents are held for the purpose of meeting short-term fluctuations in liquidity rather than for investment purposes. For Orkla, the level of the Group's net interest-bearing liabilities is a more important management parameter than the level of cash and cash equivalents.

Amounts in NOK million	2020	2019
Cash at bank and in hand[1]	2 829	1 423
Current deposits	203	70
Restricted deposits	181	176
Total cash and cash equivalents	3 213	1 669

[1]Of "Cash at bank and in hand" as at 31 December 2020, a total of NOK 167 million (NOK 321 million in 2019) is in Orkla companies with minority shareholders and in Orkla Insurance Company. These assets are only available to a limited extent to the rest of the Group.

Restricted assets consist of security deposits for sales of hydro-electric power, margin deposits for share derivatives, as well as deposits to meet statutory solvency requirements in Orkla Insurance.

NOTE 26 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Provisions consist of pension obligations and other provisions for liabilities. A provision may be reported separately from other liabilities, such as accounts payable, because there is uncertainty as to the settlement date or the amount of the future expenses.

ACCOUNTING POLICIES

Provisions are recognised in the financial statements for matters such as disputes, potential lossmaking contracts and adopted restructuring measures. The provisions will not cover possible future operating losses. In the case of restructuring provisions, there must be a detailed plan that identifies which parts of the business are to be restructured, and a valid expectation must have been created among those concerned that the restructuring will be carried out. In addition, it must be possible to provide a reliable estimate of the amount of the liability. It is a condition that the restructuring materially changes the size of the business or the way in which it is operated. The provision is calculated on the basis of the best estimate of anticipated expenses. If the effect is material, anticipated future cash flows will be discounted, using a current pre-tax interest rate that reflects the risks specific to the provision.

Contingent liabilities and contingent assets are a possible obligation or a possible asset whose existence is uncertain and will be confirmed by the occurrence or non-occurrence of a future special event, such as the outcome of legal proceedings or the final settlement of an insurance claim. Contingent liabilities are recognised in the financial statements based on estimated outcome, if there is a more than 50% probability that the liability has arisen. If the probability is lower, the matter is disclosed in notes to the financial statements if material and unless the probability of disbursement is very small. An asset will only be recognised in the statement of financial position if it is highly probable (95%) that the Group will receive the asset. The disclosure requirement applies to other contingent assets; see Note 37 for further information.

Derivatives are described in Note 31. Pension obligations are described in Note 12.

Note 26 cont.

ESTIMATE UNCERTAINTY

It is in the nature of a provision that it involves some degree of uncertainty. A provision is made and calculated based on assumptions at the time the provision is made and will be routinely updated as and when new information becomes available.

Provisions and other non-current liabilities

Amounts in NOK million	2020	2019
Pension liabilities	2 585	2 358
Derivatives[1]	175	128
Other non-current liabilities	123	203
Provisions for obligations and other non-current liabilities	507	492
Total provisions and other non-current liabilities	3 390	3 181

[1]Interest rate cash flow hedges: to hedge future interest payments (not included in the statement of financial position).

Provisions with a maturity of less than 12 months are presented as “Other liabilities” (current).

Breakdown of provisions for obligations and other non-current liabilities:

Amounts in NOK million	Branded Consumer Goods	Other business	Total
Provisions 1 January 2019	169	630	799
New provisions	121	-	121
Companies acquired	42	-	42
Provisions utilised or reclassified to short-term	(57)	(209)	(266)
Translation differences	0	(1)	(1)
Provisions 31 December 2019	275	420	695
New provisions	78	-	78
Companies acquired	(24)	-	(24)
Provisions utilised or reclassified to short-term	(88)	(28)	(116)
Translation differences	4	(7)	3
Provisions 31 December 2020	245	385	630

Provisions for obligations and other non-current liabilities in Branded Consumer Goods mainly concern commitments to acquisitions of additional shares in companies, restructuring and minor personnel-related provisions.

As regards “Other business”, provisions for obligations and other non-current liabilities concern estimated liabilities related to guarantees and indemnities issued by Orkla to Norsk Hydro in connection with the sale of Sapa, as well as compensation to property owners and demolition costs related to Saudefaldene, and provisions related to discontinued operations. Furthermore, Orkla has insured some of its exposures through a captive insurance company, Orkla Insurance Company DAC. Orkla has made provisions for these exposures. A provision of NOK 286 million remains for the indemnities issued to Norsk Hydro; see also the description in Note 4.

NOTE 27 CURRENT LIABILITIES

Accounts payable and other trade payables are liabilities linked directly to the operating cycle. Other liabilities (current) are other payables, such as unpaid government charges and taxes, unpaid wages and holiday pay and other accruals.

Ⓟ ACCOUNTING POLICIES

A non-interest-bearing liability is classified as current when it is part of a normal operating cycle, is held for trading purposes and falls due within 12 months. Other liabilities are non-current.

Ⓔ ESTIMATE UNCERTAINTY

All types of accruals/provisions will involve a certain estimate uncertainty. Estimate uncertainty associated with discounts, etc. is disclosed in Note 4.

Accounts payable and other trade payables

Amounts in NOK million	2020	2019
Accounts payable	4 597	3 918
Other trade payables[1]	1 929	1 673
Total trade payables	6 526	5 591

[1]Incl. discount provisions of NOK 1,745 million as at 31 December 2020 (NOK 1,516 million in 2019); see Note 4.

Other liabilities (current)

Amounts in NOK million	2020	2019
Non-interest-bearing derivatives	11	8
Non-interest-bearing current liabilities	146	180
Total financial liabilities non-interest-bearing	157	188
Value added tax, employee taxes	995	868
Accrued wages and holiday pay	1 090	1 048
Other accrued costs	1 061	887
Total other liabilities (current)	3 303	2 991

NOTE 28 CAPITAL MANAGEMENT AND FUNDING

The level of a company's capital and the way it is managed are important factors in evaluating the company's risk profile and its capacity to withstand unfavourable events.

Capital management

Orkla's capital management is designed to ensure that the Group has sufficient financial flexibility, short-term and long-term. One main objective is to maintain a financial structure that, through solidity and cash flow, ensures strong, long-term creditworthiness, as well as a competitive return for shareholders through a combination of dividends and an increase in the share price.

When allocating capital for acquisitions and other investments, a rate of required return on capital is applied, adjusted for project-specific risk. Capital usage and allocation are subject to formalised authorisation limits, and decision processes at applicable levels. External borrowing is centralised at the parent company level, and capital needs in subsidiaries are mainly covered by internal loans, or equity. The capital structure of subsidiaries is adapted to commercial as well as legal and tax considerations. The short-term liquidity of Group companies is managed at Group level through cash pools. Internal loans to partly owned subsidiaries are provided subject to a separate evaluation, or external funding is established.

Orkla has no official credit rating, but actively monitors quantitative and qualitative measures which affect the creditworthiness of the Group. The target is to ensure that interest bearing liabilities do not exceed 2.5 x EBITDA over time. Orkla has targeted a reduction in working capital, in percent of turnover for Branded Consumer Goods, of 3 percentage points during the period 2018-2021, and through 2020 working capital was reduced by 2.0 percentage points (1.3 percentage points in 2019). There were no changes in Orkla's approach and objectives regarding capital management during 2020.

Ⓢ SUSTAINABILITY

Sustainability has become an integral part of Orkla's business model. Focus on responsible business operations and effective management of sustainability-related risk is an integral part of the Group's investment assessments. Orkla's sustainability goals and commercially attractive, sustainable business opportunities result in investments in product development and process improvements, and in some cases acquisitions of new businesses. Sustainability-related investments are assessed on the basis of Orkla's criteria for return on investment and risk management.

Note 28 cont.

The Group's interest-bearing liabilities and equity consist of:

Amounts in NOK million	2020	2019
Non-current interest-bearing liabilities	(8 207)	(6 488)
Current interest-bearing liabilities	(329)	(442)
Non-current interest-bearing receivables	370	263
Current interest-bearing receivables	60	103
Cash and cash equivalents	3 213	1 669
Net interest-bearing liabilities, excl. leases	(4 893)	(4 895)
Lease liabilities	(1 487)	(1 656)
Net interest-bearing liabilities	(6 380)	(6 551)
Group equity[1]	37 704	34 912
Net gearing (net interest-bearing liabilities/equity)	0.17	0.19

[1]The Group's equity also includes the value of cash flow hedges taken to comprehensive income.

Orkla's net interest-bearing liabilities decreased by NOK 171 million in 2020.

As an industrial group, Orkla is not subject to any external capital requirements. The subsidiary Orkla Insurance Company DAC (Ireland) is subject to solvency requirements under applicable laws and regulations in Ireland. These requirements were met in 2020.

Funding

The primary objective of Orkla's treasury policy is to ensure that the Group has sufficient financial flexibility in the short and long term to achieve its strategic and operational objectives.

Orkla's policy with regard to its funding activity is to maintain unutilised, long-term, committed credit facilities which together with available liquid deposits are sufficient to cover loans that fall due and known capital needs over the next 12 months, as well as a strategic reserve. This means that Orkla's credit facilities are normally refinanced one year before maturity and that short-term interest-bearing debt is at all times covered by unutilised long-term credit facilities. Commercial paper and money markets are used as a source of liquidity when conditions in these markets are competitive, as an alternative to drawing on committed long-term credit facilities. As at 31 December 2020 these credit facilities were unutilised (also unutilised as at 31 December 2019).

Orkla's main funding sources are bilateral loans from Orkla's relationship banks and loans in the Norwegian bond market. The Group Treasury also continuously evaluates other funding sources.

During 2020 new long-term loan agreements totalling NOK 2.5 billion were entered into, and an existing bond was increased by NOK 430 million. The remaining time to maturity of NOK 2.4 billion of the bilateral long-term credit facilities has been extended by one year.

Orkla has no loan agreements with financial covenants for the Group or for Orkla ASA. The loan agreements include some limitations on disposals of businesses, creation of security interest on assets, borrowing at subsidiary level, and cross default clauses. Bonds issued in the Norwegian bond market are listed on the Oslo Stock Exchange.

NOTE 29 INTEREST-BEARING LIABILITIES

The composition and the level of interest-bearing liabilities plus unutilised credit facilities are managed as part of the Group's funding activity. Changes in net interest-bearing liabilities result from the cash flow of the Group.

ACCOUNTING POLICIES

Loans and receivables are carried at amortised cost. Thus, changes in fair value resulting from changes in market interest rates during the interest rate period are not reported in the income statement, except for loans which are hedged objects in fair value hedges of interest rate risk; see Note 31. Bonds issued by Orkla, held on own books, are carried at amortised cost and recognised as reduced debt.

Interest-bearing liabilities	Book value		Fair value[1]			Notional		
Amounts in NOK million	2020	2019	2020	2019	Currency	in ccy[2]	Coupon[3]	Term
Non-current interest-bearing liabilities								
Bonds								
ORK80 (10694680)	952	927	970	951	NOK	1 000	Fixed 4.35%	2013/2024
ORK82 (11731730)	724	723	727	729	NOK	1 500	Nibor +0.69%	2015/2022
ORK83 (11774383)	675	675	682	684	NOK	1 000	Nibor +0.85%	2016/2023
ORK84 (11774391)	1 028	547	1 038	559	NOK	1 000	Fixed 2.35%	2016/2026
Other bonds	60	88	60	88				
Total bonds	3 439	2 960	3 477	3 011				
Bank loans	4 677	3 445	4 677	3 445				
Other loans	71	68	71	68				
Lease liabilities	1 152	1 295	1 152	1 295				
Interest-bearing derivatives	20	15	20	15				
Total non-current interest-bearing liabilities	9 359	7 783	9 397	7 834				
Current interest-bearing liabilities								
Bank loans, overdrafts	324	436	324	436				
Other loans	5	6	5	6				
Lease liabilities	335	361	335	361				
Total current interest-bearing liabilities	664	803	664	803				
Total interest-bearing liabilities	10 023	8 586	10 061	8 637				

[1]The fair value of exchange-traded bonds is calculated on the basis of official tax values, whereas book values are used for other loans.
[2]Of the notional amount the Group holds some of its own bonds, which have been deducted in the recognised liabilities.
[3]The nominal interest rate is not an expression of the Group's actual interest cost, as various interest rate swaps have been entered into.
Note 30 discloses further details of interest rate level, interest rate risk and a breakdown of the liabilities portfolio by currency.

Note 29 cont.

Maturity profile interest-bearing liabilities and unutilised credit facilities

	Interest-bearing liabilities		Unutilised credit facilities	
Amounts in NOK million	2020	2019	2020	2019
Maturity <1 year	745	911	1 148	-
Maturity 1–3 years	3 292	1 464	4 000	2 039
Maturity 3–5 years	3 869	4 291	2 408	3 768
Maturity 5–7 years	2 117	1 920	-	-
	10 023	8 586	7 556	5 807

The Group's unutilised credit facilities are multi-currency loan agreements with floating interest rates and flexible amounts and tenors for drawdown. The facility credit limits are denominated in NOK, EUR and SEK.

As at 31 December 2020 the average remaining time to maturity of the Group's combined interest-bearing liabilities (excluding lease-liabilities) and unutilised credit facilities was 3.2 years, compared with 3.7 years as at 31 December 2019.

The Group also holds cash pools and bank accounts with short-term credit lines. Unutilised credit lines on these accounts are not included in the table.

NOTE 30 FINANCIAL RISK

This note discloses the Group's financial risks within each business area, and the management of these risks. Market risk related to financial instruments (currency risk, interest rate risk, and price risk for input factors and sold products), liquidity risk and credit risk is described specifically. In addition to loans and receivables, the financial instruments consist of derivatives used for hedging market risk. Derivatives and hedging relationships are described in more detail in Note 31.

(I) ORGANISATION OF FINANCIAL RISK MANAGEMENT

Orkla operates internationally and is exposed to financial risks such as currency risk, interest rate risk, commodity price risk, liquidity risk and credit risk. Orkla uses derivatives and other financial instruments in order to reduce these risks in accordance with the Group's treasury policy. The responsibility for managing financial risk in Orkla is divided between business areas, which manage risk related to business processes, and Group level, which is responsible for centralised activities such as funding, interest rate risk management and currency risk management.

Centralised risk management

Orkla has a centralised Group Treasury. Its most important tasks are to ensure the Group's financial flexibility in the short and long term, and to monitor and manage financial risk in cooperation with individual operational entities. The guidelines for the Group Treasury are laid down in the Group's treasury policy. The Group Executive Board monitors financial risk by means of regular reporting and meetings of the Orkla Treasury Committee. The Group Treasury acts as an internal bank for the Group and is responsible for, and executes, all major external funding and hedging transactions related to currency and interest rate hedging. Each year the Board of Directors grants authorisation for establishing loans and entering into master agreements for financial instruments. Debt and treasury positions are managed in a non-speculative manner, so that all transactions in financial instruments are matched to an underlying business requirement.

Financial risks within each business area

The most important risk factors within the business areas of the Group, and the management thereof, are described below. In this context, financial risk is defined as risk related to financial instruments. These may be either instruments hedging underlying risks, or viewed as a source of risk in themselves. Market risk that is not hedged with financial instruments is also discussed in this section.

Note 30 cont.

Branded Consumer Goods
Entities within this area are primarily located in the Nordic and Baltic countries, and Central/Eastern Europe. Production and sales mainly take place in local markets. A significant part of the input factors and some finished goods are imported.

The two primary sources of financial risk within this business area are price risk on agricultural products and ingredients in food production, and currency risk on imported goods. Price risk on raw materials is normally dealt with in commercial contracts. The most significant currency risk results from purchasing in EUR by the Norwegian and the Swedish entities. Contracts and committed transactions are hedged with currency forward contracts against the entities' own functional currency. Currency risk related to expected, non-contractual cash flows is hedged to a limited extent.

Hydro Power
Hydro Power is a significant producer of hydroelectric power (see Note 34). A substantial part of the production is sold under long-term contracts, whereas the remainder is sold in the spot market. Where contractual commitments exceed available power from own production, this is covered through purchases in the power market.

(II) CATEGORIES OF FINANCIAL RISK FOR THE GROUP

Currency risk
As NOK is the presentation currency for the Group, Orkla is exposed to currency translation risk on net investments in foreign entities. Orkla maintains, as far as possible, a distribution of its interest-bearing liabilities across currencies which corresponds to the relative enterprise value distribution across the foreign subsidiaries' home currencies. This ensures approximately the same hedging level in all currencies, where interest-bearing liabilities hedge the currency risk in enterprise value. The currency distribution of interest-bearing liabilities is shown in Table 2b.

In the statement of financial position, translation risk on net investments in foreign entities is reduced by the net interest-bearing liabilities in the same currency. These liabilities consist of hedges of internal loans from Orkla ASA to subsidiaries in their home currency, plus hedges of net investments according to IFRS 9. Orkla primarily uses loans and currency forward contracts to hedge internal loans and net investments in foreign subsidiaries.

At the operational level, transaction risk is hedged against each entity's functional currency as described in (I) "Organisation of financial risk management". Orkla applies hedge accounting for most hedges of future transactions, mainly cash flow hedges. The different types of hedges are described in more detail in Note 31.

The Group's aggregated outstanding currency hedges of future transactions as at 31 December 2020 are shown in Table 1.

TABLE 1
Outstanding foreign exchange contracts[1] linked to hedging of future revenues and costs

Hedged amount in million currency

Purchase currency	Amount in currency	Sale currency	Amount in currency	Maturity
USD	108	NOK	1 023	2021
USD	10	DKK	63	2021
INR	7 900	USD	107	2021
EUR	8	NOK	90	2021
EUR	5	SEK	54	2021
EUR	2	GBP	2	2021
SEK	24	NOK	25	2021
DKK	16	AUD	4	2021

[1]In currency pairs where the net total of hedges is over NOK 20 million. Currency hedges for part of the purchase price for Eastern Condiments in India are also included in the table.

Interest rate risk
Orkla's interest rate risk is mainly related to the Group's debt portfolio. This risk is managed at Group level. The Group's policy is that interest costs should mainly follow the general trend in the money market. Further, steps are taken to mitigate the effects of short-term fluctuations in money market rates. Material decisions regarding interest rate hedging are made by the Orkla Treasury Committee.

The interest risk profile of the debt portfolio is determined by the selection of interest periods for the Group's loans and the use of currency and interest rate derivatives. As at 31 December 2020, 43% (51% as at 31 December 2019) of the Group's interest-bearing liabilities (excluding lease liabilities) was at fixed interest rates for periods exceeding one year, and the average time to the next interest rate adjustment was 2.2 years (3.0 years as at 31 December 2019). The interest rate exposure on interest-bearing liabilities broken down by currency and financial instruments is shown in Table 2a and 2b.

Note 30 cont.

TABLE 2a
Interest-bearing liabilities by instrument and interest risk profile

	2020	Next interest rate adjustment						2019						
Amounts in NOK million	2020	0–3 months	3–6 months	6–12 months	1–3 years	3–5 years	>5 years	2019	0–3 months	3–6 months	6–12 months	1–3 years	3–5 years	>5 years
Bonds	3 439	1 459	-	-	-	952	1 028	2 960	1 486	-	-	-	927	547
Bank loans	4 697	4 414	283	-	-	-	-	3 457	3 445	12	-	-	-	-
Overdrafts	304	304	-	-	-	-	-	424	424	-	-	-	-	-
Other loans	76	5	71	-	-	-	-	74	5	69	-	-	-	-
Interest rate swaps (fair value hedge)	-	1 635	250	-	-	(885)	(1 000)	0	1 205	250	-	-	(885)	(570)
Interest rate swaps (cash flow hedge)	-	(2 342)	(697)	-	-	1 825	1 214	0	(2 424)	(425)	-	-	1 716	1 133
Interest rate derivatives (other)	20	(717)	-	100	120	517	-	15	(732)	50	-	215	482	-
Currency derivatives	-	5	(3)	(2)	-	-	-	0	7	(7)	-	-	-	-
Lease liabilities	1 487	330	86	-	588	296	187	1 656	372	98	-	633	328	225
Interest-bearing liabilities	10 023	5 093	(10)	98	708	2 705	1 429	8 586	3 788	47	0	848	2 568	1 335

TABLE 2b
Interest-bearing liabilities by instrument and currency

	2020							2019						
Amounts in NOK million	2020	NOK	SEK	EUR	USD	DKK	Other	2019	NOK	SEK	EUR	USD	DKK	Other
Bonds	3 439	3 379	-	-	-	26	34	2 960	2 873	-	-	-	26	61
Bank loans	4 697	1 000	2 092	1 573	-	12	20	3 457	1 001	949	1 484	-	13	10
Overdrafts	304	-	(8)	273	(3)	43	(1)	424	(27)	(14)	285	59	50	71
Other loans	76	71	-	-	-	2	3	74	68	-	-	-	2	4
Currency derivatives	-	(6 509)	2 938	1 224	(50)	1 065	1 332	0	(5 002)	1 090	942	(131)	1 946	1 155
Interest rate derivatives	20	-	-	20	-	-	-	15	-	-	15	-	-	-
Lease liabilities	1 487	638	168	424	-	113	144	1 656	733	187	486	-	90	160
Interest-bearing liabilities	10 023	(1 421)	5 190	3 514	(53)	1 261	1 532	8 586	(354)	2 212	3 212	(72)	2 127	1 461
Interest level borrowing rate	1.4%	1.7%	1.6%	1.3%	2.3%	0.4%	2.5%	1.7%	1.8%	3.0%	1.4%	3.0%	0.1%	2.9%

For currency derivatives the asset and liability components are shown separately per currency, also including those that are recognised assets.

Note 30 cont.

Liquidity risk

Liquidity risk is the risk that Orkla is not able to meet its payment obligations. The management of liquidity risk has high priority as a means of meeting the objective of financial flexibility.

Orkla's policy for funding activities, described in Note 28, implies that short-term interest-bearing liabilities and known capital expenditures are funded by undrawn long-term credit facilities at least one year prior to maturity. The cash flow from operations, which among other factors is affected by changes in working capital, is managed operationally by the business areas, and is largely stable with the largest net inflow during the fourth quarter. Orkla monitors liquidity flows, short- and long-term, primarily through reporting. Interest-bearing liabilities are managed together with interest-bearing assets at Group level.

Due to the measures mentioned, the Group has limited liquidity risk. In order to further reduce refinancing risk, Orkla seeks to ensure that the maturities of loans and credit facilities are well distributed.

Table 3 shows the maturity profile for the Group's contractual financial liabilities, including liabilities which are not recognised in the financial position. The amounts represent undiscounted future cash flows, and may therefore deviate from recognised figures. Derivatives are presented as split between those with gross settlement (currency derivatives), and those with net settlement (interest rate derivatives). The table also includes derivatives recognised as assets on the balance sheet date, as derivatives may include both positive and negative cash flows, and the fair value fluctuates over time. Forward interest rate curves are applied to estimate future interest payments. Similarly, forward prices are used to determine the future settlement amounts for currency derivatives.

TABLE 3

Maturity profile financial liabilities

	2020						2019					
Amounts in NOK million	Book value	Contractual cash flow	<1 year	1–3 years	3–5 years	>5 years	Book value	Contractual cash flow	<1 year	1–3 years	3–5 years	>5 years
Interest-bearing loans	8 516	8 421	329	2 676	3 557	1 859	6 915	6 811	441	807	3 913	1 650
Lease liabilities	1 487	1 589	440	623	322	204	1 656	1 753	476	668	353	256
Interest payments	49	556	144	242	134	36	60	703	168	284	187	64
Accounts payable and other current financial liabilities	6 623	6 623	6 623	-	-	-	5 711	5 711	5 711	-	-	-
Subscribed, uncalled partnership capital	-	21	21	-	-	-	-	-	-	-	-	-
Net settled derivatives[1]	87	-	-	-	-	-	113	-	-	-	-	-
Inflow	-	(298)	(56)	(125)	(86)	(31)	-	(337)	(56)	(112)	(108)	(61)
Outflow	-	404	96	186	99	23	-	480	122	190	136	32
Gross settled derivatives[1]	(51)	-	-	-	-	-	(83)	-	-	-	-	-
Inflow	-	(10 111)	(10 107)	(4)	-	-	-	(6 814)	(6 814)	-	-	-
Outflow	-	10 062	10 058	4	-	-	-	6 709	6 709	-	-	-
Total	16 711	17 267	7 548	3 602	4 026	2 091	14 372	15 016	6 757	1 837	4 481	1 941

[1]Including derivatives recognised as assets (negative figures in brackets).

The financial liabilities are serviced by cash flows from operations, liquid assets and interest-bearing receivables, and, when necessary, drawdowns on unutilised credit facilities. Unutilised committed credit facilities, the maturity profile of which is shown in Note 29, totalled NOK 7.6 billion at 31 December 2020 (NOK 5.8 billion at 31 December 2019).

Note 30 cont.

Credit risk

The management of credit risk related to accounts receivable and other operating receivables is handled as part of the business risk, and is continuously monitored by the operating entities. The Nordic grocery trade markets are characterised by relatively few, but large, participants, resulting in a certain concentration of the credit risk exposure towards individual counterparties. Receivables on each of the four largest customers account for 5-10% of total accounts receivable. When selling in countries with high political risk, trade finance products are used to a certain extent to reduce the credit risk. The current credit risk level is considered acceptable. Provisions have been made for losses on accounts receivable, and the recognised amount represents the fair value as of the statement of financial position date. The provisions and the age distribution of accounts receivable that are overdue are shown in Note 24.

Orkla's credit risk related to financial instruments is managed by Group Treasury. Risk arises from financial hedging transactions, money market deposits, and bank accounts. Firstly, Orkla seeks to minimise the liquid assets deposited outside the Group. Secondly, relationship banks that provide long-term funding are the targeted counterparties for bank accounts and financial hedging transactions according to policy. Further, limits and requirements related to the banks' credit ratings apply to deposits of excess liquidity. The exposure is continuously monitored by Group Treasury, and is considered to be low. Orkla ASA has International Swap Dealers Association (ISDA) agreements with its counterparties for derivative interest rate and currency transactions, which provide for netting of settlement risk.

Maximum credit risk

The maximum credit risk exposure for the Group related to financial instruments corresponds to total gross receivables. In the hypothetical, unlikely event that no receivables are recovered, this amounts to:

Amounts in NOK million	2020	2019
Cash and cash equivalents	3 213	1 669
Accounts receivable and other trade receivables	6 256	6 078
Other current receivables	297	285
Non-current receivables	292	255
Derivatives	170	121
Total	10 228	8 408

Commodity price risk

The Group is exposed to price risks in respect of a number of raw materials, in particular agricultural products. However, the prices of sold products are also affected by raw material prices, and it is generally Orkla's policy to reduce the price risk through commercial contracts. Commodity price risk is described for the individual business areas in section (I) "Organisation of financial risk management".

Sensitivity analysis

The financial instruments of the Group are exposed to different types of market risk which can affect the income statement or equity. Financial instruments, in particular derivatives, are applied as a means of hedging both financial and operational exposure.

In Table 4, Orkla presents a partial analysis of the sensitivity of financial instruments, where the isolated effect of each type of risk on the income statement and equity is estimated. This is done on the basis of a selected hypothetical change in market prices/rates on the statement of financial position as at 31 December 2020. In accordance with IFRS, the analysis covers only financial instruments and is not meant to give a complete overview of the Group's market risk, for instance:

- For currency hedges of contracts entered into, changes in the fair value of the hedging instrument will affect the income statement, while changes in the fair value of the underlying hedged contract offset by the hedging instrument will not be shown as it is not a financial instrument.
- If one of the parameters changes, the analysis will not take account of any correlation with other parameters.
- Financial instruments denominated in the entities' functional currencies do not constitute any currency risk and are therefore not included in this analysis. Nor is the currency exposure on translation of such financial instruments to the Group's presentation currency included.

Generally, the effect on the income statement and equity of financial instruments in Table 4 is expected to offset the effects of the hedged items where financial instruments are part of a hedging relationship.

Note 30 cont.

TABLE 4
Sensitivity financial instruments

	2020: Accounting effect on				2019: Accounting effect on			
	Income statement of:		Comprehensive income of:		Income statement of:		Comprehensive income of:	
Amounts in NOK million	Increase[1]	Decrease	Increase[1]	Decrease	Increase[1]	Decrease	Increase[1]	Decrease
Financial instruments in hedging relationships								
Interest rate risk: 100 basis points parallel shift in interest curves all currencies	4	(5)	154	(166)	7	(8)	168	(182)
Currency risk: 10% change in FX-rate EUR	4	(4)	(332)	332	15	(15)	(260)	260
Currency risk: 10% change in FX-rate SEK	(6)	6	(102)	102	(3)	3	(48)	48
Currency risk: 10% change in FX-rate DKK	2	(2)	(55)	55	(8)	8	17	(17)
Currency risk: 10% change in FX-rate INR	-	-	92	(92)	-	-	(14)	14
Share price risk: 10% change in share price	29	(29)	7	(7)	28	(28)	6	(6)

[1]Strengthening of the respective currency.

Accounting effects of changes in market risk are classified to income statement and comprehensive income in the table according to where the effect of the changes in fair value is recognised initially. Effects recognised in the income statement will also affect equity beyond the figures presented in the table.

NOTE 31 DERIVATIVES AND HEDGING RELATIONSHIPS

Derivatives are used in risk management to hedge currency and interest rate risk exposure. The value of the derivatives fluctuates in line with the prices of the underlying hedging objects, and the note shows the fair value of open derivative contracts as of the statement of financial position date. The derivatives in the table are classified by type of accounting hedge, the purpose of the derivatives, assets or liabilities according to how they are classified in the statement of financial position.

ACCOUNTING POLICIES

Derivatives are valued at fair value at the statement of financial position date and reported as receivables or liabilities. Gains and losses due to realisation or changes in fair value are reported in the income statement in cases where the derivative is not part of a hedging relationship that meets the criteria for hedge accounting. Embedded derivatives in contracts are identified and valued separately. Orkla currently has no embedded derivatives. Purchases and sales of derivatives are recognised at trade date. Derivatives are classified in the statement of financial position as "non-interest-bearing" receivables or liabilities as the main rule. Classification as "interest-bearing" is used where the hedged object itself is classified as an interest-bearing item, as well as for net investment hedges.

Hedging. The Group uses the following criteria when classifying a derivative or another financial instrument as a hedging instrument:
(1) the hedge is in line with the risk management objectives and strategy, and the instrument is expected to be highly effective in offsetting changes in the fair value or cash flow of an identified object,
(2) an economic relationship between the hedging instrument and the hedging object exists, sources of hedging inefficiency can be determined, and credit risk is not expected to dominate fair value changes in the hedging relationship,
(3) satisfactory documentation is established before entering into the hedging instrument, proving among other things that the hedging relationship is effective,
(4) in the case of a cash flow hedge, that the future transaction is considered to be highly probable, and
(5) the hedging relationship is evaluated regularly and is still expected to be effective.

Fair value hedges	Cash flow hedges	Net investment hedges
Changes in the fair value of derivatives designated as hedging instruments are immediately recognised in the income statement. Changes in the fair value of the hedged item are recognised in the income statement in the same way. Hedge accounting is discontinued if: (a) the hedging instrument has matured, or is terminated, exercised or sold, (b) the hedge no longer meets the above mentioned criteria for hedging, or (c) the Group for other reasons decides not to continue the fair value hedge. In the case of a discontinued hedging relationship, the changes in the fair value of the hedged item recognised in the statement of financial position will be amortised over the remaining life of the item, using the effective interest rate method, in the same way as for the hedging instrument.	The effective part of changes in the fair value of a hedging instrument is recognised in the comprehensive income and reclassified to the income statement when the hedged transaction is carried out, and presented on the same line as the hedged transaction. The ineffective part of the hedging instrument is immediately recognised in the income statement. When a hedging instrument has matured, or is sold, terminated or exercised, or the Group discontinues the hedging relationship, even though the hedged transaction is still expected to occur, the accumulated gains or losses at this point will remain in the Group's hedging reserve, and will be recognised in the income statement when the transaction occurs. If the hedged transaction is no longer expected to occur, the accumulated unrealised gains or losses related to the hedging instrument will be recognised in the income statement immediately.	Foreign currency gains or losses on hedging instruments that can be allocated to the effective part of the hedging relationship are reported in comprehensive income, while foreign currency gains or losses in the in-effective part of the hedge are reported in the income statement. The accumulated foreign currency gains or losses are recognised in the income statement when the hedged net investment is disposed of.

Measurement of financial instruments. The Group uses the following hierarchy when determining and disclosing the fair value of financial instruments:

Level 1: Quoted, unadjusted prices in active markets for identical assets and liabilities
Level 2: Other techniques for which all inputs with significant effect on the recorded fair value, are observable, either directly or indirectly
Level 3: Other techniques based on inputs with significant effect on the recorded fair value that are not based on observable market data

Note 31 cont.

As far as possible, the Group seeks to apply the IFRS rules for hedge accounting. The table below shows the fair value of all outstanding derivative financial instruments grouped according to treatment in the financial statements and hedged risk.

Derivatives in the statement of financial position and hedging purpose

Amounts in NOK million			2020	2019	Nominal value[3] 2020	Nominal value[3] 2019	Purpose of hedging	Hedge accounting	Classification
Assets	Non-current	i.b.[1]	96	19	1 885	1 455	Interest rate swaps fixed to floating, against fair value changes in the hedged loans	Fair value hedge	Fair value through profit and loss
Assets	Current	i.b.	43	34	3 061	1 383	Currency forwards hedging net investments in foreign subsidiaries	Net investment hedge	Fair value through comprehensive income
Assets	Current	i.b.	13	61	5 455	4 406	Currency forwards hedging loans/deposits	-	Fair value through profit and loss
Assets	Current	n.i.b.[2]	6	6	365	193	Total return swap hedging share exposure in pension obligations/LTI	-	Fair value through profit and loss
Assets	Current	n.i.b.	12	1	339	224	Currency forwards hedging future transactions	Cash flow hedge	Fair value through comprehensive income
Liabilities	Non-current	n.i.b.	(175)	(128)	3 286	4 790	Interest rate swaps floating to fixed, hedging future interest payments	Cash flow hedge	Fair value through comprehensive income
Liabilities	Non-current	i.b.	(20)	(15)	942	582	Interest rate swaps floating to fixed, hedging future interest payments	-	Fair value through profit and loss
Liabilities	Current	n.i.b.	(2)	(3)	100	150	Interest rate swaps floating to fixed, hedging future interest payments	-	Fair value through profit and loss
Liabilities	Current	n.i.b.	-	(3)	-	154	Total return swap hedging share exposure in pension obligations/LTI	-	Fair value through profit and loss
Liabilities	Current	n.i.b.	(9)	(2)	-	-	Currency forwards hedging future transactions	Cash flow hedge	Fair value through comprehensive income
Total derivatives			**(36)**	**(30)**					

[1] i.b. = Interest-bearing asset/liability
[2] n.i.b. = Non-interest-bearing asset/liability
[3] The nominal value is calculated as the sum of the absolute value of individual transactions.

Note 31 cont.

Calculation of fair value:

- Currency forwards and currency swaps are measured at fair value using the observed forward exchange rate for contracts with a corresponding term to maturity at the statement of financial position date.
- Interest rate swaps are measured at fair value using the present value of future cash flows calculated from observed market interest rates and exchange rates at the balance sheet date including accrued interest.
- Total return swaps are measured at fair value based on observed prices for the underlying shares/mutual funds at the statement of financial position date.

All derivatives are carried at fair value in the statement of financial position, and considered to be at level 2 in the hierarchy for measurement of financial instruments.

The derivative financial instruments are designated in hedging relationships as follows:

Cash flow hedges

- Orkla maintains interest rate swaps for hedging of future interest payments on liabilities that qualify for hedge accounting. These are swaps where Orkla pays a fixed interest rate and receives a floating rate.
- In hedges of currency risk on highly probable future cash flows, currency forward contracts are designated as hedging instruments.
- Total return swap on the Orkla share is designated as hedging instrument for the LTI incentive programme with return linked to the Orkla share price.

No effects from hedging inefficiency have been recorded in the income statement during 2020 or 2019. All expected cash flows hedged in 2020 still qualify for hedge accounting.

Changes in the equity hedging reserve

Amounts in NOK million	2020	2019
Opening balance hedging reserve before tax	(131)	(206)
Reclassified to profit/loss – operating revenues	-	(1)
Reclassified to profit/loss – operating costs	(2)	(21)
Reclassified to profit/loss – net financial items	70	106
Fair value change during the year	(208)	(9)
Closing balance hedging reserve before tax	(271)	(131)
Deferred tax hedging reserve	64	31
Closing balance hedging reserve after tax	(207)	(100)

The change in the equity hedging reserve before tax in 2020 was NOK -140 million (NOK 75 million in 2019), and after tax, recognised in other comprehensive income, was NOK -107 million in 2020 (NOK 58 million in 2019).

A negative hedging reserve means a negative recognition in the income statement in the future.

Accumulated hedging gains/losses from cash flow hedges recognised in the equity hedging reserve as at 31 December 2020 are expected to be recycled to the income statement as follows (before tax):

2021: NOK -158 million
After 2021: NOK -113 million

Hedges of net investments in foreign entities

When hedging the currency risk on foreign net investments, loans or currency derivatives are applied. In 2020 NOK -146 million was recorded in other comprehensive income after tax from net investment hedges (NOK 0.3 million in 2019).

No effects were recorded in the income statement related to net investment hedges of divested investments in 2020 (NOK 3 million in 2019).

Fair value hedges

- Interest rate derivatives designated as hedges of fixed interest rate loans (fixed-to-floating interest rate swaps) are accounted for as fair value hedges. In 2020, NOK 77 million was recognised as income in the income statement related to fair value changes in the interest rate swaps, and NOK 77 million was recognised as cost related to fair value changes in the hedged loans.

Derivatives not included in IFRS hedging relationships

There are also derivatives not included in hedging relationships according to IFRS for the following reasons:

- Derivatives are not designated as formal hedging relationships when changes in the fair value of hedging instruments and hedged objects are naturally offset in the income statement, for example currency risk on loans and other monetary items, and a Total Return Swap for hedging of pension liabilities linked to the price development in the stock market.
- Meeting strict IFRS hedge accounting criteria is not always possible or practical. Some of the currency hedges, and interest rate swaps where the hedge has been closed out, fall into this category.

NOTE 32 SHARE CAPITAL

A company's share capital and the distribution of the number of shares outstanding determine who controls a company and the way formal ownership is held by shareholder groups. In a Norwegian group context, it is the share capital of the parent company that is relevant and it is Orkla ASA's equity that serves as the basis of calculation and the limit for distribution of dividends from the Group.

The 20 largest shareholders as at 31 December 2020[1]

	Shareholders		Number of shares	% of capital[2]
1	Canica AS		194 150 000	19.39%
2	Folketrygdfondet		88 270 425	8.81%
3	Tvist 5 AS		50 050 000	5.00%
4	State Street Bank and Trust Company	Nominee	44 552 152	4.45%
5	JPMorgan Chase Bank, N.A., London	Nominee	35 250 285	3.52%
6	State Street Bank and Trust Company	Nominee	14 311 670	1.43%
7	JPMorgan Chase Bank, N.A., London	Nominee	13 373 602	1.34%
8	Société Générale	Nominee	11 043 426	1.10%
9	The Bank of New York Mellon	Nominee	9 632 411	0.96%
10	Verdipapirfondet KLP Aksjenorge		8 504 911	0.85%
11	State Street Bank and Trust Company	Nominee	8 102 646	0.81%
12	The Bank of New York Mellon	Nominee	7 796 253	0.78%
13	State Street Bank and Trust Company	Nominee	7 770 044	0.78%
14	State Street Bank and Trust Company	Nominee	7 737 678	0.77%
15	Clearstream Banking S.A.	Nominee	6 535 624	0.65%
16	The Bank of New York Mellon	Nominee	6 141 549	0.61%
17	The Northern Trust Comp, London	Nominee	6 102 856	0.61%
18	Stein Erik Hagen AS		5 800 000	0.58%
19	Danske Invest Norge		5 632 182	0.56%
20	JPMorgan Chase Bank, N.A., London	Nominee	5 576 140	0.56%
	Total shares		**536 333 854**	**53.56%**

[1]The list of shareholders is based on the Norwegian central securities depository (VPS)'s register of members at year end. For a list of grouped shareholders and nominee shareholders, see "Share information" on page 264.
[2]Of total shares issued.

Changes in share capital

Date/year	Number of shares	Nominal value (NOK)	Type of change	Amounts (NOK million)	Share capital (NOK million)
31.12.2010	1 028 930 970	1.25			1 286.2
31.12.2011	1 028 930 970	1.25			1 286.2
2012	1 018 930 970	1.25	amortisation	(12.5)	1 273.7
31.12.2012	1 018 930 970	1.25			1 273.7
31.12.2013	1 018 930 970	1.25			1 273.7
31.12.2014	1 018 930 970	1.25			1 273.7
31.12.2015	1 018 930 970	1.25			1 273.7
31.12.2016	1 018 930 970	1.25			1 273.7
31.12.2017	1 018 930 970	1.25			1 273.7
31.12.2018	1 018 930 970	1.25			1 273.7
2019	1 001 430 970	1.25	amortisation	(21.9)	1 251.8
31.12.2019	1 001 430 970	1.25			1 251.8
31.12.2020	1 001 430 970	1.25			1 251.8

Note 32 cont.

Treasury shares as at 31 December 2020

	Nominal value (NOK)	Number of shares	Fair value (NOK million)
Shares owned by Orkla ASA	627 250	501 800	44

ACCOUNTING POLICIES

Treasury shares have been deducted from Group equity at cost. The nominal value of the shares has been deducted from paid-in equity.

Changes in the number of treasury shares

	2020	2019
Total as at 1 January	1 125 182	19 410 259
External purchases of treasury shares	-	-
Amortisation of treasury shares	-	(17 500 000)
Orkla employee share purchase programme	(623 382)	(785 077)
Total as at 31 December	501 800	1 125 182

As at 31 December 2020, there were no options outstanding; see also Note 11.

As of 22 February 2021, a decision was taken to initiate an Orkla share buyback programme for up to five million shares.

See the "Corporate governance" section on page 43 regarding the authorisations granted by the General Meeting concerning share capital.

Dividend

The Board of Directors proposes that an ordinary dividend of NOK 2.75 per share be paid, totalling NOK 2,753 million for the 2020 financial year.

Under Norwegian law, the equity in Orkla ASA will, where relevant, constitute a legal limitation on the distribution of dividends by the Orkla Group. Dividends may be distributed insofar as the company has adequate equity and liquidity.

NOTE 33 NON-CONTROLLING INTERESTS

Non-controlling interests consist of external ownership interests in subsidiaries and their subsidiaries. The majority of the Group's businesses are wholly-owned.

Amounts in NOK million	2020	2019
Non-controlling interests' share of:		
Depreciation and write-downs	45	42
Operating profit	66	86
Profit/loss before taxes	59	82
Taxes	(8)	(22)
Changes in non-controlling interests:		
Non-controlling interests 1 January	460	451
Implementation effect IFRS 16, 1 January	-	(15)
Non-controlling interests' share of profit/loss	51	60
Increase due to acquisitions and capital increases in companies with non-controlling interests	3	46
Increase non-controlling interest due to sale to non-controlling interest	6	-
Decrease due to further acquisitions of non-controlling interests	-	(31)
Decrease due to sale of companies with minority interests	(1)	-
Dividends to non-controlling interests	(68)	(49)
Translation differences	11	(2)
Non-controlling interests 31 December	462	460
Breakdown of non-controlling interests' share of profit/loss:		
Orkla Food Ingredients	49	56
Hydro Power	4	4
Financial Investments	(2)	0
Total non-controlling interests' share of profit/loss	51	60

Amounts in NOK million	2020	2019
Breakdown of non-controlling interests:		
Orkla Food Ingredients	276	279
Hydro Power	186	179
Financial Investments	0	2
Total non-controlling interests	462	460

ACCOUNTING POLICIES

If the Group has control, but owns less than 100% of the subsidiaries and their subsidiaries, the non-controlling interests' share of profit or loss after tax, their share of comprehensive income and their share of equity are presented on separate lines in the consolidated financial statements. All internal transactions are eliminated in the same way as for the other Group companies. If there are non-controlling interests in acquired companies, the non-controlling interests will receive their share of allocated assets and liabilities, except for goodwill which is only calculated on the Group's share. Transactions with non-controlling interests that do not entail loss of control will be recognised in equity.

Orkla Food Ingredients has several companies with non-controlling interests, the most material of which are related to the Dragsbæk group in Denmark. The group has been family-owned and the former owner still has a substantial ownership interest in the parent company. Orkla Food Ingredients also has external ownership interests in Kanakis Group (Greece) and NIC (Netherlands).

The non-controlling interests in Hydro Power consist of a 15% interest in AS Saudefaldene, which is owned by Sunnhordaland Kraftlag.

Companies with non-controlling interests are consolidated on a 100% basis in the income statement, statement of financial position and statement of cash flows. On the other hand, the non-controlling interests' share of the Group's annual profit or loss and equity are reported on separate lines.

NOTE 34 POWER AND POWER CONTRACTS

The Group both owns and leases power plants, all located in Norway. The table below shows power plants, annual production, ownership status and key financial terms and conditions.

Plant, type, location/contract	Actual median annual production/contract volume	Ownership, status and remaining utilisation period/contract duration	Key financial terms and conditions
Power plants			
Saudefaldene[2] Storlivatn power plant Svartkulp power plant Dalvatn power plant Sønnå Høy power plant Sønnå Lav power plant Storli mini power plant Kleiva small power plant Hydropower reservoir, Rogaland	1 910 GWh	 Operation started 1970 Operation started November 2001 Operation started December 2006 Operation started August 2008 Operation started October 2008 Operation started February 2009 Operation started November 2009 Under lease agreements with Statkraft, AS Saudefaldene[1] has the use of all plants until 2030.	AS Saudefaldene[1] has an annual concession power commitment of 134 GWh. In addition, the company has an annual delivery commitment to Eramet of 436 GWh which, following the termination of the contract with Eramet, is to be sold to Statkraft on the same terms. An agreement has been entered into with Elkem AS for the delivery of 501 GWh/year until 31 December 2030 to satisfy the condition regarding use of power in Elkem's industrial operations. The terms are equivalent to the terms in the lease agreement with Statkraft. On hand-over to Statkraft the plants must be in good working condition. Statkraft SF shall pay AS Saudefaldene[1] the residual value for tax as at 1 January 2031 of the expansions carried out by AS Saudefaldene[1].
Borregaard power plant[2] Hydropower run-of-river, Sarpsfossen in Glomma, Sarpsborg	282 GWh	100% ownership, infinite licence period.	
Sarp power plant[2] Hydropower run-of-river, Sarpsfossen in Glomma, Sarpsborg	242 GWh	50% ownership, infinite licence period. The other ownership interest owned by E-CO Energi AS (45%) and Svartisen Holding (5%).	E-CO Energi AS has operational responsibility.
Trælandsfos power plant[2] Hydropower run-of-river, Kvinesdal, Agder	32 GWh	100% ownership, infinite licence period.	
Mossefossen power plant[2] Hydropower run-of-river, Moss, Viken	13 GWh	100% ownership, partly infinite licence period.	
Power contracts			
SiraKvina replacement power Agder	35 GWh	Infinite	Replacement for lost production in Trælandsfos.

[1]Orkla owns 85% of AS Saudefaldene.
[2]Actual median annual production (2011–2020) at current capacities.

NOTE 35 PLEDGES AND GUARANTEES

Pledges and guarantees show the book value of Group assets which are accessible to pledgees in the event of a bankruptcy or a winding-up. Claims that have priority by law (taxes and charges, wages etc.) must also be taken into account. The table shows that the book value of pledged assets is considerably higher than outstanding liabilities secured by pledges.

Guarantee commitments cover a variety of guarantees such as rent guarantees and guarantees for other payments, but do not cover product or service liability in connection with ordinary sales.

Amounts in NOK million	2020	2019
Liabilities secured by pledges	74	101
Pledged assets		
Machinery, vehicles etc.	1	0
Buildings and plants	185	192
Accounts receivables	2	2
Total book value	188	194

"Liabilities secured by pledges" and "Pledged assets" are mainly security for loans in partly-owned companies.

Guarantees

Amounts in NOK million	2020	2019
Subscribed, uncalled limited partnership capital	20	20
Other guarantee commitments	89	50
Total guarantee commitments	109	70

ACCOUNTING POLICIES

The Group's most important loan agreements are based on a negative pledge, and the Group can therefore only to a limited extent pledge its assets to secure its liabilities.

NOTE 36 RELATED PARTIES

Related parties are in a position to enter into transactions with the company that would not be undertaken between unrelated parties. A company's profit or loss and financial position could in principle be affected by a related party relationship even if no transactions with related parties have actually taken place. The mere existence of the relationship may be sufficient to affect the way the company's other transactions are perceived.

Orkla ASA is a parent company and has direct and indirect control of around 230 companies in various parts of the world. Directly-owned subsidiaries are presented in Note 10 to Orkla ASA's financial statements, while other important companies are presented in the Group Directory (last pages of the Annual Report). Orkla ASA's internal relationship with these companies is shown on separate lines in the company's financial statements (see the financial statements for Orkla ASA).

Orkla has ownership interests in associates and joint ventures, which are presented using the equity method. Orkla had no material outstanding balances with associates or joint ventures as at 31 December 2020. There were no special material transactions between associates and joint ventures and the Group in 2020.

Internal trading within the Group is carried out in accordance with special arm's length agreements, and joint expenses in Orkla ASA are distributed among the Group companies in accordance with distribution formulas, depending on the various types of expense. For further information on intra-Group transactions, see Note 7.

Chairman of the Board of Directors Stein Erik Hagen and related parties owned 250,100,000 shares in Orkla (equivalent to 24.97% of shares issued) through the Canica system as at 31 December 2020. In February 2021, Canica AS purchased 286,000 shares in Orkla. Following this transaction, Stein Erik Hagen and related parties own 25.003% of share capital. Canica has had an agreement with Orkla ASA to lease office premises in Karenslyst allé 6 from 1 October 2017 to 31 December 2020. The Orkla Group also makes sales to companies in the Canica system. These sales are agreed on market conditions and total around NOK 24 million.

Apart from what is disclosed in this note, there were no material transactions with related parties. Information regarding the remuneration of the executive management is disclosed in Note 5 to the financial statements for Orkla ASA.

Note 36 cont.

ACCOUNTING POLICIES

Two parties are deemed to be related if one party can influence the decisions of the other. Related party relationships are a normal feature of commerce and business. All transactions with related parties must be carried out on market terms and conditions.

NOTE 37 CONTINGENT LIABILITIES AND OTHER MATTERS

This note discloses matters which under the accounting rules have not been taken into account in the income statement or statement of financial position. For instance, there may be matters relating to time-limited agreements that could have an impact on future earnings. There may be unresolved legal disputes that could have significant effects if the judgment is not as expected. The information below is intended to shed light on such matters and, in combination with the financial statements and other notes, to provide a correct overall picture of the Group's total earnings and financial position.

Agreement with Unilever. The existing production and supply agreement between Orkla ASA (OHPC/Lilleborg AS) and Unilever, relating to certain products in OHPC's product portfolio under brands such as Sun, OMO and Jif, will not be renewed. The agreement will terminate with effect from 1 July 2021. Orkla owns these brands in Norway and will establish new means of production and supply for the products currently covered by the production and supply agreement with Unilever.

Distribution agreement with PepsiCo. Orkla has a distribution agreement with PepsiCo regarding the sale of Tropicana, Naked, Quaker, Lays & Doritos products through Orkla Foods Sverige, Orkla Foods Norge, Orkla Foods Danmark, Orkla Soumi, Orkla Confectionery & Snacks Sverige and Orkla Confectionery & Snacks Norge. The agreement was originally entered into in 2015 for the juice category and was subsequently expanded to cover snacks and cereals in 2016. An extension of the agreement was negotiated in 2020. The new extended agreement enters into force in 2021.

Norwegian Competition Authority case. In 2019, the Norwegian Competition Authority opened an investigation of Orkla-owned Lilleborg AS based on suspicions of a possible breach of the Competition Act, and the company is assisting the competition authorities by facilitating an efficient investigation. At the date of preparation of the financial statements, the Group does not know of any potential negative outcomes of the matter, nor the expected time horizon for conclusion of the matter.

The Non-Annex 1 raw material price compensation agreement (RÅK). Through the EEA Agreement, Norway has regulated trade in processed agricultural products. The agreement ensures free movement of goods, but customs duties and compensation are used to even out any differences between the raw material prices paid by Norwegian manufacturers who use Norwegian raw materials and the prices paid by foreign manufacturers who use raw materials from the EU. Around 86% of Orkla's sales of food products in Norway are exposed to competition from imports, most of which are processed agricultural products (non-Annex 1 products).

Denofa do Brasil. A subsidiary of one of Orkla's foreign subsidiaries, Denofa do Brasil Ltda, is involved in several lawsuits, two of which are material. One concerns the denial of exemption from VAT on exports of soybeans to Norway in the years up to 2004. The tax authorities maintain that the company has not substantiated that all the soybean shipments actually were exported to Norway. The second lawsuit concerns a claim from the estate of a local bank, Banco Santos, that declared bankruptcy. The claim is based on Denofa do Brasil's lending of securities related to claims on soybean crops in 2004, in which Denofa do Brasil was swindled. The company has lost both cases in the lower courts. Orkla's legal advisers in Brazil consider the decisions to be erroneous. The Banco Santos case has been appealed to the Supreme Court, and a request has been submitted to have the VAT claim invalidated. The appeal to the Supreme Court has been allowed in the Banco Santos case, while the case concerning invalidation of the VAT claim is being considered by the first legal instance. Denofa do Brasil has only limited funds to pay the claims if one of the opposite parties should nonetheless win. Orkla has made a provision in the consolidated financial statements equivalent to the assets in Brazil and is not prepared to inject new capital into Denofa do Brasil to cover potential claims if the company should lose one of the cases.

Contracts. The Group has contracts at all times for the purchase of goods and services and distribution agreements, such as purchasing agreements for potatoes, vegetables and fish. These contracts are regarded as part of the Group's ordinary operating activities and are therefore not specified or indicated in any other way. The contracts are deemed to be strictly commercial contracts with no embedded derivatives.

Note 37 cont.

Government grants. Government grants are recognised when it is reasonably certain that they will be received. The grants are presented either as income or as a cost reduction in which case they are matched with the costs for which they are meant to compensate. Government grants relating to assets are recognised as a reduction in the asset's acquisition cost. The grant reduces the asset's depreciation. Orkla received only an insignificant amount in government grants.

Dragsbæk. Under Orkla's shareholder agreement with its partner in Dragsbæk, Orkla has an obligation to purchase the remaining shares at the partner's request. Orkla acquired 50% of the company for approx. NOK 45 million in 1989 and has subsequently purchased an additional 17%. The potential purchase of the remaining shares will be priced on the basis of the original price adjusted for inflation and earnings in the past three years. The adjustment for earnings is limited to +/-25%.

NOTE 38 THE ORKLA-FORMAT CASH FLOW STATEMENT

The Orkla-format cash flow statement is presented in the text of quarterly reports and is used as a reference in the segment information (Note 7). A condensed version is also presented in the Report of the Board of Directors. At Group level, the bottom line of the Orkla-format cash flow statement is net interest-bearing liabilities, an important key figure for the Group, and the statement is used directly in business area management.

The full cash flow statement shows the Group's overall financial capacity, generated by operations, to cover the Group's financial items, taxes and items more subject to Group control such as dividends and treasury share transactions. Cash flow from operations is split into "Cash flow from operations Branded Consumer Goods incl. HQ" and "Cash flow from operations Industrial & Financial Investments", the latter aggregated on one line.

The last part of the cash flow statement shows the expansion measures that have been carried out in the form of direct expansion investments and the acquisition and disposal of companies. Direct expansion investments are defined as investments in new geographical markets or new categories or investments that represent substantial increases in capacity; see alternative performance measures (APM) on page 260. The cash flow statement is based on an average monthly exchange rate, while the change in net interest-bearing liabilities is an absolute figure measured at the closing rate. The difference is explained by the currency translation effect related to net interest-bearing liabilities.

Cash flow Orkla-format

Amounts in NOK million	2020	2019
Cash flow from Branded Consumer Goods incl. HQ		
EBIT (adj.)	5 440	4 786
Depreciation	1 783	1 581
Changes in net working capital	670	812
Net replacement expenditures	(2 251)	(1 931)
Cash flow from operations (adj.)	5 642	5 248
Cash flow effect of "Other income", "Other expenses" and pensions	(291)	(450)
Cash flow from operations, Branded Consumer Goods incl. HQ	5 351	4 798
Cash flow from operations, Industrial & Financial Investments	87	135
Financial items, net	(172)	(174)
Taxes paid	(1 152)	(1 129)
Dividends received	234	204
Other payments	29	(197)
Cash flow before capital transactions	4 377	3 637
Dividends paid	(2 666)	(2 648)
Net sale/purchase of treasury shares	57	59
Cash flow before expansion	1 768	1 048
Expansion investments	(479)	(631)
Sale of companies (enterprise value)	200	582
Purchase of companies (enterprise value)	(733)	(3 063)
Net cash flow	756	(2 064)
Currency effects of net interest-bearing liabilities	(585)	(3)
Change in net interest-bearing liabilities	(171)	2 067
Net interest-bearing liabilities	6 380	6 551

Note 38 cont.

Reconciliation of change in interest-bearing items 2020

Amounts in NOK million	Interest-bearing assets	Interest-bearing liabilities	Net interest-bearing liabilities
Balance 1 January 2020	2 035	(8 586)	(6 551)
Balance 31 December 2020	3 643	(10 023)	(6 380)
Change net interest-bearing liabilities from cash flow Orkla-format	(1 608)	1 437	(171)
Of this change cash and cash equivalents	1 544	-	1 544
Change net interest-bearing liabilities excluding cash and cash equivalents	(64)	1 437	1 373
Interest-bearing items from acquired and sold companies	0	(26)	(26)
Interest-bearing liabilities new leases	-	(283)	(283)
Currency effects interest-bearing items	(1)	(739)	(740)
Net cash flow from/(used in) financing acitivites	(65)	389	324

Reconciliation of change in interest-bearing items 2019

Amounts in NOK million	Interest-bearing assets	Interest-bearing liabilities	Net interest-bearing liabilities
Balance 1 January 2019	2 193	(6 677)	(4 484)
Balance 31 December 2019	2 035	(8 586)	(6 551)
Change net interest-bearing liabilities from cash flow Orkla-format	158	1 909	2 067
Of this change cash and cash equivalents	(309)	-	(309)
Change net interest-bearing liabilities excluding cash and cash equivalents	(151)	1 909	1 758
Interest-bearing items from acquired and sold companies	0	(55)	(55)
Interest-bearing liabilities new leases	-	(450)	(450)
Currency effects cash and cash equivalents	-	(4)	(4)
Net cash flow from/(used in) financing acitivites	(151)	1 400	1 249

NOTE 39 EVENTS AFTER THE BALANCE SHEET DATE

Material events after the balance sheet date that occur before the Board of Directors has approved the financial statements may make it necessary to change the annual financial statements or to disclose the matter in the notes to the financial statements. If new information emerges regarding a matter that existed on the balance sheet date, and the matter is material, the financial statements must be changed.

Acquisitions

Orkla entered into an agreement to purchase 67.8% of the shares in Eastern Condiments Private Limited ("Eastern"). The acquisition will double Orkla's turnover in India. Orkla already holds a strong position in the Indian food market through MTR, which has increased its sales revenues five-fold since Orkla acquired the company in 2007. Eastern will be merged into the company MTR Foods Private Limited ("MTR Foods"). Orkla will have an interest of 90.01% in the joint venture. The parties have agreed on a purchase price that values Eastern (100%) at INR 20 billion (approx. NOK 2.4 billion) at enterprise value. Eastern has seven factories in four different states in India and around 3,000 employees. In the last twelve months ending 30 June 2020, the company achieved a turnover of INR 9.0 billion (approx. NOK 1.1 billion) and normalised EBITDA of INR 1.1 billion (approx. NOK 129 million). The process of completing the transaction is still ongoing. The subsequent merger process is expected to take around 15 months from the date of completion of the share purchase. The purchase agreement contains a clause that enables Orkla, in the long term, to take over full ownership of the merged entity.

In January 2021, Orkla Care signed and completed an agreement to acquire 100% of the shares in Proteinfabrikken AS. Orkla Care already owned 16.7% of the company after having acquired a minority shareholding in 2014. Proteinfabrikken sells a broad range of proprietary sports nutrition products under the PF brand. Proteinfabrikken has seven employees. In 2019 Proteinfabrikken had a turnover of NOK 82 million. The company will be consolidated into Orkla's financial statements as of 1 January 2021.

In February 2021, Orkla Health entered into an agreement to acquire 100% of the shares in NutraQ 2 AS (NutraQ), which is a leading supplier of subscription-based health and beauty products in the Nordic region. NutraQ is behind the two well-known health and beauty concepts VitaePro and Oslo Skin Lab. NutraQ also owns the dietary supplement brand Maxulin, the hair care product Provexin, and the Vesterålens Naturprodukter brand that offers omega-3 and various vitamin supplements. NutraQ was established in Norway in 2002 and has since

Note 39 cont.

also established operations in Denmark, Finland and Sweden. These four countries account for around 90% of turnover. The company has around 150 employees. With its subscription-based business model, NutraQ represents a new business approach for Orkla. The number of active subscriptions has grown organically by an average of 13% annually in the period 2018-2020. The company had a turnover of NOK 862 million in 2020 and EBITDA of NOK 188 million. The parties have agreed on a purchase price that values NutraQ at NOK 3.1 billion at enterprise value. The agreement is subject to the approval of the relevant competition authorities, and the acquisition is expected to be completed by the end of the third quarter of 2021.

On 1 March 2021, Orkla announced its acquisition of 80 % of the shares in Finnish food service company Seagood Oy Fort Deli ("Fort Deli"). Fort Deli holds a strong position in the Finnish HoReCa market, which accounts for around 80% of the company's revenues. The company is an established supplier of frozen products, sauces, and condiments in Finland. Fort Deli has 10 employees and its turnover totalled EUR 8.7 million (approx. NOK 90 million) in 2020. The company will be consolidated into Orkla's financial statements as of 1 March 2021.

On 2 March 2021, Orkla acquired the operations of the Polish sales and distribution company Ambasador92. Ambasador92 is a leading company in the sales and distribution of bakery and confectionery products in northern Poland and holds a strong position in the growing Out of Home channel, consisting of bakeries, confectioners and ice-cream producers. The company had a turnover of PLN 138 million (approx. NOK 315 million) in 2020. The company has 128 employees, and will be part of Orkla's business area Orkla Food Ingredients. The Polish competition authorities have approved the transaction. The company will be consolidated into Orkla's financial statements as of 1 March 2021.

Other matters

No other events have taken place after the balance sheet date that would have had a material effect on the financial statements or any assessments carried out.


NO 20
NOK 69
NO 2
Price NOK 82
7 KG
NO 3
Price NOK 82

Annual Financial Statements Orkla ASA

04

INCOME STATEMENT

Amounts in NOK million	Note	2020	2019
Operating revenues		20	27
Operating revenues Group	1	775	847
Total operating revenues		795	874
Payroll expenses	2, 5	(542)	(484)
Other operating expenses		(559)	(680)
Depreciation and write-downs	8, 9	(318)	(131)
Operating loss		(624)	(421)
Dividends and contributions from Group		3 229	4 506
Write-downs subsidiaries		(250)	(36)
Interest income/costs from Group	6	159	157
Other financial costs	7	(440)	(194)
Profit before taxes		2 074	4 012
Taxes	11	(116)	(206)
Profit after tax		1 958	3 806

STATEMENT OF COMPREHENSIVE INCOME

Profit after tax	1 958	3 806
Changes in fair value shares	-	(2)
Change in hedging reserve after tax	(36)	77
Change in actuarial gains and losses pensions	(8)	(11)
Comprehensive income	1 914	3 870
Proposed dividend (not provided for)	(2 753)	(2 601)

STATEMENT OF CASH FLOWS

Amounts in NOK million	2020	2019
Profit/loss before tax	2 074	4 012
Depreciation and write-downs	318	131
Write-downs subsidiaries	250	36
Changes in net working capital etc.	(175)	43
Transfer of profit items to other activities	172	(1 696)
Taxes paid	(167)	(254)
Cash flow from operating activities	2 472	2 272
Net replacement expenditures	(186)	(418)
Sold companies	62	0
Investments in subsidiaries/partly owned companies	(135)	(1 313)
Net purchase/sale shares, dividends and financial assets	1	21
Cash flow from investing activities	(258)	(1 710)
Dividends paid	(2 598)	(2 599)
Net sale/purchase of treasury shares	57	59
Net paid to shareholders	(2 541)	(2 540)
Proceeds from borrowings	1 462	2 163
Repayments of borrowings	0	(431)
Repayments of lease liabilities	(83)	(79)
Net change in current liabilities	(1 006)	1 310
Net change in current interest-bearing receivables	1 663	(1 517)
Net cash flow from/ (used in) financing activities	2 036	1 446
Cash flow from financing activities	(505)	(1 094)
Change in cash and cash equivalents	1 709	(532)
Cash and cash equivalents 1 January	958	1 490
Cash and cash equivalents 31 December	2 667	958
Change in cash and cash equivalents	1 709	(532)

STATEMENT OF FINANCIAL POSITION

Assets

Amounts in NOK million	Note	2020	2019
Intangible assets	9	110	94
Deferred tax asset	11	237	154
Property, plant and equipment	8	1 189	1 337
Shares in subsidiaries	10	34 059	34 174
Loans to Group companies, interest-bearing		10 712	10 855
Other financial assets		154	65
Non-current assets		46 461	46 679
Receivables external		168	198
Receivables Group, non-interest-bearing		369	309
Receivables Group contribution		1 400	1 359
Financial investments		-	2
Cash and cash equivalents		2 667	958
Current assets		4 604	2 826
Total assets		51 065	49 505

Equity and liabilities

Amounts in NOK million	Note	2020	2019
Paid-in equity		1 972	1 972
Retained earnings		31 715	32 342
Equity		33 687	34 314
Pension liabilities	2	656	626
Non-current interest-bearing liabilities		8 463	6 771
Non-current non-interest-bearing liabilities		175	128
Non-current liabilities		9 294	7 525
Liabilities to Group, interest-bearing		7 335	6 787
Liabilities to Group, non-interest-bearing		113	177
Tax payable	11	188	170
Other current liabilities		448	532
Current liabilities		8 084	7 666
Equity and liabilities		51 065	49 505

STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	Share capital	Treasury shares	Premium fund	Total paid-in equity	Retained earnings	Total Orkla ASA
Equity 1 January 2019	1 274	(24)	721	1 971	31 016	32 987
Comprehensive income Orkla ASA	-	-	-	-	3 870	3 870
Dividends paid	-	-	-	-	(2 599)	(2 599)
Cancellation of treasury shares	(22)	22	-	-	-	0
Net purchase of treasury shares	-	1	-	1	58	59
Implementation effect IFRS 16	-	-	-	-	(3)	(3)
Equity 31 December 2019	1 252	(1)	721	1 972	32 342	34 314
Comprehensive income Orkla ASA	-	-	-	-	1 914	1 914
Dividends paid	-	-	-	-	(2 598)	(2 598)
Net sale of treasury shares	-	-	-	-	57	57
Equity 31 December 2020	1 252	(1)	721	1 972	31 715	33 687

NOTE 1 ACCOUNTING POLICIES

Besides all headquarter activities, the financial statements of the holding company Orkla ASA cover some real estate activities. The latter are part of the business operations of Orkla Eiendom. The financial statements also cover the administration of the Orkla Foods, Orkla Confectionery & Snacks, Orkla Care, Orkla Food Ingredients and Orkla Consumer & Financial Investments business areas, and the administration of the Purchasing Academy, Sales Academy and Brands Academy in Orkla ASA.

Activities at Orkla's headquarters include the Group's executive management and the corporate and shared functions Group HR, Compensation & Benefits, Corporate Communications & Corporate Affairs, Orkla Services, Internal Audit, Legal & Compliance, EHS, Group Finance, Strategy and M&A, Group Sales, Digital sales & Amazon Lead Team, Orkla Marketing & Innovation, Orkla Group Procurement and Orkla IT. In addition to exercising parent company functions, the departments largely carry out assignments for the Group's other companies and charge them for these services. Orkla ASA owns certain trademarks that are utilised by various Group companies. Royalty fees are invoiced for the use of these trademarks. The revenues from these activities are presented on the line for "Operating revenues Group". The Group Treasury acts as an internal bank and is responsible for the Group's external financing, management of the Group's liquid assets and overall management of the Group's currency and interest risks. Interest from the Group's internal bank and dividends and contributions to the Group from investments in subsidiaries are presented as financial items and specified in the income statement.

The financial statements for Orkla ASA have been prepared and presented in accordance with simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act. Contributions to the Group have been accounted for according to good accounting practice as an exception to IFRS. Provisions are made for these contributions in the year they arise. The explanations of the accounting policies for the Group also apply to Orkla ASA, and the notes to the consolidated financial statements in some cases cover Orkla ASA. Ownership interests in subsidiaries are presented at cost.

The Board of Directors has deemed that Orkla ASA, after the proposed dividend of NOK 2.75 per share, had adequate equity and liquidity at the end of 2020.

NOTE 2 PAYROLL AND PENSIONS

Amounts in NOK million	2020	2019
Wages	(428)	(380)
National insurance contributions	(68)	(56)
Remuneration of the Board and other pay-related costs	(14)	(8)
Pension costs	(32)	(40)
Payroll expenses	(542)	(484)
Average number of employees	215	198

Breakdown of net pension costs

The assumptions on which the calculation of pension costs has been based are disclosed in Note 12 to the consolidated financial statements.

Amounts in NOK million	2020	2019
Current service cost (incl. national insurance contribution)	(19)	(25)
Curtailment and settlement	-	(3)
Costs contribution plans	(13)	(12)
Pensions classified as operating costs	(32)	(40)
Pensions classified as financial items	(23)	(50)
Net pension costs	(55)	(90)

Breakdown of net pension liabilities as at 31 December

Amounts in NOK million	2020	2019
Present value of pension obligations	(656)	(626)
Pension plan assets	-	-
Capitalised net pension liabilities	(656)	(626)

The remaining net pension liabilities at 31 December 2020 mainly consist of unfunded pension plans for former key personnel and unfunded early retirement plans, and recognised liabilities related to contribution-based plans for employees who earn more than twelve times the Norwegian National Insurance Scheme's basic amount (12G). For other employees, the company primarily has defined contribution pension plans.

The company has a pension plan that meets the requirements of the Compulsory Service Pensions Act.

NOTE 3 GUARANTEES AND ASSETS PLEDGED

Amounts in NOK million	2020	2019
Subscribed, uncalled limited partnership capital	-	-
Guarantees to subsidiaries	244	231
Other guarantee liabilities	7	0

NOTE 4 LOANS TO EMPLOYEES

Other financial assets includes loans to employees.

Amounts in NOK million	2020	2019
Loans to employees	3	2

NOTE 5 REMUNERATION AND CONTRACTUAL ARRANGEMENTS – THE BOARD OF DIRECTORS' STATEMENT OF GUIDELINES

1. The Board of Directors' statement of guidelines for the pay and other remuneration of the executive management

Pursuant to section 6-16a of the Public Limited Liability Companies Act, the Board of Directors must draw up a special statement of guidelines for the pay and other remuneration of senior executives The guidelines must be considered and approved by the General Meeting whenever a material amendment is made and at least every four years. If the General Meeting does not approve the guidelines, remuneration shall be paid in accordance with applicable approved guidelines, or if no such guidelines exist, in accordance with company practice. Guidelines that are considered and approved by the General Meeting and the result and date of the vote will be published on the company's website. The main elements that concern pay and other remuneration of the executive management, and that will be included in the draft guidelines to be considered by the General Meeting in 2021, are set out in (i)–(vi) below.

(i) Pay, other remuneration of and other conditions relating to the executive management

The Board of Directors decides the terms and conditions of the President and CEO and makes decisions on fundamental issues relating to the Group's compensation and benefits policy and compensation arrangements for other employees within the limits of the approved guidelines. The Board of Directors has a special Compensation Committee that prepares matters relating to compensation for decision by the Board. The Committee consists of three Board members, one of whom is elected by the employees, and was chaired by Liselott Kilaas in 2020. The administration prepares matters for the Compensation Committee and the Board.

The Group Executive Board participates in the Group's annual bonus programme and long-term incentive programme.

Fixed salaries and fees for the Group Executive Board and accrued bonuses are presented on the next page. The table also shows accruals and the balance in the bonus bank as at 31 December 2020, based on the Orkla share price as at 31 December 2020 (NOK 87.00).

Note 5 cont.

Remuneration paid in 2020 to members of the Group Executive Board as at 31 December 2020

Amounts in 1,000 NOK	Fixed salary 31 Dec. 2020	Paid salary and holiday pay (A)	Paid bonus (accrued in 2019)	Paid from bonus bank (LTI)	Benefits in kind (B)	Total paid salary and allowance 2020
Jaan Ivar Semlitsch	8 000	8 056	1 628	0	194	9 878
Harald Ullevoldsæter[1]	3 100	2 866	440	0	192	3 498
Christer Grönberg[2]	3 190	3 140	1 334	1 042	145	5 661
Kenneth Haavet[3]	2 950	2 704	0	0	179	2 883
Atle Vidar Nagel Johansen	3 930	4 240	2 300	1 266	214	8 020
Ann-Beth Freuchen	3 520	3 837	1 193	1 807	196	7 033
Johan Wilhelmsson[2]	3 047	3 602	1 124	1 528	12	6 266
Sverre Prytz	2 950	2 957	86	0	196	3 239
Jeanette Hauan Fladby	3 022	3 195	1 362	916	195	5 668
Johan Clarin[2]	3 522	3 485	1 243	1 012	209	5 949

[1]Took up the post of Executive Vice President and CFO and member of the Group Executive Board on 1 March 2020.
[2]The annual salary agreed in SEK but translated to NOK based on the yearly average exchange rate.
[3]Employee and member of the Group Executive Board since 1 February 2020.

Jens Bjørn Staff resigned from his position as Executive Vice President and CFO on 29 February 2020, and received total remuneration of NOK 4,419,000 in 2020.

Terje Andersen stepped down from the Group Executive Board on 1 February 2020, and continued to serve in another position in the Group.

Ann-Beth Freuchen, Jeanette Hauan Fladby and Johan Wilhelmsson stepped down from the Group Executive Board with effect from 14 January 2021. As of the same date, Hege Holter Brekke and Ingvill T. Berg became new members of the Group Executive Board.

Accrued remuneration, not paid in 2020

Amounts in 1,000 NOK	Accrued bonus in 2020[1]	Award long-term incentive program (LTI)[2]	Accrued pension costs	Total accrued/ awarded (C)	Balance bonus bank (LTI) 31 Dec. 2020[3]
Jaan Ivar Semlitsch	4 112	2 640	1 719	8 471	2 422
Harald Ullevoldsæter	1 516	1 023	597	3 136	939
Christer Grönberg[4]	1 560	1 053	961	3 574	2 742
Kennet Haavet	1 544	974	504	3 022	893
Atle Vidar Nagel Johansen	2 892	1 297	1 099	5 288	3 205
Ann-Beth Freuchen	2 108	1 162	780	4 050	3 194
Johan Wilhelmsson[4]	2 225	1 006	560	3 791	2 610
Sverre Prytz	1 443	974	558	2 975	893
Jeanette Hauan Fladby	846	997	659	2 502	2 402
Johan Clarin[4]	881	1 162	856	2 899	2 911

[1]Accrued annual bonuses for 2020 will be paid in 2021.
[2]LTI awarded in 2020 is in accordance with the previously applicable cash-based programme.
[3]Balance based on the closing price of the Orkla share as at 31 December 2020.
[4]The amount originally determined in SEK has been translated to NOK at the yearly average exchange rate.

Note 5 cont.

The Group Executive Board participates in the Group's general employee share purchase programme. No guarantees have been provided for members of the Group Executive Board. Apart from a 12-month salary loan in connection with the general employee share purchase programme, no loans were granted to members of the Group Executive Board. For all Group Executive Board members as at 31 December 2020, the outstanding balance of this share purchase programme as at the same date is NOK 16,901 per person.

The President and CEO's period of notice is six months, with a period of pay of 12 months after termination of employment if the President and CEO is dismissed by the company.

Members of the Group Executive Board who became a member before 1 January 2019 have an agreement on payment of a pension from Orkla from the age of 65. During the period from the agreed start of pension payments until they reach the age of 67, Orkla will pay them 66% of their salary at retirement, after which their pension will be paid from Orkla's general pension plans.

(ii) Guidelines for pay and other remuneration of the executive management
With regard to guidelines for the determination of pay and other remuneration of the executive management, reference is made to a separate document that will be made available on the company's website when the guidelines have been approved by the General Meeting.

The purpose of Orkla's compensation and benefits policy is to attract personnel with the competence that the Group requires, develop and retain employees with key expertise and promote a long-term perspective and continuous improvement supporting achievement of Orkla's business goals. The general approach adopted in Orkla's policy is to pay fixed salaries and pensions in line with market median level while offering variable pay linked to results, share price performance, etc. (short- and long-term incentives) that may be above a median level. Compensation may consist of the following elements:

a) Fixed elements
Orkla uses internationally recognised job assessment systems to find the "right" level of job and compensation. Jobs are assessed in relation to their local market (country) and a pay range of the median +/- 20% is applied. The executive's responsibilities, results and performance determine the amount of compensation.

(b) Variable elements – annual bonus
Senior executives in Orkla participate in the Group's central annual bonus programme. The programme has a maximum ceiling of 100% of the executive's fixed salary as at 31 December in the year of accrual. As from 2020, the programme will be designed in such a way that achievement of ambitious, predefined targets can result in a bonus of approximately 50% of an executive's fixed salary as at 31 December in the year of accrual.

In addition, the Group has share-based incentive programmes described in (iii) below.

(iii) Special comments on share-based incentive programmes

(a) Annual bonus programme
The annual bonus programme for Corporate Functions (including the President and CEO) contains an element related to the return on the Orkla share as follows:
An element tied to the return on the Orkla share (25% weighting) which is calculated by adding a basic amount equivalent to 5% of the executive's annual salary to the return on the Orkla share for the year, computed on the basis of the average share price in the fourth quarter measured against the average share price in the fourth quarter of the previous year, plus any dividend paid out. The return on the Orkla share is multiplied by a factor of 1 for Group Executive Board members and a factor of 0.5 for other Corporate Functions staff. The bonus payout for this element as a percentage of annual salary will thus be 5% plus the return (positive or negative) multiplied by the aforementioned factor. This bonus element may not exceed 25% of the executive's annual salary.

(b) Long-term incentive (LTI) programme
In 2020, Orkla introduced a share option-based LTI programme which replaced the former cash-based LTI programme.

The purpose of the programme is to:
- Reward long-term value creation and value creation across the Group
- Establish a long-term commonality of interests with shareholders
- Help to retain necessary expertise (management/key personnel)
- Maintain competitive overall compensation conditions for management/key personnel

Note 5 cont.

Participants will be nominated each year to participate in the share option programme subject to the approval of the President and CEO. The number of nominees will be approximately the same as in the past few years, i.e. around 90 central management staff and key personnel. In addition, 10–15 younger talents will be nominated. Nomination will not be automatic, so being nominated one year does not necessarily mean that the person will be nominated in subsequent years. The President and CEO has authority to increase the number of participants provided that this does not increase the programme's total budget.

Options will be awarded partly on the basis of position (estimated option value equivalent to 15% of basic salary), partly on the basis of a discretionary assessment of performance in relation to predefined long-term targets (estimated option value equivalent to a maximum of 15% of basic salary), and a discretionary assessment of achievement of sustainability-related targets (estimated option value equivalent to a maximum of 5% of basic salary). Sustainability-related targets will be set and evaluated by the Board of Directors. On this basis, the outcome for participants will be an option value in the range 15 to 35% of salary depending on performance. The option value will be calculated according to the Black-Scholes model.

If the President and CEO takes the opportunity to expand the group of participants from the above-mentioned 100-105, the afore-mentioned awards must be reduced proportionately for all or parts of the group.

Predefined long-term targets shall ideally be linked to:
- Profitable organic growth
- Innovation and increased market shares
- Sustainability as a growth factor
- Structural growth in priority categories and geographies
- Establishment of a cost-effective organisation and realisation of synergies
- Development of human resources and collaborative relationships

Options will be awarded once a year, and for the first time in 2021 for those who were nominated in 2020. Awards will be based on the share price on the day after the Annual General Meeting. The Board of Directors will recommend candidates for awards in the Group Executive Board, while awards to other employees must be approved by the President and CEO. 20% of the options awarded for the year may be exercised after one year, another 20% after two years, and the remaining 60% after three years. In the case of the Group Executive Board, however, no options may be exercised until three years after they were awarded. The last date on which they may be exercised is five years after the award date, after which the options expire. The redemption price will be set at the market price at the award date with an increase of 3% per year in the vesting period. The redemption price will be adjusted for dividends. In the event of the employee's resignation, all options that have not been exercised will expire.

Based on an average estimate where the value of the option is equal to 30% of the participants' annual salary, approximately 5,500,000 share options will be required for the awards in 2021. The General Meeting approved giving the Board of Directors and the President and CEO a total limit of 5,500,000 share options to be awarded in 2021. It is proposed that the Board of Directors and the President and CEO is given a similar limit to be awarded in 2022, i.e. a total limit of 5,500,000 options and that the General Meeting approves this limit. The number of options is equivalent to around 0.55 % of shares outstanding.

The gain on one year's awarded options may not exceed six times the value of awarded options at the award date, calculated in accordance with the Black-Scholes model. If a participant is awarded options with an estimated option value equivalent to 30% of his or her basic salary, the gain in this case may not exceed 180% of the basic salary.

The Group Executive Board must use 25% of their gross gain from the exercise of options to purchase Orkla shares, and purchased shares will be subject to a lock-in period of three years. Other participants are expected to use a percentage of their gross gain to purchase Orkla shares.

Payments from the LTI programme in 2020 were in accordance with the previous cash-based programme. Awards were last made to the participants in the previous programme in May 2020, with 1/3 of the award to be paid out in 2022, 1/3 in 2023 and 1/3 in 2024. The amount awarded is adjusted in accordance with the Orkla share price performance from the day after the Annual General Meeting in 2020 until the bonus is paid out.

(c) Discounted shares for employees

For several years the Group has had a programme offering employees an opportunity to buy a limited number of shares at a discount on the market price. For 2020, employees were offered three different purchase options: NOK 30,000, NOK 15,000 and NOK 10,000 (amounts before

Note 5 cont.

discount). The discount was 25% on the market price. The lock-in period for shares purchased is three years. The costs of the employee share purchase programme in 2020 totalled NOK 17.6 million.

The Board of Directors intends to maintain the share purchase programme in 2021 with the same purchase options as in 2020, i.e. NOK 30,000, NOK 15,000 and NOK 10,000 (amount before discount). The discount will be maintained at 25%, and the lock-in period of three years will be maintained.

(iv) Company pension plan
Orkla has a defined contribution pension plan in Norway. The contribution rates are 5% for salaries between 1G and 7.1G and 23.1% for salaries over 7.1G (as of 1 May 2020 1G is NOK 101,351). For persons appointed to the Group Executive Board before 1 September 2014, the rate for salaries over 12G is 27%. Johan Wilhelmsson has a service pension in Sweden in accordance with the ITP2 rules. This is a defined benefit pension plan limited to a maximum salary equivalent to 30 income base amounts (IBA). For salaries over 30 IBA, a pension in Norway is ensured by a contribution equal to 15% of the excess amount.

As from 2021, the contribution rate of 5% will be applied from the first krone and not from 1G. This change applies provided that any salary increase granted in 2021 is reduced wholly or partly by the increase in annual contribution for the person concerned. An agreement has been entered into with Orkla's elected employee representatives that this is to be implemented, along with further provisions as to how the reduction in salary increase is to be carried out.

(v) Other benefits
The Group provides benefits such as a company car and company telephone and other limited benefits in kind.

(vi) Executive pay policy
The guidelines for pay and other remuneration for executive management, which were last considered at the 2020 Annual General Meeting, served as guidance in determining pay and other remuneration for executive management in 2020.

For detailed descriptions of Orkla's reward policy as from 2021 and the various components of the overall remuneration, reference is made to new guidelines for pay and other remuneration for executive management when these have been approved by the General Meeting (separate document to be published on the company's website) and to disclosures in Note 11 to the consolidated financial statements.

2. Remuneration of the Board of Directors and Board members' shareholdings
As from 16 April 2020, the Board of Directors is remunerated at the following rates:

Board Chair	NOK	843 000	per year
Shareholder-elected Board member	NOK	537 000	per year
Employee-elected Board member	NOK	442 000	per year
Deputy member	NOK	27 500	per meeting

These rates, which were determined by Orkla's General Meeting on 16 April 2020, were kept unchanged from the rates determined by the General Meeting in 2019.

Under Article 4 of Orkla's Articles of Association, shareholder-elected "members and deputy members of the Board of Directors must be shareholders in the company". Accordingly, Orkla requires that 1/3 of the members' gross Board fees (excluding any fee for committee work and supplement for members residing outside Norway) is used to purchase shares in Orkla until the Board members (including their related parties) own shares in Orkla with a value equivalent to two times their gross Board fee (excluding any fee for committee work and supplement for members residing outside Norway). An overview of the Board members' shareholdings is disclosed in separate tables in this note.

Compensation Committee

Committee Chair	NOK	144 000	per year
Member	NOK	108 000	per year

Audit Committee

Committee Chair	NOK	181 000	per year
Member	NOK	121 000	per year

In addition, shareholder-elected Board members residing outside Norway receive a supplement of NOK 18,000 per meeting attended.

Note 5 cont.

Payments actually received by members of the Board of Directors are as follows:

Amounts in NOK	Director's fee incl. committee work	Number of shares[1,2] in Orkla 31 Dec. 2020
Shareholder-elected Board members		
Stein Erik Hagen[5]	951 000	250 100 000
Anna Mossberg[7]	358 000	2 034
Ingrid Jonasson Blank[6, 7]	779 500	9 000
Peter Agnefjäll[7]	661 500	20 000
Nils K. Selte[4]	717 997	27 000
Anders Kristiansen[7]	358 000	33 900
Liselott Kilaas[3]	633 000	10 000
Caroline Hagen Kjos (deputy)[8]	-	-

[1]Total share ownership including related parties.
[2]Changes in the number of shares since 31 December 2020 are shown in the presentation of the Board of Directors on pages 271-282.
[3]Receives a fee as Chair of the Compensation Committee.
[4]Receives a fee as Chair of the Audit Committee.
[5]Receives a fee as member of the Compensation Committee.
[6]Receives a fee as member of the Audit Committee.
[7]Receives a supplement for residence outside Norway.
[8]Receives no fees.

Grace Reksten Skaugen and Lars Dahlgren stepped down from the Board of Directors on 24 April 2020 and received total Board fees for 2020, including committee work, of NOK 274,333 and NOK 303,500, respectively.

Amounts in NOK	Fixed salary	Director's fee	Benefits in kind	Pension costs	Number of shares[1]
Employee-elected Board members					
Terje Utstrand[2]	621 599	550 000	8 235	28 148	7 465
Roger Vangen	567 559	442 000	8 538	22 488	9 239
Sverre Josvanger[3]	554 141	563 000	8 234	24 183	20 278
Karin Hansson	318 072	442 000	0	14 313	1 821

[1]Total share ownership including related parties.
[2]Receives a fee as member of the Compensation Committee.
[3]Receives a fee as member of the Audit Committee.

No loans have been granted to or guarantees provided for members of the Board of Directors.

3. Remuneration of the Nomination Committee

As of 24 April 2020, the Nomination Committee is remunerated according to the following rates:

Committee Chair NOK 80,000 per year, members NOK 60,000 per year and employee-elected representatives NOK 7,000 per meeting.

4. Fees to Group external auditor

Amounts in NOK million (excl. VAT)	2020	2019
Parent company		
Statutory audit	3.6	3.4
Other attest services	0.2	-
Tax consultancy services	0.7	0.9
Other non-audit services	0.7	3.4
Group		
Statutory audit	35.9	31.6
Other attest services	0.5	0.4
Tax consultancy services	2.4	2.9
Other non-audit services	0.7	3.5
Total fees to EY	39.5	38.4
Statutory audit fee to other auditors	2.5	2.3

NOTE 6 INTEREST INCOME AND COSTS GROUP

Amounts in NOK million	2020	2019
Interest income Group	188	213
Interest costs Group	(29)	(56)
Total financial costs Group	159	157

NOTE 7 OTHER FINANCIAL ITEMS

Amounts in NOK million	2020	2019
Gain/loss on exchange	(265)	4
Other financial income	19	44
Other financial costs	(194)	(242)
Total other finanancial items	(440)	(194)

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK million	Land, buildings and other property	Machinery, fixture and fittings etc.	Assets under construction[2]	Total
Book value 1 January 2020	95	99	618	812
Investments	-	-	182	182
Reclassifications[1]	-	28	(267)	(239)
Depreciation	-	-	-	0
Write-downs	(2)	(15)	-	(17)
Book value 31 December 2020	93	112	533	738
Initial cost 1 January 2020	121	265	651	1 037
Accumulated depreciation and write-downs	(26)	(166)	(33)	(225)
Book value 1 January 2020	95	99	618	812
Initial cost 31 December 2020	119	219	533	871
Accumulated depreciation and write-downs	(26)	(107)	-	(133)
Book value 31 December 2020	93	112	533	738

[1]Net reclassifications relating to the transfer from Note 9.
[2]Consists primarily of investment in a new common ERP system. The investment will be reclassified to IT (Note 9) upon project completion.

Leased right-of-use assets IFRS 16

Amounts in NOK million	Buildings and other property	Machinery, fixtures and vehicles	Total leased right-of-use assets
Book value 1 January 2020	523	2	525
Investments	-	1	1
Depreciation	(73)	(2)	(75)
Book value 31 December 2020	450	1	451
Initial cost 1 January 2020	591	3	594
Accumulated depreciation and write-downs	(68)	(1)	(69)
Book value 1 January 2020	523	2	525
Initial cost 31 December 2020	591	4	595
Accumulated depreciation and write-downs	(141)	(3)	(144)
Book value 31 December 2020	450	1	451

NOTE 9 INTANGIBLE ASSETS

Amounts in NOK million	Trademarks, not depreciable	IT	Total
Book value 1 January 2020	26	68	94
Reclassifications property, plant and equipment[1]	-	239	239
Investments	-	3	3
Write-down	-	(207)	(207)
Depreciation	-	(19)	(19)
Book value 31 December 2020	26	84	110
Initial cost 1 January 2020	26	163	189
Accumulated depreciation and write-downs	-	(95)	(95)
Book value 1 January 2020	26	68	94
Initial cost 31 December 2020	26	188	214
Accumulated depreciations and write-downs	-	(104)	(104)
Book value 31 December 2020	26	84	110

[1]Net reclassifications relating to the transfer from Note 8.

NOTE 10 SHARES IN SUBSIDIARIES, DIRECTLY OWNED

Amounts in NOK million	Group's share of capital	Book value 2020	Book value 2019
Orkla Foods Norge AS	100%	9 065	9 065
Orkla Foods Sverige AB	100%	5 469	5 469
Orkla Confectionery & Snacks Finland Ab	100%	3 315	3 315
Orkla Food Ingredients AS	100%	2 466	2 466
Orkla Energi AS	100%	1 765	1 765
Kotipizza Group Oyj	100%	1 424	1 424
Hamé s.r.o.	100%	1 354	1 354
Orkla Esti AS	100%	975	862
SIA Orkla Latvija[1]	100%	959	959
Orkla Confectionery & Snacks Norge AS	100%	906	906
Orkla Foods Cesko a Slovensko a.s.[2]	100%	900	900
Orkla House Care AS	100%	865	865
Orkla Health AS	100%	631	631
Orkla Eiendom AS	100%	589	589
SweBiscuits AB	100%	512	512
Viking Askim AS	100%	400	400
Paint Holding AS	100%	305	0
Sarpsfoss Limited			
Ordinary shares	100%	253	253
Preference shares	99.9%	43	43
Industriinvesteringer AS	100%	250	340
SIA Orkla Foods Latvija	100%	246	246
Lilleborg AS	100%	212	526
Attisholz AB	100%	187	187
Orkla Foods Romania SA	100%	184	184
Orkla Foods Danmark A/S	100%	175	175
Sandakerveien 56 AS	100%	173	216
Orkla Asia Holding AS	100%	166	166
Orkla Insurance Company Ltd.	100%	65	65
UAB Orkla Foods Lietuva	100%	39	39
Trælandsfos Holding AS	100%	36	36
Orkla IT AS	100%	34	34
Lilleborg AB	100%	28	28
Øraveien Industripark AS	100%	15	15
Orkla Trading AB	100%	14	9
Orkla Investeringer AS	100%	10	10
Textile Holding AS	100%	9	0
Nödinge AB	100%	7	7
Orkla Design AS	100%	5	5
Cederroth Intressenter AB	100%	3	3
Orkla Accounting Centre Estonia	100%	2	2
Orkla China CO.,LTD[3]	100%	1	1
Teepi AS[4]	100%	1	1
Attisholz Infra AG[5]	0.4%	1	1
Gorm's Holding ApS	20%	0	97
Orkla Germany GmbH[6]	0%	0	2
Orkla France S.A.S.[7]	0%	0	1
Total		34 059	34 174

Table cont. next column

[1]Formerly SIA Orkla Confectionery & Snacks Latvija.
[2]Formerly Vitana a.s.
[3]Formerly Orkla Group Procurement Hub Shanghai.
[4]Formerly Plusstid Home AS.
[5]The remaining shares are owned by Attisholz AB.
[6]Orkla Germany GmbH has been sold to Orkla Foods Danmark.
[7]Orkla France S.A.S has been wound up.

The table shows only directly owned subsidiaries. The Group consists of a total of around 230 companies. The most important indirectly-owned subsidiaries are shown in the Group Directory at the end of the Annual Report.

NOTE 11 TAXES

Tax expense

Amounts in NOK million	2020	2019
Profit before taxes	2 074	4 012
Change in temporary differences	375	(254)
Of which change in temporary differences previous years	12	0
Correction for change in temporary differences taken to comprehensive income	(62)	85
Total change in temporary differences	325	(169)
Non-deductible expenses	67	49
Tax-free dividends, capital gains (losses) and write-downs shares and financial assets	0	(12)
Impairment of shares in subsidiaries	218	36
Dividends from subsidiaries	(1 829)	(3 146)
Other permanent differences	0	(1)
Total permanent differences	(1 544)	(3 074)
Total taxable income	855	769
Calculated current tax expense	(188)	(169)
Withholding tax foreign dividends	(1)	0
Correction in provisions for previous years' taxes	4	0
Total current tax expense	(185)	(169)
Change in deferred tax liabilities	69	(37)
Total tax expense	(116)	(206)

Deferred tax liabilities

Amounts in NOK million	2020	2019
Financial derivatives	50	95
Accumulated write-downs outside the tax exemption method	(11)	(11)
Hedging reserve in equity	(195)	(144)
Property, plant and equipment	(256)	13
Pension liabilities	(589)	(567)
Leases	(9)	(7)
Other current liabilities	(65)	(79)
Basis deferred tax	(1 075)	(700)
Deferred tax asset	(237)	(154)
Change in deferred tax	83	(55)
Change in deferred tax taken to comprehensive income	(14)	18
Change in deferred tax in the income statement	69	(37)

Reconciliation of total tax expense

Amounts in NOK million	2020	2019
22% of profit before taxes	(457)	(887)
Tax-free dividends, capital gains (losses) and write-downs shares and financial assets	0	3
Dividends from subsidiaries	402	692
Write-downs shares in subsidiaries	(48)	(4)
Non-deductible expenses	(14)	(10)
Withholding tax	(1)	0
Correction previous years' taxes	2	0
Total tax expense for Orkla ASA	(116)	(206)

NOTE 12 FINANCIAL RISK

The risk associated with financial instruments in Orkla ASA is related to the following activities:

The Group's internal bank
Orkla ASA's Group Treasury manages the interest rate and currency risk for the Group. The Group Treasury acts as the Group internal bank and as a rule executes all external funding and hedging transactions in interest rate and currency derivatives. The subsidiaries mitigate their currency risk by entering into internal currency hedging contracts with the internal bank, which in turn hedges this risk through external hedging positions. In addition, the internal bank holds debt in foreign currencies in order to hedge currency risk on internal loans, book equity and goodwill. In 2020, NOK -270 million was recognised in the income statement in connection with these hedges (NOK 2 million in 2019). The internal bank does not actively take on currency risk. Intercompany loans and deposits are at floating interest rates, and no intra-Group interest rate hedging contracts are made. Further details of the management of interest rate and currency risk for Group-external items are disclosed in Note 30 to the consolidated financial statements.

Derivatives and hedge accounting
Currency forward contracts. The internal bank's internal and external currency forward contracts and cross currency swaps are recognised at fair value in the statement of financial position with changes in fair value recognised through profit and loss. Foreign currency effects related to internal and external loans are also accounted for through profit and loss.

Interest rate swaps. External funding for the Group is mainly originated through Orkla ASA. Loans issued at fixed interest rates are normally swapped to floating interest rates through interest rate swaps. These swaps are accounted for as fair value hedges with fair value changes recognised through profit and loss. As at 31 December 2020, the fair value of these interest rate swaps was NOK 96 million (NOK 19 million in 2019). During the year NOK 77 million was recognised as income in the income statement related to changes in the fair value of the interest rate swaps, and NOK 77 million was recognised as cost related to changes in the fair value of the hedged loans.

When Orkla hedges future interest payments, interest rate swaps, where Orkla receives floating interest rates and pays fixed interest rates, are used. These interest rate swaps are accounted for as cash flow hedges with changes in fair value recognised through comprehensive income. As at 31 December 2020, the fair value of these swaps amounted to NOK -195 million (NOK -143 million in 2019).

Equity hedging reserve. Change in the equity hedging reserve:

Amounts in NOK million	2020	2019
Opening balance hedging reserve before tax	(129)	(228)
Reclassified to profit/loss – net financial items	70	105
Fair value change during the year	(118)	(6)
Closing balance hedging reserve before tax	(177)	(129)
Deferred tax hedging reserve	43	31
Closing balance hedging reserve after tax	(134)	(98)

The hedging reserve is expected to be reclassified to the income statement as follows (before tax):

2021: NOK -64 million
After 2021: NOK -113 million

NOTE 13 OTHER MATTERS

PAYE tax guarantee and guarantee for pension liabilities
Orkla ASA has a bank guarantee to cover Pay-As-You-Earn (PAYE) tax payable by employees and pension liabilities for employees who earn more than 12G on behalf of its Norwegian subsidiaries. The company has NOK 72 million in restricted assets such as margin deposits under derivative contracts.

Material leases
Orkla ASA leases Drammensveien 149 in Oslo from its subsidiary Drammensveien 149 AS. The premises are also subleased to the companies Orkla Foods Norge, Orkla Health, Orkla Home & Personal Care, Lilleborg, Orkla Confectionery & Snacks Norge, Pierre Robert Group, Hydro Power, Orkla IT, Orkla House Care and Orkla Eiendom. Annual leasing costs total NOK 67 million.

Matters disclosed in the Notes to the Consolidated Financial Statements
Share-based payment – Note 11
Events after the balance sheet date – Note 39

Shareholders in Orkla ASA
A list of the largest shareholders in Orkla ASA is presented in Note 32.

Declaration from the Board of Directors of Orkla ASA and the Group

We confirm that the financial statements for the period 1 January up to and including 31 December 2020 have, to the best of our knowledge, been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the Group as a whole, and that the Board of Directors' report includes a fair review of the development and performance of the business and the position of the company and the Group as a whole, together with a description of the principal risks and uncertainties that they face.

Oslo, 15 March 2021
The Board of Directors of Orkla ASA

Stein Erik Hagen Chairman of the Board	Ingrid Jonasson Blank	Nils K. Selte	Liselott Kilaas	Peter Agnefjäll	Anna Mossberg
Anders Kristiansen	Terje Utstrand	Sverre Josvanger	Karin Hansson	Roger Vangen	Jaan Ivar Semlitsch President and CEO

(This translation from Norwegian of the Declaration from the Board of Directors has been made for information purposes only.)

Independent Auditor's Report

To the Annual Shareholders' Meeting of Orkla ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Orkla ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2020, income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Revenue recognition – accrued discount liabilities

Revenue from contract with customers is recognised when the significant risk and rewards of ownership of the goods have been transferred to the buyer. Further, revenue is measured at fair value of the expected consideration to be received from sales. Discounts and other benefits earned by customers represents a variable consideration and is included in the fair value. Due to the multitude and variety of agreements and contractual terms, the determination of discounts recognized on sales made during the year is considered complex and requires management judgement. Revenue recognition including discounts and other benefits earned is therefore a key audit matter.

Our audit procedures included identifying, understanding, evaluating and testing management procedures and controls for determining the reduction in revenues by discounts as well as compliance of policies with applicable accounting standards. Further, we identified and assessed the effectiveness of the Group's internal controls. Our audit included analytical procedures and detailed testing that discounts are recognised in the correct period. We tested the accuracy and completeness of the accrued discount liability and the underlying calculation. These procedures

Independent Auditor's Report cont.

included testing of the basis for calculating discounts and other benefits against actual sales and agreed terms. Also, we have tested the accuracy of historical accrued discount liabilities and evaluated the disclosures provided by management in the consolidated financial statements to applicable accounting standards.

We refer to the Group's disclosures in notes 4 and 9 in respect of revenue recognition and related contract liabilities of discounts and other benefits.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

Independent Auditor's Report cont.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 15 March 2021
ERNST & YOUNG AS

Petter Larsen
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Historical key figures

Historical key figures are presented for each of the last four years (2016–2019) as they were presented in the respective annual reports. Subsequent accounting restatements (due, for instance, to changes in accounting policies, recognition as "Discontinued operations", etc.) are thus not reflected in the set of figures presented. This is because Orkla wishes to show the Group as it was reported in the years in question, so as to illustrate the actual level of activity in the years concerned.

	Definition		2020	2019	2018	2017	2016
Income statement							
Operating revenues		(NOK million)	47 137	43 615	40 837	39 561	37 758
EBIT (adj.)*		(NOK million)	5 492	5 088	4 777	4 635	4 298
Other income and expenses		(NOK million)	(930)	(561)	(482)	(201)	(382)
Operating profit		(NOK million)	4 562	4 527	4 295	4 434	3 916
EBIT (adj.) margin*	1	(%)	11.7	11.7	11.7	11.7	11.4
Profit/loss from associates and joint ventures		(NOK million)	1 000	659	264	313	1 378
Ordinary profit/loss before taxes		(NOK million)	5 348	4 931	4 358	4 571	5 182
Gains/profit/loss discontinued operations		(NOK million)	-	-	-	5 066	-
Profit/loss for the year		(NOK million)	4 422	3 898	3 354	8 657	4 375
Cash flow							
Net cash flow		(NOK million)	756	(2 064)	(3 044)	8 471	(956)
Capital as at 31 December							
Book value of total assets		(NOK million)	63 007	57 413	52 509	53 408	55 604
Market capitalisation	2	(NOK million)	87 081	88 987	68 007	88 683	79 586
Equity ratio	3	(%)	59.8	60.8	64.9	65.2	60.9
Net interest-bearing liabilities	4	(NOK million)	6 380	6 551	3 037	14	8 056
Net gearing	5		0.17	0.19	0.09	0.00	0.24
Interest coverage ratio	6		44.8	38.1	33.5	23.1	23.1
Average borrowing rate		(%)	1.8	2.5	3.4	2.2	1.8
Share of floating interest-bearing liabilities	7	(%)	57	49	39	38	67
Average time to maturity liabilities	8	(year)	3.2	3.7	4.0	4.3	3.3

*EBIT (adj.) = Operating result before other income and expenses

Historical key figures cont.

	Definition		2020	2019	2018	2017	2016
Shares							
Average number of shares outstanding, diluted		(x 1,000)	1 000 461	999 929	1 008 810	1 017 472	1 017 969
Average number of shares outstanding		(x 1,000)	1 000 461	999 929	1 008 810	1 017 472	1 017 526
Share-related key figures							
Share price at 31 December		(NOK)	87.00	88.96	68.04	87.05	78.20
Earnings per share, diluted	9	(NOK)	4.37	3.84	3.24	8.43	4.22
Ordinary dividend per share (proposed for 2020)		(NOK)	2.75	2.60	2.60	2.60	2.60
Payout ratio	10	(%)	62.9	67.7	80.2	30.8	61.6
Price/earnings ratio	11		19.9	23.2	21.0	10.3	18.5
Personnel							
Number of employees			18 110	18 348	18 510	18 178	18 154
Number of man-years			17 388	17 692	17 633	17 569	18 038

Definition:

1 EBIT (adj.)*/Operating revenues
2 Market capitalisation is calculated on the basis of number of shares outstanding x Share price at year end
3 Book equity / Total assets
4 Total interest-bearing liabilities - Interest-bearing receivables and liquid assets (cash, bank deposits etc.)
5 Net interest-bearing liabilities / Equity
6 (Profit before tax + Net interest expenses) / (Net interest expenses)
7 Liabilities with remaining period of fixed interest of less than one year
8 Average time to maturity for interest-bearing liabilities and unutilised committed credit facilities
9 Profit for the year after non-controlling interests / Average number of shares outstanding, diluted, at year-end
10 Ordinary dividend per share / Earnings per share, diluted
11 Share price / Earnings per share, diluted

Alternative performance measures (APM)

Organic growth

Organic growth shows like-for-like turnover growth for the Group's business portfolio and is defined as the Group's reported change in operating revenues adjusted for effects of the purchase and sale of companies and currency effects. In calculating organic growth, acquired companies will be excluded 12 months after the transaction date. Sold companies will be excluded pro forma 12 months prior to the transaction date. Currency effects are neutralised by translating this year's turnover at last year's exchange rates.

Organic growth is included in segment information and used to identify and analyse the turnover growth in the existing business portfolio. Organic growth provides an important picture of the Group's ability to carry out innovation, product development, correct pricing and brand-building.

Reconciliation of organic growth is shown in a separate table on the next page.

EBIT (adj.)

EBIT (adj.) shows the Group's current operating profit before items that require special explanation, and is defined as reported "Operating profit before other income and expenses". Items included in "Other income" and "Other expenses" (OIE) are disclosed in Note 14. These include M&A costs, restructuring or integration expenses, any major gains and write-downs on both tangible and intangible assets, and other items that only to a limited degree are reliable measures of the Group's current profitability. EBIT (adj.) margin and growth are derived figures calculated in relation to operating revenues.

EBIT (adj.) is one of the Group's key financial figures, internally and externally. The figure is used to identify and analyse the Group's profitability from normal operations and operating activities. Adjustment for items in OIE which to a limited degree are reliable measures of the Group's current operating profit or loss increases the comparability of profitability over time.

EBIT (adj.) is presented on a separate line in the Group's income statement and in segment reporting; see Note 7.

Change in underlying EBIT (adj.)

Change in underlying EBIT (adj.) shows like-for-like EBIT (adj.) growth for the Group's business portfolio and is defined as the Group's reported change in EBIT (adj.) adjusted for effects of the purchase and sale of companies and currency effects. In calculating the change in underlying EBIT (adj.), acquired companies will be included pro forma 12 months before the transaction date. Sold companies will be excluded pro forma 12 months prior to the transaction date. Currency effects are neutralised by calculating this year's EBIT (adj.) at last year's currency exchange rates. Underlying EBIT (adj.) margin and change therein are derived figures calculated in relation to operating revenues.

Underlying EBIT (adj.) growth is used for internal management purposes, including for identifying and analysing underlying profitability growth in the existing business portfolio, and provides a picture of the Group's ability to develop growth and improve profitability in the existing business. The measure is important because it shows the change in profitability on a comparable structure over time.

The reconciliation of change in underlying EBIT (adj.) for Branded Consumer Goods incl. HQ is shown on the next page.

Earnings per share (adj.)

Earnings per share (adj.) show earnings per share adjusted for "Other income" and "Other expenses" (OIE) after estimated tax. Items included in OIE are specified in Note 14. The effective tax rate for OIE is lower than the Group's tax rate in both 2020 and 2019 due to non-deductible transaction costs, write-downs and the effect on profit or loss of the purchase of the remaining shares in Orchard Valley Foods in 2020.

If other items of a special nature occur under the company's operating profit or loss, adjustments will also be made for these items. As at 31 December 2020, an adjustment was made for gains on the sales of the associates Andersen & Mørck and Allkärrsplans Utvecklings AB. In 2019 an adjustment was made for the sale of the joint venture Oslo Business Park. Adjustments were made in both 2020 and 2019 for the reversal of a provision for tax related to operations outside Norway.

The calculation of earnings per share is disclosed in Note 17.

Net replacement and expansion investments

When making decisions regarding investments, the Group distinguishes between replacement and expansion investments. Expansion investments are the part of overall reported investments

APM cont.

considered to be investments in either new geographical markets or new categories, or which represent significant increases in capacity.

Net replacement investments include new leases and are reduced by the value of sold fixed assets to sales value.

The purpose of this distinction is to show how large a part of the investments (replacement) mainly concerns maintenance of existing operations and how large a part of the investments (expansion) is investments which must be expected to generate increased contributions to profit in future, exceeding expectations of normal operations.

Net replacement and expansion investments are presented in the statement of cash flows (Orkla format); see the Report of the Board of Directors and Note 38.

Net interest-bearing liabilities

Net interest-bearing liabilities are the sum of the Group's interest-bearing liabilities and interest-bearing receivables. Interest-bearing liabilities include bonded loans, bank loans, other loans, lease liabilities and interest-bearing derivatives. Interest-bearing receivables include liquid assets, interest-bearing derivatives and other interest-bearing receivables.

Net interest-bearing liabilities are the Group's primary management parameter for financing and capital allocation, which is used actively in the Group's financial risk management strategy. The statement of cash flows (Orkla format) therefore shows the change in net interest-bearing liabilities at Group level; see the Report of the Board of Directors and Note 38.

Net interest-bearing liabilities are reconciled in Note 28 and Note 29.

Structure (acquired and sold companies)

Structural growth includes adjustments for the acquisition of the businesses Lecora, Easyfood, Confection by Design, Win Equipment, Norgesplaster, Risberg, Kanakis, Credin Sverige, Vamo, Kotipizza, Anza Verimex, Helga, Havrefras and Gortrush. Adjustments have been made for the sale of Glyngøre, SaritaS, Vestlandslefsa, Gorm's and the closure of Pierre Robert Sverige. Adjustments have also been made for the loss of the distribution agreements with Panzani and OTA Solgryn. In addition, adjustments were made in 2019 for HSNG, Struer, County Confectionery, Werner, Igos, Gorm's and the sale of Mrs. Cheng's. A structural adjustment was made at business area level for the internal relocation of Frödinge.

Organic growth per business area

	1.1.–31.12.2020			
Sales revenues change %	Organic growth	FX	Structure	Total
Orkla Foods	3.7	5.8	-0.4	9.1
Orkla Confectionery & Snacks	2.0	6.4	-	8.5
Orkla Care	9.2	6.2	1.9	17.3
Orkla Food Ingredients	-5.9	6.8	3.1	3.9
Orkla Consumer Investments	2.1	5.9	5.7	13.6
Branded Consumer Goods	1.6	6.2	1.3	9.1

	1.1.–31.12.2019			
Sales revenues change %	Organic growth	FX	Structure	Total
Orkla Foods	1.8	1.2	1.9	4.9
Orkla Confectionery & Snacks	4.6	1.3	-	5.9
Orkla Care	0.0	0.7	1.1	1.9
Orkla Food Ingredients	0.6	1.5	5.5	7.6
Orkla Consumer Investments	-3.4	2.2	42.7	41.5
Branded Consumer Goods	1.3	1.3	4.8	7.4

Underlying EBIT (adj.) changes with corresponding figures for Branded Consumer Goods incl. HQ

EBIT (adj.) change %	Underlying growth	FX	Structure	Total
1.1–31.12.2020	5.4	6.4	1.8	13.7
1.1–31.12.2019	4.1	1.4	3.4	9.0

EBIT margin growth change percentage points	Underlying growth	Structure/FX	Total	EBIT (adj.) margin (%)
1.1–31.12.2020	0.4	0.0	0.5	11.7
1.1–31.12.2019	0.3	-0.1	0.2	11.2

Figures may not add up due to rounding-off.

Other Information

05

Share information

Through efficient business operations, Orkla aims to achieve long-term value growth for its shareholders which exceeds that of relevant, competitive investment alternatives. For shareholders, this is reflected in the combination of the long-term price performance of the Orkla share and the dividend that is paid out.

Market capitalisation and turnover

The Orkla share is listed on the Oslo Stock Exchange under the ticker code ORK. All shares have equal rights and are freely transferable. In terms of market value, Orkla was the 8th largest company on the Oslo Stock Exchange as at 31 December 2020. At the end of 2020, its market capitalisation was NOK 87.1 billion, down NOK 2.0 billion from the end of 2019. In 2020, a total of NOK 2.6 billion was paid out in ordinary dividends. The average daily volume of Orkla shares traded on the Oslo Stock Exchange was 1.9 million, equivalent to 0.2 per cent of the total number of Orkla shares issued. The Orkla share may also be traded through Orkla's Level-1 ADR programme in the USA. More information on the ADR programme may be found on Orkla's website under "Investor Relations".

Return on investment

Over time, Orkla shareholders have enjoyed a good return on their shares. The table below shows the average annual return (including reinvested dividends) on the Orkla share compared with the Oslo Stock Exchange Benchmark Index (OSEBX).

Dividend policy

Orkla shareholders shall receive a competitive return on their investment over time through a combination of dividends and an increase in the share price. Orkla has achieved a steady, stable increase over time in the dividends paid out. The goal going forward is to increase the dividend per share, normally within 50–70 per cent of earnings per share.

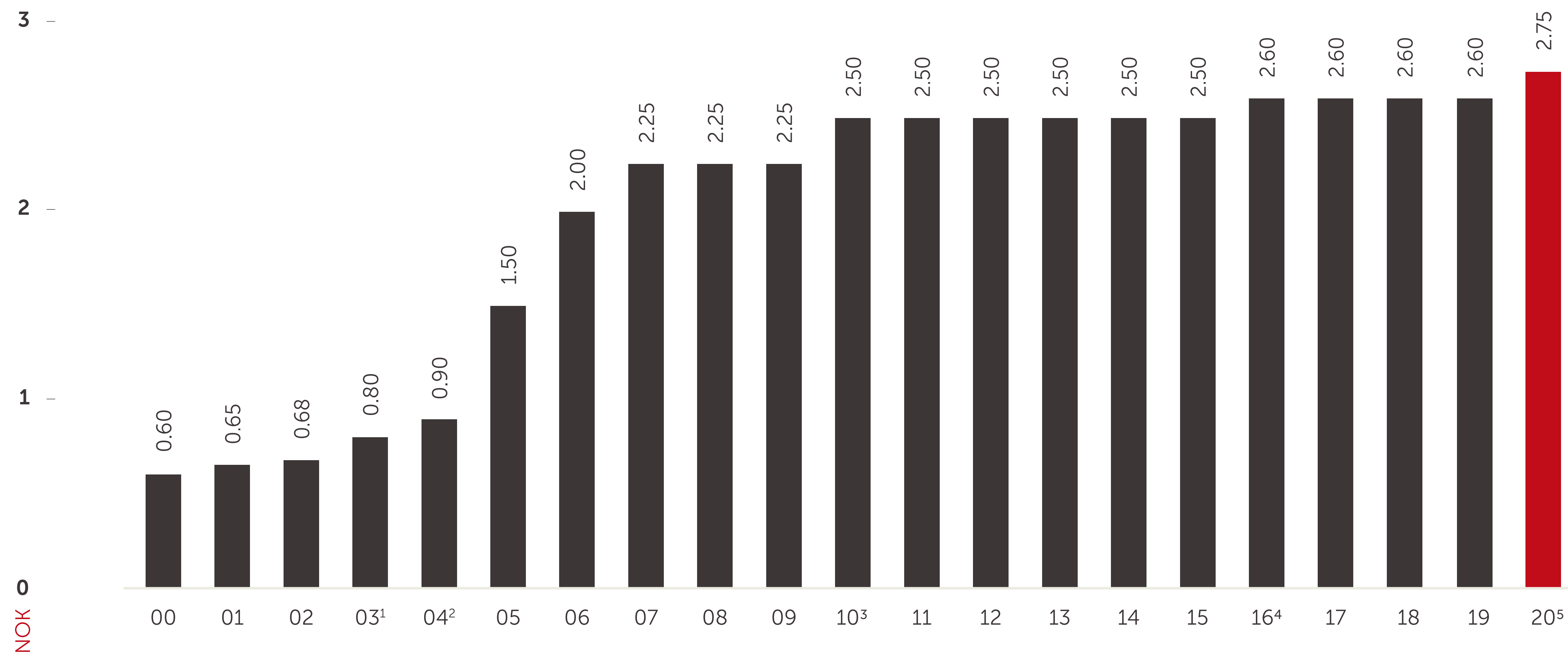
The Board of Directors proposes to pay a dividend of NOK 2.75 per share for the 2020 financial year. The dividend will be paid out on 26 April 2021 to shareholders of record on the date of the Annual General Meeting.

Return on investment including reinvested dividends as at 31 December 2020

	Orkla	OSEBX
Last year	0.5%	4.6%
Last 3 years	3.3%	6.1%
Last 5 years	9.3%	9.8%
Last 10 years	10.6%	8.3%

Source: FactSet

Ordinary dividend per share



[1]Additional dividend NOK 5.00 per share.
[2]Additional dividend NOK 1.00 per share.
[3]Additional dividend NOK 5.00 per share.
[4]Additional dividend NOK 5.00 per share.
[5]Proposed dividend.

Treasury shares

Orkla supplements its dividends with moderate share buybacks. At the 2020 Annual General Meeting, the Board of Directors was granted authorisation to buy back up to 100 000 000 Orkla shares. The authorisation was granted for a limited period of time and must be implemented at the latest by the 2021 Annual General Meeting. Shares acquired by the Board under the authorisation must be cancelled or used in connection with employee incentive programmes, including the Group's employee share purchase programme. The authorisation was not used in 2020. As at 31 December 2020, Orkla owned 501 800 treasury shares. As of 22 February 2021 it has been decided to initiate a share buyback program for up to five million shares in the market.

The Board of Directors will propose to the General Meeting in 2021 that the authorisation to buy back Orkla shares be renewed.

Voting rights

Orkla has one class of share, and each share carries one vote. The nominal value of the share is NOK 1.25. Each shareholder is entitled to vote the number of shares which he or she owns and which are registered in the Norwegian Central Securities Depository (VPS) on the date of the Annual General Meeting.

If the shareholder has acquired the shares shortly before the Annual General Meeting, voting rights for these shares may only be exercised if the acquisition has been registered in the VPS, or if the acquisition has been reported to the VPS and proof of the acquisition is presented at the Annual General Meeting. Read more about Orkla's voting rights and the Annual General Meeting on Orkla's website, under "Investor Relations".

Shareholders by geographical region[1]

Norway	49%
USA	18%
UK	9%
Other	24%

[1]As at 31 December 2020
Source: VPS

Financial calendar 2021

Date	Event
15 April	Annual General Meeting
16 April	Share traded ex-dividend
26 April	Dividend payment[1]
29 April	1st quarter
15 July	2nd quarter
29 October	3rd quarter

[1]Subject to approval of the proposed dividend at the Annual General Meeting

The 20 largest shareholders as at 31 December 2020

Based on an analysis of shareholders registered under nominee accounts (custody accounts)

Shareholder	No. of shares	% of capital
Canica[1]	250 100 000	24.97%
Folketrygdfondet	88 270 425	8.81%
First Eagle Investment Management, L.L.C.	39 317 899	3.93%
BlackRock Institutional Trust Company, N.A.	27 726 573	2.77%
The Vanguard Group, Inc.	24 648 725	2.46%
Handelsbanken Asset Management	15 759 644	1.57%
Acadian Asset Management LLC	14 401 420	1.44%
KLP Forsikring	14 097 823	1.41%
American Century Investment Management, Inc.	12 862 270	1.28%
Nordea Funds Oy	12 674 008	1.27%
Storebrand Kapitalforvaltning AS	12 186 379	1.22%
DNB Asset Management AS	11 766 815	1.18%
State Street Global Advisors (US)	10 049 138	1.00%
Danske Invest Asset Management AS	9 675 233	0.97%
Robeco Institutional Asset Management B.V.	9 627 122	0.96%
BlackRock Advisors (UK) Limited	9 542 720	0.95%
Alfred Berg Kapitalforvaltning AS	9 527 298	0.95%
Legal & General Investment Management Ltd.	8 281 134	0.83%
TD Asset Management Inc.	7 554 474	0.75%
UBS Asset Management (UK) Ltd.	7 500 635	0.75%
Total 20 largest shareholders	**595 569 735**	**59.47%**
Total number of shares	1 001 430 970	

Source: The list of shareholders is supplied by Nasdaq

[1]Canica: Canica AS, Canica Investor AS, Tvist 5 AS, Stein Erik Hagen AS and shares privately held by Mr. Stein Erik Hagen.

Key figures for the Orkla share

	2020	2019	2018	2017	2016	2015
Share price, high (NOK)	97.14	91.98	87.30	87.30	83.55	72.25
Share price, low (NOK)	75.00	64.16	64.60	73.40	64.65	48.73
Share price, closing 31.12	87.00	88.96	68.04	87.05	78.20	70.10
Diluted earnings per share (NOK)	4.37	3.84	3.24	8.43	4.22	3.24
Dividend paid per share (NOK)	2.75[1]	2.60	2.60	2.60	2.60	2.50
Percentage of foreign shareholders	51%	54%	51%	53%	52%	55%
Number of shares issued as of 31.12.	1 001 430 970	1 001 430 970	1 018 930 970	1 018 930 970	1 018 930 970	1 018 930 970
Number of shares outstanding as of 31.12.	1 000 929 170	1 000 305 788	999 520 711	1 018 754 037	1 017 717 835	1 017 990 670

[1]Proposed dividend

Brokerage house	Contact	Tel.	E-mail
ABG Sundal Collier	Petter Nystrøm	+47 22 01 61 35	petter.nystrom@abgsc.no
Arctic Securities	Carl Frederick Bjerke	+47 21 01 31 21	cfb@arctic.com
Carnegie	Eirik Rafdal	+47 22 00 93 78	eirik.rafdal@carnegie.no
Danske Market Equities	Erik Ehrenpohl Sand	+47 97 46 98 77	esan@danskebank.com
DNB Markets	Ole Martin Westgaard	+47 24 16 92 98	ole.martin.westgaard@dnb.no
Goldman Sachs	John Ennis	+44 207 552 9608	john.ennis@gs.com
Handelsbanken Capital Markets	Kjetil Lye	+47 22 39 72 99	kjly01@handelsbanken.no
Kepler Cheuvreux	Markus Borge Heiberg	+47 23 13 90 84	mheiberg@keplercheuvreux.com
Morgan Stanley	Sanath Sudarsan	+44 20 7425 8259	sanath.sudarsan@morganstanley.com
Nordea Markets	Kristoffer B. Pedersen	+47 24 01 50 14	kristoffer.b.pedersen@nordea.com
Pareto Securities	Gard A. Aarvik	+47 24 13 21 72	gard.aarvik@paretosec.com
Sanford C. Bernstein	Bruno Monteyne	+44 20 7170 5086	bruno.monteyne@bernstein.com
SEB Enskilda	Markus Bjerke	+47 21 00 85 17	markus.bjerke@seb.no
SpareBank1 Markets	Øyvind Mossige	+47 24 13 37 02	oyvind.mossige@sb1markets.no
UBS	Charles Eden	+44 207 568 9622	charles.eden@ubs.com

Additional information for valuation purposes

One possible model for valuing Orkla is based on distinguishing between the branded consumer goods business, where the value lies in future earnings from continuing operations, and the Group's negotiable assets, which have identifiable market values and where earnings are not part of Orkla's operating profit from the branded consumer goods business.

Industrial & Financial Investments

Industrial & Financial Investments consist mainly of the associate Jotun (in which Orkla has a 42.6 per cent equity interest) and the consolidated businesses Hydro Power and Orkla Eiendom (real estate).

Jotun

Orkla owns 42.6 per cent of Jotun, which is reported as an associate. Jotun is a well-established global manufacturer of paint and powder coatings, and holds strong positions in Scandinavia, Asia and the Middle East. The company is steadily expanding and has averaged annual organic growth of 8 per cent in the past ten years. Jotun reported operating revenues of NOK 21.1 billion in 2020, and EBIT amounted to NOK 3.5 billion. Net interest-bearing liabilities totalled NOK 1.5 billion as at 31 December 2020.

Hydro Power

The power operations have been fully consolidated into Orkla's income statement and are reported as Hydro Power. The power operations consist primarily of two assets: a reservoir power plant in Sauda (85 per cent interest) and a run-of-the-river plant in Sarpefossen.

The Sauda hydropower operations are regulated by a civil law lease agreement with Statkraft. The lease runs until 31 December 2030, after which the power plants will be returned to Statkraft in return for financial compensation equivalent to the estimated residual value, written down for tax purposes, of the newly built plants (around NOK 1.1 billion).

The Saudefaldene plant's average annual production (2011–2020) is 1910 GWh). Saudefaldene leases approximately 1 Twh per year from Statkraft and has corresponding energy commitments, resulting in a net effect of zero. The rest of the power is sold on the spot market. Payroll expenses and other operating costs related to these activities amounted to approximately NOK 88 million in 2020. Major maintenance investments are generally recognised in the financial statements under operating expenses.

Saudefaldene receives an annual amount from Statkraft in compensation for major maintenance expenses. The net charge in 2020 and 2019 was NOK 0 million. Depreciation (excl. depreciation of leases) totalled NOK 41 million.

The Sarpefossen power operations are based on power rights that are not subject to reversion, and average annual production (2011–2020) totals 603 GWh. The power is sold on the spot market. Payroll expenses and other operating costs related to these activities totalled NOK 42 million in 2020. Depreciation amounted to NOK 10 million in 2020.

Orkla Eiendom

Orkla Eiendom (real estate) meets the Group's needs for specialised expertise and assistance in the real estate sector, and is responsible for the administration, development and sale of properties not utilised in Orkla's branded consumer goods operations. Orkla also has a historical portfolio of real estate-related investments, which are being sold in accordance with the current strategy.

Now that Orkla's new headquarters has been completed, Orkla Eiendom has two rental properties with a total area of around 40 000 m2 in an attractive location at Skøyen, Oslo. Around 13 000 m2 is leased to external lessees. The other main project is a housing development project at Torshov, Oslo.

As at 31 December 2020, the book value of Orkla's real estate investments was NOK 1.8 billion. Around NOK 1.7 billion of that amount was related to the three largest development properties. In addition to ensuring efficient operations, importance will in future be attached to realising the potential value in the development projects, securing assets and freeing up capital by selling properties and projects that are not to be further developed. Current development projects necessitate investments during the construction period, while gains are primarily expected to be realised in 2022–2025.

Read more at www.orklaeiendom.no/english

Orkla's Board of Directors

Click on the names for info

STEIN ERIK HAGEN[1]

Chairman of the Board (b. 1956)

Degree from the Retail Institute (now the Norwegian School of Retail)

Mr Hagen was first elected to the Board in 2004, has been Chairman of the Board since 2006, and is up for election in 2021. Mr Hagen established the first business of his own in 1976 and he and his children jointly own the family company, Canica AS, and other companies. He is active in a number of the family companies and sits on the Board of the family's charitable foundations. Mr Hagen is member of the Board of the Byrd Hoffman Watermill Foundation in New York and the Board of the Prostate Cancer Foundation, USA and member of the Spine Leadership Council at the Hospital for Special Surgery, New York.

Mr Hagen and related parties own 250 100 000 shares in Orkla ASA.[2,3]
Mr Hagen attended seven Board meetings in 2020.

[1] Not independent.
[2] Shares owned as at 31 December 2020.
[3] Hagen bought 286 000 shares in Orkla on 11 February 2021, hereby increasing Mr Hagen and related parties total shareholding to 250 387 581

Orkla's Board of Directors

Click on the names for info

INGRID JONASSON BLANK

Member of the Board (b. 1962)

B.Sc. in Business Administration and Economics from the University of Gothenburg

Ms Jonasson Blank was first elected to the Board in 2014 and is up for election in 2021. She held various positions at ICA from 1986 to 2010, most recently as EVP Functional Market Responsibility, ICA Sverige. She is currently member of the Board of Haypp Group AB, Forenom Group Oy, Bilia AB, Musti Group Oy, Nordic Morning Group Oy, Astrid Lindgren AB, Kjell & Co AB and ZetaDisplay AB.

Ms Jonasson Blank and related parties own 9 000 shares in Orkla ASA.[1]
Ms Jonasson Blank attended all Board meetings in 2020.

[1]Shares owned as at 31 December 2020.

Orkla's Board of Directors

NILS K. SELTE[1]

Member of the Board (b. 1965)

M. Sc. in Business, BI Norwegian Business School

Mr Selte was first elected to the Board in April 2014 and is up for election in 2021. Since 2014 he has been CEO of Canica AS where he has been employed since 2001 as CEO and Finance Director. Mr Selte was previously Group Treasurer at ICA Ahold AB in 1999–2001, before which he held the post of Finance Manager at Hakon Gruppen AS. In 1994–1996 he was Finance Manager at Livi Norge AS and in 1991–1994 consultant at the Office of the Auditor General of Norway. Nils K. Selte is Chair of the Board of Komplett AS, member of the Board of Jernia AS and member of the Board of Arcus ASA. He also serves on the Board of several Canica companies.

Mr Selte and related parties own 27 000 shares in Orkla ASA.[2,3]
Mr Selte attended all Board meetings in 2020.

[1]Not independent.
[2]Shares owned as at 31 December 2020.
[3]Selte and related parties bought 20 000 shares in Orkla on 11 February 2021, hereby increasing his total shareholding to 47 000 shares.

Orkla's Board of Directors

LISELOTT KILAAS

Member of the Board (b. 1959)

M.Sc. in Mathematical Statistics, University of Oslo, and Master of Business Administration, IMD, Lausanne

Ms Kilaas was first elected to the Board in April 2017 and is up for election in 2021. She was CEO of Aleris Group from 2013 to 2017. Prior to that, she was Managing Director of Aleris Norge and subsequently Managing Director of Aleris Norge og Danmark. Ms Kilaas is member of the Board of Directors and the Audit Committee of Folketrygdfondet, Norsk Hydro, Nobina AB and Peab AB. She is also Chair of the Board of Avonova and member of the Board of Ambea AB, Chair of the Board of Coala Life AB and Implantica, and member of the Board of Recover Nordic.

Ms Kilaas and related parties own 10 000 shares in Orkla ASA.[1,2]
Ms Kilaas attended all Board meetings in 2020.

[1]Shares owned as at 31 December 2020.
[2] Kilaas bought 2 500 shares in Orkla on 22 February 2021, hereby increasing her total shareholding to 12 500 shares.

Orkla's Board of Directors

Click on the names for info

PETER AGNEFJÄLL

Member of the Board (b. 1971)

M.Sc. in Business Administration, Linköping University

Mr Angefjäll was first elected to the Board in April 2018 and is up for election in 2021. He was President and CEO of the IKEA Group (Ingka Holding B.V.) in 2013–2017. Prior to that, he was Managing Director and Country Manager for IKEA Retail Sweden. He began his career as a trainee at IKEA in 1995 and has since held a number of executive positions in the IKEA Group. He is currently member of the Board of Deichmann SE (Beirat) and Wizz Air Holdings PLC (NED) and Chair of the Supervisory Board of Ahold Delhaise N.V.

Mr Angefjäll and related parties own 20 000 shares in Orkla ASA.[1]
Mr Angefjäll attended all Board meetings in 2020.

[1]Shares owned as at 31 December 2020.

Orkla's Board of Directors

Click on the names for info

ANNA MOSSBERG

Member of the Board (b. 1972)

M.Sc. in Industrial Engineering & Management, Luleå University of Technology and Executive MBA, Stanford University

Ms Mossberg was first elected to the Board in 2020 and is up for election in 2021. She has previously held various positions in Telia and TeliaSonera, as well as those of CEO of Bahnhof in 2010-2011, SVP Strategy at Deutsche Telekom AB and, most recently, Industry Leader at Google LLC. Ms Mossberg is currently member of the Board and the Finance Committee of Swisscom AG, member of the Board, the Audit Committee and the Compensation Committee of Swedbank AB, and member of the Board and the Audit Committee of Schibsted ASA.

Ms Mossberg and related parties own 2 034 shares in Orkla ASA.[1]
Ms Mossberg attended five Board meetings in 2020.

[1]Shares owned as at 31 December 2020.

Orkla's Board of Directors

ANDERS KRISTIANSEN

Member of the Board (b. 1967)

EFG from Business School and Sports School Denmark, Hammersmith & West London College

Mr Kristiansen was first elected to the Board in 2020 and is up for election in 2021. Since 2017, Anders Kristiansen has held the post of Group CEO of Esprit Holdings Ltd. In 2000-2010 Mr Kristiansen worked for Lyreco, serving as Managing Director in France and China. In 2010-2011 he headed Staples in China. In 2011-2012 Mr Kristiansen was Vice CEO in Bestseller Fashion Group China, before taking over in 2013 as CEO of New Look, where he worked until 2017.

Mr Kristiansen and related parties own 33 900 shares in Orkla ASA.[1].
Mr Kristiansen attended six Board meetings in 2020.

[1]Shares owned as at 31 December 2020.

Orkla's Board of Directors

Click on the names for info

TERJE UTSTRAND

Employee representative on the Board (b. 1964)

Mr Utstrand was first elected to the Board in 2012 and was re-elected for two years in 2020. He has served as chief employee representative since 2010 and is Chair of the Board for LO union members at Orkla. He is also Chair of Orkla's Committee of Union Representatives and European Works Council. Mr Utstrand has also been NNN union representative at Orkla Confectionery & Snacks Norge AS (formerly Nidar) since 1999 (chief employee representative 2002-2010), deputy member of the Board of Nidar AS in 2004–2010 and member of the Board of Orkla Brands AS in 2008–2012. In addition, he has been a member of Orkla's Committee of Union Representatives-Working Committee since 2000. Mr Utstrand is employed at Orkla Confectionery & Snacks Norge.

Mr Utstrand and related parties own 7 465 shares in Orkla ASA.[1,2]
Mr Utstrand attended all Board meetings in 2020.

[1]Shares owned as at 31 December 2020.
[2]Utstrand bought 2 000 shares in Orkla on 19 February 2021, hereby increasing his total shareholding to 9 465 shares.

Orkla's Board of Directors

Click on the names for info

SVERRE JOSVANGER

Employee representative on the Board (b. 1963)

Mr Josvanger was first elected to the Board in 2012 and was re-elected for two years in 2020. He is Chair of the Executive Committee for Salaried Employees at Orkla and has served as secretary of Orkla's Committee of Union Representatives and the Working Committee of the Executive Committee since 2012. He is also member of the European Works Council, and has served on Orkla's Pension and Insurance Council (POFFO) since 2012. Mr Josvanger has been head of the trade union division at Nidar since 1994 and chief union representative for salaried employees at Nidar since 2010. Since May 2014 he has been member of the Audit Committee. He has been employed at Orkla Confectionery & Snacks as sales consultant since 1988.

Mr Josvanger and related parties own 20 278 shares in Orkla ASA.[1]
Mr Josvanger attended all Board meetings in 2020.

[1]Shares owned as at 31 December 2020.

Orkla's Board of Directors

Click on the names for info

KARIN HANSSON

Employee representative on the Board (b. 1960)

Ms Hansson was first elected to the Board in 2016 and was re-elected for two years in 2020. She is employed at Orkla Foods Sverige, and is an elected representative of the Swedish Food Workers' Union at Orkla Foods Sverige and a member of the Working Committee of Orkla Foods' Liaison Committee. She is also a member of Orkla's Committee of Union Representatives, the Working Committee of the Executive Committee and the European Works Council.

Ms Hansson and related parties own 1 821 shares in Orkla ASA.[1]
Ms Hansson attended all meetings in 2020.

[1]Shares owned as at 31 December 2020.

Orkla's Board of Directors

Click on the names for info

ROGER VANGEN

Employee representative on the Board (b. 1965)

Mr Vangen was first elected to the Board in 2016 and was re-elected for two years in 2020. He is employed at Orkla Foods Norge and NNN union representative at Orkla Foods Norge, Stranda branch. Mr Vangen is also a member of the Committee of Representatives at Orkla Foods Norge, the Liaison Committee's Working Committee at Orkla Foods, the Board for LO union members at Orkla, Orkla's Committee of Union Representatives, the Working Committee of the Executive Committee and the European Works Council.

Mr Vangen and related parties own 9 239 shares in Orkla ASA.[1,2]
Mr Vangen attended all Board meetings in 2020.

[1]Shares owned as at 31 December 2020.
[2]Vangen bought 275 shares in Orkla on 22 February 2021, hereby increasing his total shareholding to 9 514 shares.

Orkla's Board of Directors

Click on the names for info

CAROLINE MARIE HAGEN KJOS[1]

Personal Deputy Member for Stein Erik Hagen and Nils K. Selte (b. 1984).

Bachelor of Business Administration from Parsons The New School for Design, New York

Ms Hagen Kjos was first elected to the Board in 2016 and is up for election in 2021. She works as Project Manager at Canica International AG, Switzerland, where she shares responsibility for investments and strategy with the General Manager. She has previously been employed as Project Manager in marketing and purchasing in Jernia-Gruppen. Ms Hagen Kjos is Chair of the Board of Directors of Canica AS.

Ms Hagen Kjos and related parties own no shares in Orkla ASA.[2,3]
Ms Hagen Kjos attended all Board meetings in 2020.

[1] Not independent.
[2] Shares owned as at 31 December 2020.
[3] Ms Hagen Kjos has a significant equity interest in the Canica companies, but she has no controlling influence in them.

The Group Executive Board

Click on the names for info

JAAN IVAR SEMLITSCH

President and CEO (b. 1971)

MBA, Norwegian School of Economics (NHH), Bergen, MBA Exchange, Kellogg School of Management, Chicago

Mr Semlitsch has been President and CEO of Orkla since 15 August 2019. Prior to that, he served as CEO of Elkjøp Nordic, which he headed for more than six years. In the last year, he was also CEO of the parent company Dixons Carphone International. Mr Semlitsch was CEO of REMA Industries in 2009-2013, Plantasjen in 2007–2009 and COO of Statoil Retail Europe in 2004–2007. Before that, he held the position of CEO of Expert Danmark. In 1995–2001 he was Associate Partner at McKinsey & Company, where he had a variety of assignments for companies in the grocery retail sector and FMCG, in both Scandinavia and the UK. Mr Semlitsch has been a member of the Board of Directors of DNB ASA since 2014.

Mr Semlitsch and related parties own 52 827 shares in Orkla ASA.[1,2]

[1]Shares owned as at 31 December 2020.
[2]Semlitsch bought 6 500 shares in Orkla on 17 February 2021, hereby increasing his total shareholding to 59 327 shares.

The Group Executive Board

ATLE VIDAR NAGEL JOHANSEN

Executive Vice President and CEO of Orkla Foods (b. 1963)

Certified Financial Analyst, Norwegian School of Economics (NHH), Bergen, M.Sc. Business (siviløkonom), BI Norwegian Business School, Oslo

Mr Nagel Johansen has been a member of Orkla's Group Executive Board since 2012. He has been CEO of Orkla Care and Supply Chain since 2018. Before that, he was CEO of Orkla Foods from 2012, CEO of Orkla Foods Nordic in 2008–2012 and CEO of Orkla Foods in 2005–2008. Prior to that, he was Marketing Director at Orkla Foods International and Finance Director at Orkla Foods. Mr Nagel Johansen was CFO at Tandberg Data ASA in 1999–2000. In the 1990s he was Finance Director at Sætre AS/Orkla Snacks and head of Economic Planning & Analysis at Orkla ASA. He began his career as a financial analyst at Jøtun Fonds and Carl Kierulf & Co.

Mr Nagel Johansen and related parties own 28 106 shares in Orkla ASA.[1]

[1]Shares owned as at 31 December 2020.

The Group Executive Board

Click on the names for info

INGVILL T. BERG

Executive Vice President and CEO of Orkla Confectionery & Snacks (b. 1976)

MBA, Norwegian School of Economics (NHH), Bergen

Ms Berg has been a member of Orkla's Group Executive Board and CEO of Orkla Confectionery & Snacks since 2021. Prior to that, she was CEO of Orkla Confectionery & Snacks Norge (OCSN). She has held several senior management positions in sales and marketing at OCSN and Nidar AS and in sales and business development at Arcus in 2003-2006. In 1999-2003 she was employed as management consultant at Arthur Andersen/Bearingpoint.

Ms Berg and related parties own 821 shares in Orkla.[1]

[1]Shares owned as at 31 December 2020.

The Group Executive Board

Click on the names for info

HEGE HOLTER BREKKE

Executive Vice President and CEO of Orkla Care (b. 1969)

M.Sc. Business (siviløkonom), BI Norwegian Business School, Oslo

Ms Brekke became a member of Orkla's Group Executive Board and CEO of Orkla Care in 2021. She has been CEO of Orkla Health since 2018 and of Pierre Robert Group since 2015. Prior to that, Ms Brekke was Director of Marketing & Innovation at Orkla Foods. Ms Brekke began her career at Orkla in 1996 and has held several senior management positions in Orkla ASA, Nidar and Orkla Foods. She has also held various senior executive positions in innovation and marketing at TINE and Plantasjen ASA, and was a member of TINE's Corporate Management in 2007-2014. From 1993 to 1996, Ms Brekke was a strategy advisor at McKinsey & Company.

Ms Brekke and related parties own 4 621 shares in Orkla ASA.[1,2]

[1]Shares owned as at 31 December 2020.
[2]Brekke and related parties bought 2 100 shares in Orkla on 13 January 2021 and 15 February 2021, hereby increasing her total shareholding to 6 721 shares.

The Group Executive Board

Click on the names for info

JOHAN CLARIN

Executive Vice President and CEO of Orkla Food Ingredients (b. 1971)

M.Sc. Business Administration, Gothenburg School of Business, Economics and Law, Gothenburg

Mr Clarin has been a member of Orkla's Group Executive Board since 2013. He has been CEO of Orkla Food Ingredients since 2018, before which he was head of Operations at Orkla. In 2007–2013 Mr Clarin held several executive positions at Sony Mobile Communications AB, the last as Global Head of Manufacturing and Logistics and President & CEO of Beijing Mobile Communications Ltd. He was also member of the Board of Directors of Sony Mobile's Chinese joint venture in 2011-2013. Prior to that, Mr Clarin held the post of Senior Manager at Accenture AB in 1997–2006, with focus on supply chain management.

Mr Clarin and related parties own 4 397 shares in Orkla ASA.[1,2]

[1]Shares owned as at 31 December 2020.
[2]Clarin bought 1 500 shares in Orkla on 17 February 2021, hereby increasing his total shareholding to 5 897 shares.

The Group Executive Board

Click on the names for info

KENNETH HAAVET

Executive Vice President and CEO of Orkla Consumer & Financial Investments (b. 1980).

Master of Applied Finance, Macquarie University, Sydney, Bachelor of Business, University of Technology, Sydney

Mr Haavet has been a member of Orkla's Group Executive Board since 2020. He previously held the position of Principal in the private equity company FSN Capital, with which he had been affiliated since 2010. Prior to that, he worked for four years in the Australian investment bank Macquarie Capital Group.

Mr Haavet and related parties own 327 shares in Orkla ASA.[1,2]

[1]Shares owned as at 31 December 2020.
[2]Haavet bought 6 500 shares in Orkla on 11 February 2021, hereby increasing his total shareholding to 6 827 shares.

The Group Executive Board

Click on the names for info

HARALD ULLEVOLDSÆTER

Executive Vice President and CFO (b. 1963)

Certified Financial Analyst, Norwegian School of Economics (NHH), Bergen, M.Sc Business (siviløkonom), BI Norwegian Business School, Oslo

Mr Ullevoldsæter has been a member of Orkla's Group Executive Board since March 2020. He returned to Orkla in 2019, after having served as CFO at Nortura SA since 2014. In 1996–2014 Mr Ullevoldsæter worked in Orkla, where he held a number of management positions in finance, including those of Finance Director and member of the management team of Orkla Brands and Orkla Brands Nordic. Mr Ullevoldsæter also worked for nine years as financial analyst in DNB Markets.

Mr Ullevoldsæter and related parties own 1 208 shares in Orkla ASA.[1]

[1]Shares owned as at 31 December 2020.

The Group Executive Board

Click on the names for info

SVERRE PRYTZ

Executive Vice President, M&A and Strategy
(b. 1969)

BS Chemical Engineering, University of Michigan, Ann Arbor, MSCEP, Chemical Engineering, Massachusetts Institute of Technology, Massachusetts, MBA Finance, University of Chicago, Illinois

Mr Prytz has been a member of Orkla´s Group Executive Board since December 2019.Prior to that, he was Managing Partner at Helix Advisors. For a seven-year period before then, he served in various senior executive positions in BW Group, including as Managing Director of BW ventures and BW Gas Solutions. He also has experience from ADM Capital in 2007-2008, Dupont Company in 2002-2007 and McKinsey in 1995-2002. Mr Prytz is member of the Board of Safe4 Security Group.

Mr Prytz and related parties own 327 shares in Orkla ASA.[1]

[1]Shares owned as at 31 December 2020.

The Group Executive Board

Click on the names for info

CHRISTER GRÖNBERG

Executive Vice President, Group Functions (b. 1961)

Degree in Human Resources, Lund University, Lund and Kristianstad University, Kristianstad

Mr Grönberg has been a member of Orkla's Group Executive Board since 2014. He has been head of Group Functions since 2018, before which he was head of HR. In 2010–2014, Mr Grönberg was HR Director at Orkla Foods, prior to which he held the position of HR Director at Stabburet in 2008–2010. Mr Grönberg was employed at Procordia Food in 1998–2008, including eight years as HR Director. In 1982–1998, Mr Grönberg pursued a career in the Swedish Armed Forces.

Mr Grönberg and related parties own 8 626 shares in Orkla ASA.[1]

[1]Shares owned as at 31 December 2020.

The Group Executive Board

Click on the names for info

Orkla's expanded Group Executive Board also comprises:

HÅKON MAGELI

Group Director, Corporate Communications & Corporate Affairs (b. 1964)

M.Sc. Business (siviløkonom), BI Norwegian Business School, Oslo, The Executive Programme, Darden School of Business, Virginia, USA

Mr Mageli has been a member of Orkla's Group Executive Board since 2012. He was Director of Corporate Affairs at Orkla Brands in 2008–2012. Prior to that, in 1995–2008, Mr Mageli was Information Director at Orkla Foods. In 1993–1995, he was Director Public Affairs, Orkla Foods, in Brussels, and Company Secretary, Nora Foods in 1991–1993. Mr Mageli worked as a journalist at Dagens Næringsliv in 1985–1990. He is Chairman of the Board of the Federation of Norwegian Food and Drink Industry, Chairman of the Confederation of Norwegian Enterprise's Trade Policy Committee, and Chair of the Board of Matmerk – The Norwegian Food Branding Foundation.

Mr Mageli and related parties own 100 325 shares in Orkla ASA.[1]

[1]Shares owned as at 31 December 2020.

Governing bodies and elected representatives

Nomination Committee

Nomination Committee elected by the General Meeting (see Article 6 of the Articles of Association)[1]
Anders Christian Stray Ryssdal (1 315)[2]
Nils-Henrik Pettersson (42 080)
Kjetil Houg
Rebekka Glasser Herlofsen

Board of Directors

Stein Erik Hagen (250 100 000)
Ingrid Jonasson Blank (9 000)
Nils K. Selte (27 000)
Liselott Kilaas (10 000)
Peter Agnefjäll (20 000)
Anna Mossberg (2 034)
Anders Kristiansen (33 900)

Employee-elected Board members

Terje Utstrand (7 465)
Sverre Josvanger (20 278)
Roger Vangen (9 239)
Karin Hansson (1 821)

Shareholder-elected Deputy Board member

Caroline Marie Hagen Kjos (0)[3]

Auditor

Ernst & Young AS (0)
Petter Larsen (0), State Authorised Public Accountant

Corporate democracy at Orkla ASA

Active employee participation in the governing bodies, both at Group level and in the individual Group companies, is an important element of decision-making processes at Orkla. The aim has been to evolve representational arrangements that adequately ensure broad-based involvement and genuine influence. Orkla's current corporate democracy system was established in an agreement signed in 2020 between union representatives and the company's executive management.

The employees are represented by four of the 11 members of Orkla's Board of Directors. A Committee of Union Representatives has been established for employees of the Norwegian, Swedish and Danish companies in the Orkla Group. This arrangement ensures broad representation for Group employees, based on company, union and country. In Norway, there are also separate committees of representatives for LO union members and for salaried employees. The committees meet regularly with the Group's executive management to discuss matters relevant to the Group.

A European Works Council (EWC) has been established at Orkla, and liaison committees have been established in the Orkla Foods, Orkla

[1] Figures in brackets indicate the number of shares owned as at 31 December 2020, including shares owned by related parties.
[2] Owned by related parties.
[3] Ms Hagen Kjos has a significant equity interest in the Canica companies, but does not have controlling influence in them.

Confectionery & Snacks, Orkla Food Ingredients, Orkla Care and Orkla Consumer & Financial Investments business areas.

In addition to the corporate arrangements described above, the employees are represented on the Board of Directors and works council of major companies in the Orkla Group. The list below shows the members of Orkla's Committee of Union Representatives as at 31 December 2020.

Orkla Committee of Union Representatives

Working Committee
Terje Utstrand, Chair
Karin Hansson, 1st Deputy Chair
Peer Sørensen, 2nd Deputy Chair
Sverre Josvanger, Secretary
Roger Vangen, member
Janne Halvorsen, member
Dorota Galik, member

Committee of Representatives

(in addition to the Working Committee)
Johan Stålbom
Anders Nordgren
Erik Nordby
Robert Kollevåg
Perny Emdal
Mette Novak
Ingrid S. Nielsen
Stig-Gøran Nilsen
Morten Gilberg
Geir F. Engelbrethsen
Anne Pulkkinen

Group Directory

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Tel.: + 47 22 54 40 00
www.orkla.no

BRANDED CONSUMER GOODS

ORKLA FOODS
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: + 47 22 54 40 00

Orkla Foods Norway AS
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: + 47 66 81 61 00
www.orkla.no

- Orkla Foods Norway AS, Idun div., Rygge
- Orkla Foods Norway AS, Nora div., Rygge
- Orkla Foods Norway AS, Stabburet div., Fredrikstad
- Orkla Foods Norway AS, Stabburet div., Sem
- Orkla Foods Norway AS, Stranda div.
- Orkla Foods Norway AS, Stabburet div., Vigrestad
- Orkla Foods Norway AS, Sunda div., Oslo
- Orkla Foods Norway AS, Toro div., Arna
- Orkla Foods Norway AS, Elverum div.
- Orkla Foods Norway AS, Vossafar div.

Orkla Foods Sverige AB
Isbergs gata 9 b, SE-211 19, Malmø, Sweden
Tel.: + 46 10 142 40 00
www.orkla.se

- Orkla Foods Sverige AB, Eslöv, Sweden
- Orkla Foods Sverige AB, Frodinge, Sweden
- Orkla Foods Sverige AB, Fågelmara, Sweden
- Orkla Foods Sverige AB, Kumla, Sweden
- Orkla Foods Sverige AB, Kungshamn, Sweden
- Orkla Foods Sverige AB, Simrishamn, Sweden
- Orkla Foods Sverige AB, Tollarp, Sweden
- Orkla Foods Sverige AB, Uddevalla, Sweden
- Orkla Foods Sverige AB, Vansbro, Sweden
- Orkla Foods Sverige AB, Örebro, Sweden
- Orkla Foods Sverige AB, Vadstena, Sweden

Orkla Foods Danmark A/S
Delta Park 45, 4. Sal, DK-2665 Vallensbæk Strand, Denmark
Tel.: + 45 43 58 93 00
www.orkla.dk

- Orkla Foods Danmark A/S, Ansager, Denmark
- Orkla Foods Danmark A/S, Havnsø, Denmark
- Orkla Foods Danmark A/S, Skælskør, Denmark
- Orkla Foods Danmark A/S, Ringkøbing, Denmark
- Orkla Foods Danmark A/S, Struer, Denmark
- Orkla Foods Danmark A/S, Kolding, Denmark

Orkla Foods Finland Oy
Box 683, FI-20361 Turku, Finland
Tel.: + 358 20 785 4000

Orkla Foods Latvija, Riga, Latvia
1 Zvaigznu Street, Spilve, Babite Parish
Babite Region, Latvia, LV 2101
www.orkla.lv

Orkla Foods Estonia
Tallinna mnt 1, Põltsamaa, 48103 Jõgeva maakond, Estonia

Orkla Foods Lietuva
UAB Orkla Foods Lietuva Veiverių 134C,
LT-46551, Kaunas, Lithuania
Tel.: + 370 37 390942
www.orklafoods.lt

Orkla Foods International
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: + 47 22 54 40 00
www.orkla.no

Felix Austria GmbH
Felixstrasse 24, AT-7210 Mattersburg, Austria
Tel.: + 43 2626 610-0
www.felix.at

Orkla Foods Czech Republic and Slovakia
Walterovo náměsti 329/3, 158 00 Praha 5, Jinonice
Tel.: + 420 257 198 111
www.orkla.cz - www.vitana.cz

- Orkla Foods Česko a Slovensko a.s., Byšice, Czech Republic
- Orkla Foods Česko a Slovensko a.s., Roudnice nad Labem, Czech Republic
- Orkla Foods Česko a Slovensko a.s., Varnsdorf, Czech Republic
- Orkla Foods Česko a Slovensko a.s., Kunovice, Czech Republic
- Orkla Foods Česko a Slovensko a.s., Staré Město, Czech Republic
- MUFFI s.r.o., Praha, Czech Republic
- Orkla Foods Slovensko s.r.o., Pezinok, Slovakia

Hame s.r.o.
Na Drahách 814, CZ-686 04 Kunovice, Czech Republic
Tel.: + 420 572 534 111
www.hame.cz

- Hamé s.r.o., Babice, Czech Republic
- BAPA s.r.o., Letohrad, Czech Republic
- BAPA s.r.o., Hněvotín, Czech Republic
- FRUTA Podivín, a.s., Podivín, Czech Republic
- Slovácká Fruta, a.s. Kunovice, Czech Republic
- PIKA, a.s., Bzenec, Czech Republic
- OTMA – Sloko, s.r.o., Mařatice, Czech Republic
- AGRIMEX Vestec a.s., Panenské Břežany, Czech Republic
- HAMÉ SLOVAKIA spol. s r.o., Pezinok, Slovakia
- DOMA Prešov s.r.o., Prešov, Slovakia
- HAME HUNGARIA Kft., Komárom, Hungary
- HAME FOODS, Bogoljubovo, Russia

MTR Foods Private Limited
No. 1, 2nd & 3rd floor, 100 feet inner ring road
Ejipura, Bangalore – 560047, India
Tel.: +91 80 40 81 21 00
www.mtrfoods.com

- Rasoi Magic Foods Pvt. Limited, Pune, India

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P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: + 47 22 54 42 00
www.orkla.no

Orkla Confectionery & Snacks Norway AS
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: + 47 22 54 42 00
www.nidar.no - www.kims.no - www.saetre.no

- Trondheim, Norway
- Skreia, Norway

Orkla Confectionery & Snacks Sverige AB
Box 1196, SE-171 23 Solna, Sweden
Tel.: +46 77 111 10 00
www.orkla.se - www.olw.se - www.goteborgskex.se

- Filipstad, Sweden
- Kungälv, Sweden

Orkla Confectionery & Snacks Danmark A/S
Sømarksvej 31-35, DK-5471 Søndersø, Denmark
Tel.: +45 63 89 12 12
www.orkla.dk

Orkla Confectionery & Snacks Finland AB
Äyritie 22, FI-01510 Vantaa, Finland
Tel.: +358 20 791 8600

- Haraldsby, Åland, Finland
- Vaajakoski, Finland

Orkla Confectionery & Snacks Latvija Ltd.
Miera street 22, LV-1001 Riga, Latvia
Tel.: + 371 67 080 302
www.orkla.lv

- Ādažu Čipsi factory - Jaunkūlas 2, Ādaži, Ādažu novads, LV-2164
- Staburadze cakes, Selga biscuit and wafer production part - Artilērijas street 55, Riga, LV-1009
- Spilva factory - 1 Zvaigznu Street, Spilve, Babite Parish, Latvia, LV 2101
- New Laima factory- Laimas street 6, Birznieki, Ādažu novads, LV-2164

Orkla Biscuit Production
Laimas street 6, Birznieki, Ādažu novads, LV-2164

Orkla Eesti AS
Põrguvälja tee 6, Lehmja, Rae vald, EE-Harjumaa 75 306, Estonia
Tel.: + 372 6877 710
www.orkla.ee

ORKLA CARE

P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: +47 22 54 40 00

Lilleborg AS
P.O. Box 673 Skøyen, NO-0214 Oslo, Norway
Tel.: + 47 22 54 40 00
www.orkla.no - www.lilleborg.no

- Lilleborg AS, Technical Dept., Furuset, Oslo, Norway

Orkla Home & Personal Care
P.O. Box 673 Skøyen, NO-0214 Oslo, Norway
Tel.: +47 22 54 40 00
www.orkla.no

- Orkla Home & Personal Care, Ski div., Norway
- Orkla Home & Personal Care, Flisa div., Norway
- Orkla Home & Personal Care, Falun div., Sweden
- Orkla Home & Personal Care, Radzymin div., Poland
- Riemann A/S, Hillerød, Denmark
- Jordan Asia Pacific Sdn Bhd, Kuala Lumpur, Malaysia
- Peri-dent LTD, Galashiels, Scotland
- Peri-dent Star Sdn Bhd, Nilai, Malaysia

Orkla Health AS
P.O. Box 353 Skøyen, NO-0213 Oslo, Norway
Tel.: + 47 22 54 40 00
www.orkla.no - www.orklahealth.com

- Lofoten Marine Oils AS 50/50 JV, Norway
- Peter Möller, Oslo, Norway

Orkla Care AB
Box 1336, SE-171 26 Solna, Sweden
Tel.: +46 (0) 10 142 40 00
www.orkla.se

Orkla Care A/S
Industrigrenen 10, DK-2635 Ishøj, Denmark
Tel.: +45 43 56 56 56
www.orkla.dk

Orkla Care Oy
Äyritie 24, FI-01510 Vantaa, Finland
Tel.: + 358 10 218 370
www.orklacare.fi

Orkla Care Sp z o.o. (Orkla Care S.A.)
Ul. Polna 21, 05-520 Radzymin, Poland
Ul. Fabryczna 5a, 00-446 Warsawa, Poland
Tel.: + 48 22 349 67 00
www.orklahealth.pl

SIA Orkla Health
Rūpniecības iela 19 - 6, LV-1010 Riga, Latvia
Tel.: +371 672 12 405
www.orklahealth.lv

UAB Orkla Health
Trinapolio 9E, LT-08337 Vilnius, Lithuania
Tel.: + 370 5 23 10 654
www.orklahealth.lt

Orkla Wound Care
Box 1336, SE-171 26 Solna, Sweden
Tel.: + 46 10 142 64 00
www.orkla.com - www.orklacare.se - www.firstaid.cederroth.com

- Norgesplaster AS, Vennesla, Norway

Orkla Cederroth, S.A.U.
S.A.U. Pol. Ind. Can Barri, C/D, naves 11-12
08415 Bigues I Riells, Barcelona, Spain
Tel.: + 34 93 865 70 09

Orkla House Care AB
P.O. Box 133, SE-564 23 Bankeryd, Sweden
Tel.: + 46 36 37 63 00
www.anza.se

Orkla House Care Norge AS
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: + 47 22 54 40 19
www.orklahousecare.com

Orkla House Care Danmark A/S
Delta Park 45, 3. Sal, 2665 Vallensbæk Strand, Denmark
Tel.: + 45 47 33 74 00
www.orklahousecare.com

LG Harris & Co Ltd
Stoke Prior, Bromsgrove, B60 4AE, UK
Tel.: + 44 1527 575441
www.harrisbrushes.com

Pierre Robert Group AS
P.O. Box 3 Skøyen, NO-0212 Oslo, Norway
Tel.: + 47 22 54 40 00
www.pierrerobertgroup.no

Pierre Robert Oy
Äyritie 24, FI-01510 Vantaa, Finland
Tel.: +350 207 669 650
www.pierrerobert.fi

Health & Sport Nutrition Group HSNG AB
Visiting address: Svetsarvägen 15, 171 41 Solna
P.O. Box: Box 1196, 171 23 Solna
www.gymgrossisten.com - www.bodystore.com
www.fitnessmarket.com

ORKLA FOOD INGREDIENTS

P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
Tel.: + 47 22 54 40 00

Idun Industri AS, Hvam, Norway
- Idun Industri AS, Rakkestad, Norway
- Bako AS, Hvam, Norway
- Mybakery, Jessheim, Norway
- Orchard Valley Foods Sweden AB, Malmö, Sweden
- Nimatopaal i Dala-Järna AB, Dala-Järna, Sweden
- Frima Vafler, Århus, Denmark
- Call Caterlink Ltd, Cornwall, England
- Marcantonio Foods Ltd, Essex, England
- Eisunion, Nürnberg, Germany
- NIC Nederland B.V., Waddinxveen, The Netherlands

- Laan Heiloo B.V., Heiloo, The Netherlands
- Vaffelbagaren, Kristianstad, Sweden
- Orchard Valley Foods, Tenbury Wells, England
- Arne B. Corneliussen AS, Oslo, Norway
- County Confectionery Ltd, St. Ives, England
- Italiensk Bakeri AS, Lierskogen, Norway
- Orchard Valley Foods Australia Ltd, Coburg Victoria, Australia
- Confection by Design Ltd, Harrogate, England
- Waverley Bakery, Cambuslang Investment Park, Glasgow

Odense Marcipan A/S, Odense, Denmark
- Bachs Conditori A/S, Hobro, Denmark
- IGOS, Hedehusene, Denmark

Credin A/S, Juelsminde, Denmark
- Credin Sverige AB, Stenkullen, Sweden
- Credin Polska, Sobótka, Poland
- Credin Group, Freixeira, Portugal
- Credin Productos Alimenticios, Barcelona, Spain
- Credin Russia, Uljanovsk, Russia

CBP A/S, Vejle, Denmark

Dragsbak A/S, Thisted, Denmark
- Kjarnavörur hf, Reykjavik, Iceland
- Innbak hf, Reykjavik, Iceland
- UAB Vilniaus Margarino Gamykla (VMG), Vilnius, Lithuania
- KT Food, Randers, Denmark
- Gædabakstur, Reykjavik, Iceland
- Blume Food I/S, Randers, Denmark
- NATURLI'® Foods, Randers, Denmark
- PureOil I/S, Thisted, Denmark
- Grondansk ApS, Vejen, Denmark
- Isbud, Reykjavik, Iceland
- SR Foods & Ingredients, Randers, Denmark
- Nonni Litli ehf – Reykjavik, Iceland
- Ismejeriet Thy, Thisted, Denmark
- Skovlund, Ansager, Denmark

OFI S&D
- KåKå AB, Lomma, Örebro, Sollentuna, Göteborg, Sweden
- Jästbolaget AB, Sollentuna, Sweden
- Werners Gourmetservice, Skara, Sweden
- Tredo AB, Södertalje, Sweden
- Condite Oy, Naantali, Finland
- S&D Baltic
- Minordija, Kaunas, Lithuania
- LaNordija, Riga, Latvia
- Vilmix, Viljandi, Estonia
- PGD, Warsawa Poland
- Merkur
- Sebmag
- Holpol
- Kobo
- Ekord
- Ekvia, Nitra, Slovakia
- Belusa Foods, Belusa, Slovakia
- KåKå Cz, Prague, Czech Republic
- Kanakis, Athens, Greece

Orkla Foods Romania SA, Bucuresti, Romania
- Orkla Foods Romania, Covasna, Romania
- Orkla Foods Romania, Iasi, Romania
- Orkla Foods Romania, Bucharest, Romania

Sonneveld Group B.V., Papendrecht, The Netherlands
- Sonneveld Ltd, Thirsk, UK
- Sonneveld OOO, St Petersburg, Russia
- Sonneveld NV/SA, Brussels, Belgium
- Sonneveld Kft, Ocsa, Hungary
- Vamo BV, Duiven, The Netherlands
- Quattro Enzyme Solutions BV, Papendrecht, The Netherlands

OTHER BUSINESSES

Orkla Eiendom AS
P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
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www.orklaeiendom.no

HYDRO POWER

Sarpsfoss Limited
P.O. Box 162, NO-1701 Sarpsborg, Norway
Tel.: + 47 69 11 80 00

- Mossefossen ANS, Moss, Norway

AS Saudefaldene
Vangsnes, NO-4200 Sauda, Norway
Tel.: + 47 52 78 80 00

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P.O. Box 423 Skøyen, NO-0213 Oslo, Norway
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OTHER GROUP COMPANIES

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Tel.: + 353 1 407 4992

Orkla Asia Pacific Pte Ltd
6 Shenton Way, OUE Downtown 1, #43-01, Singapore 068809
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Design: Design Container	Photo: Bjørn Wad