

# Sustainability Report 2010

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# Making a Positive Impact

Industrial development at Orkla is about building brick by brick. We have adopted the same approach in exercising our corporate responsibility. Through responsible operations, continuous improvement and focus on the areas in which our efforts have the greatest effect, Orkla's activities seek to make a positive impact.

"Orkla seeks to actively develop and support the companies by exploiting the Group's industrial experience and financial flexibility."



A handwritten signature in black ink, reading "Bjørn Wiggen".

Bjørn M. Wiggen,  
President and CEO  
Orkla ASA

Operating in a responsible manner with respect for people and the environment is a deeply ingrained element of Orkla's corporate culture. Nevertheless, in the past few years, we have given the issue of corporate responsibility greater prominence on our agenda. In practice, this means that the Group is continuing to pursue its systematic efforts in the field of the environment, health and safety with a view to achieving its vision of zero harm. At the same time, it means that we are redoubling our efforts in areas that present new challenges. Reducing greenhouse gas emissions and actively influencing our suppliers to ensure that the working conditions in their businesses are satisfactory are examples of areas in which the Group has intensified its efforts in recent years. Still, Orkla's most important contribution to society is what we are doing to ensure that the companies in the Group are strengthening their long-term competitiveness. Long-term profitability creates positive ripple effects in the form of secure jobs, contracts for suppliers and tax revenues for the public sector.

Today, Orkla consists of a substantial number of companies of varying sizes, located in 40 countries. Many of the companies have a long history and hold a strong position in their local markets. Orkla seeks to actively develop and support these companies by exploiting the Group's industrial experience and financial flexibility. The basis for growth in the Orkla companies will be laid by a continuous focus on good operations in every part of the value chain. In this way, Orkla makes lasting, positive impacts on companies and local communities all over the world.

In 2010, Orkla's Board of Directors decided to concentrate the Group's future efforts on a smaller number of business areas, thereby focusing resources and capital on the businesses in which Orkla has the greatest potential for success. At the start of 2011, the Group was reorganised into three main areas: brands, aluminium solutions and investments. The sale of Borregaard Skoger in 2010, and the sale of Elkem at the beginning of 2011, have provided greater financial flexi-

bility for further developing the businesses through acquisitions, organic growth and investments in innovation, technology and human resource development. The structural change adopted in 2010 was a natural consequence of Orkla's desire to be a responsible owner.

In 2010, Orkla acquired 14 new companies in its core areas of brands and aluminium solutions. Several of the new companies are located in the Baltics, Eastern Europe and Asia. Orkla emphasises the importance of incorporating new companies into the Group's value base and operating models. An introduction to Orkla's Code of Conduct is a pivotal part of this integration process, and the Group is currently intensifying its efforts in this field. This will not only strengthen operations, but will also help Orkla to make a positive impact on the local communities of which its businesses are a part.

# Corporate Responsibility at Orkla in 2010

Corporate responsibility at Orkla means operating responsibly and vigilantly with respect to society's needs. In 2010, the Group continued its efforts to identify potential challenges related to the companies' operations, and to strengthen the development and improvement work being carried out in every part of the value chain.

## Corporate responsibility

Orkla defines corporate responsibility as achieving commercial profitability in a way that is consistent with fundamental ethical values and with respect for individuals, the environment and society. Orkla's Code of Conduct sets out the Group's obligations in relation to such key responsibility issues as human rights, the environment, health and safety, and anti-corruption efforts. These obligations are based on the Universal Declaration of Human Rights, the ILO Core Conventions and

the OECD Guidelines for Multinational Enterprises. Orkla participates in the United Nations Global Compact.

The large number of Orkla companies and their wide-ranging production operations make efficient, safe operation pivotal to the Group's corporate responsibility work. The environment, health and safety, product safety, corporate democracy, human resource development and non-discrimination are all high-priority issues. Many Orkla companies are important employers in

their local communities and a source of contracts for other local businesses. The ripple effects generated by the companies within their local communities are therefore another important issue for the Group. In view of Orkla's international presence and growing purchasing volumes outside the Nordic region, the Group has intensified its efforts to combat corruption and monitor suppliers in the past few years.

As a consequence of Orkla's decentralised organisational structure, each company has an independent responsibility for identifying relevant responsibility issues and addressing them in accordance with the Group's general guidelines and national rules and regulations. In these efforts, account must be taken of the interests of both Orkla's stakeholders and Orkla itself. Measures must be prioritised on the basis of compliance with regulatory frameworks and an assessment of commercial relevance. The Group monitors the work of the various companies by means of relevant governance procedures.

## Important sustainability trends for Orkla

Climate change, environmental protection and nature conservation are sustainability issues that affect Orkla companies in several ways. Energy accounts for a significant share of the production costs of Orkla's industrial companies. At the same time, the Group has a responsibility to contri-



Orkla's Corporate Responsibility Council was established in 2010.

Photo: Marianne Otterdahl-Jensen





Photo: Sapa

Sapa develops aluminium profiles for the solar cell industry.

bute towards reducing greenhouse gas emissions, ensuring sustainable resource utilisation and protecting the environment. Orkla companies are engaged in active efforts to improve energy efficiency and control emissions, and have achieved substantial improvements in the past five years. Several of the companies focus systematically on life cycle analyses, switching from fossil to renewable energy sources, recycling and other measures to reduce their environmental impacts throughout the value chain.

The need for more energy-efficient, environmentally friendly buildings and means of transport offers important market opportunities for Sapa and Borregaard. Sapa's businesses develop a wide range of aluminium products and solutions that help to reduce energy consumption in buildings and means of transport, and supply, among other things, profile solutions to the solar cell industry. Borregaard's development and production of second-generation bioethanol and Elkem's focus on super-pure silicon for the solar cell industry are also a result of the global need for more climate-friendly energy. Investments in renewable energy entail a high level of risk, and the Group is committed to ensuring that predictable frameworks are established for energy production and that incentives are developed for the production of renewable, climate-friendly energy.

Fresh water is becoming a scarce resource in many places in the world, and water costs are expected to rise in the coming years. Reducing water consumption will therefore be an important issue for the Orkla companies in the years ahead.

Orkla's food businesses are both affected by and have a responsibility as regards consumer trends related to health and nutrition. The companies in the Group develop products that can promote a healthier diet in market segments where this is natural and possible. The companies focus particularly on reducing the content of salt and saturated fat. Furthermore, the companies emphasise good consumer guidance, consumer service and responsible marketing.

#### Main activities in 2010

In-house efforts to raise awareness of corporate responsibility and provide training for management and employees continued in 2010. The Orkla Corporate Responsibility Council was established to serve as an advisory body on issues related to ethics and corporate responsibility. In 2010, the Group also began work on reviewing and further strengthening the internal procedures for following up on businesses' corporate responsibility activities. This work will continue in 2011.

Health-promoting workplaces and long-term employee health were a main focus of the Group's preventive

health efforts in 2010. An important aspect of this improvement work is understanding which factors promote work attendance and a good psychosocial working environment. The status of the work being done by the companies will be reviewed at a conference in February 2011, at which leadership and interaction will be important topics.

Orkla works systematically to develop expertise and build a strong corporate culture. In 2010, an employee opinion survey was carried out in the majority of the Group companies to ascertain how employees perceive their work situation, and the results will be used in the companies' internal improvement work.

Orkla is committed to developing a strong anti-corruption culture, and in 2009 drew up a new anti-corruption manual containing detailed guidelines for desired practices in this field. Around 1,600 management staff and other key personnel completed web-based training in the use of the new manual in 2010. Anti-corruption was also a topic addressed at a number of management meetings.

Efforts to strengthen procedures for systematic risk identification and monitoring of suppliers with regard to human rights, working conditions, the environment and corruption continued in 2010.

# Orkla's Operations

Orkla is an international group of companies operating in the branded consumer goods, aluminium solutions, renewable energy, materials and financial investment sectors. In 2010, the Group had total sales of NOK 57 billion and approximately 30,000 employees.



<sup>1</sup> Operating profit before amortisation and other income and expenses.

KEY FIGURES <sup>1</sup>	2010 <sup>4</sup>	2009	2008	2007	2006
Operating revenues (NOK million)	57,338	56,228	65,579	63,867	52,683
EBITA <sup>2</sup> (NOK million)	3,944	2,448	4,240	5,112	5,084
EBITA margin <sup>2</sup> (%)	6.9	4.4	6.5	8.0	9.7
Ordinary profit before tax (NOK million)	20	1,071	-2,015	10,059	8,525
Diluted earnings per share (NOK)	-0.9	2.5	-2.8	8.1	10.9
Return on capital employed, from industrial activities <sup>3</sup> (%)	10.5	5.2	9.4	11.5	13.0
Return on Share Portfolio (%)	31.8	39.0	-45.3	16.2	27.4
Equity ratio (%)	53.6	51.7	47.7	58.3	60.4

<sup>1</sup> Figures as reported in 2006-2009.

<sup>2</sup> Operating profit before amortisation and other income and expenses.

<sup>3</sup> See definition on page 90.

<sup>4</sup> Figures for 2010 do not include Elkem

## The Orkla Group

Orkla ASA is listed on the Oslo Stock Exchange and its head office is in Oslo, Norway. The Group's activities are diversified, but comprise two core areas: branded consumer goods and concept solutions for the consumer, out-of-home and bakery markets, and aluminium-based solutions for the building, construction, transport and other industries. A third area of Orkla activity is industrial and financial investments. This area comprises ownership interests in Borregaard, AS Sauefaldene, REC and Jotun, as well as investments in shares and real estate.

In 2010, the Orkla Group had total sales of NOK 57,338<sup>1</sup> million, and employed approximately 32,000<sup>2</sup> persons (approx. 30,000 employees in continuing operations). Orkla has operations in 40 countries in the Nordic region, Western Europe, Central and Eastern Europe, Asia and America and other regions.

## Orkla's decentralised organisational structure

The Orkla Group comprises a total of around 100 companies in a wide range of product areas. The Group has chosen a decentralised organisational structure, where responsibility for strategy and value creation lies with each individual company. This structure is designed to ensure that decisions are made by senior executives who are close to their markets and have an insight into local problems and needs. Each company is legally responsible for its own operations and

has independent profit responsibility. All of the companies in the Group share the following characteristics:

- Local management and value chain
- Independent legal responsibility
- Independent profit responsibility
- Sales organisations with good customer relationships
- Knowledge of local markets, consumer and customer understanding
- No. 1 or no. 2 positions (primarily) in their markets

The Group has established general guidelines in areas where this is important in order to promote commercial interests, comply with external requirements and exercise the Group's corporate responsibility, and follows up on Group companies by means of internal reporting systems, internal audits, risk management procedures and the internal board structure. Further information on Orkla's governance procedures may be found at [www.orkla.com](http://www.orkla.com).

## Shareholders

As of 31 December 2010, there were a total of 47,135 shareholders in Orkla, 39 percent of whom were foreign shareholders. The largest shareholdings outside Norway were located in the USA (18 percent), the UK (8 percent), Luxembourg (3 percent), Ireland (2 percent), Sweden (1 percent) and Finland (1 percent).

## Business areas

### Orkla Brands

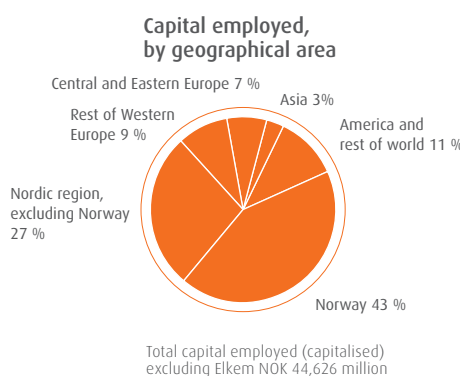
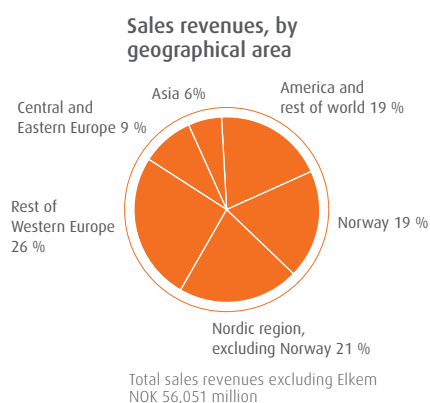
Orkla Brands is a leading developer, marketer and supplier of strong proprietary brands and concept solutions, and holds no. 1 and no. 2 positions in most of the categories in which its companies operate. Examples of important product categories for Orkla Brands are:

- Frozen pizza
- Jams and marmalade
- Tinned vegetables

## THE FIVE LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2010

SHAREHOLDERS AS AT 31.12.2010*	NO. OF SHARES	SHARE OF EQUITY
1. Canica Group	238,342,000	23.16 %
2. Folketrygdfondet	105,298,631	10.23 %
3. Franklin Templeton	60,807,642	5.91 %
4. Taube Hodson Stonex Partners	26,557,063	2.58 %
5. Black Rock	22,523,281	2.19 %

\*Except from the list of shareholders provided by RD:IR and VPS through the Nominee ID service. The data was obtained through the analysis of beneficial ownership and fund manager information provided in replies to disclosure of ownership notices issued to all custodians on the Orkla share register. Whilst every reasonable effort is made to verify all data, neither RD:IR nor VPS can guarantee the completeness of the information. For a list of the 20 largest shareholders as at 31.12.2010 from the official VPS list, see Note 28 in Orkla's Annual Report.



<sup>1</sup> Sales in continuing operations, excluding Elkem.

<sup>2</sup> As of 31 December 2010.

- Ketchup
- Confectionery
- Biscuits
- Snacks
- Textiles
- Dietary supplements and health products
- Cleaning products
- Personal care products

The business area's main markets are the grocery and out-of-home sectors in the Nordic region. Orkla Brands also holds strong positions in Russia and India, and is an important supplier to the European bakery market. Orkla Brands consists of four business units: Orkla Foods Nordic, Orkla Brands Nordic, Orkla Brands International and Orkla Food Ingredients. Orkla Brands comprises a total of 76<sup>3</sup> companies in 24 countries, and has around 13,800 employees. The companies' manufacturing operations largely take place at their own factories.

#### Sapa

Sapa consists of three business units:

- Sapa Profiles
- Sapa Building System
- Sapa Heat Transfer

Sapa is the world's largest aluminium profiles company, the world's leading manufacturer of heat exchanger solutions based on strip for the automotive industry, and one of the three largest suppliers of profile-based building systems in Europe. Sapa has production plants in 21 countries, and approximately 14,300<sup>3</sup> employees in total.

#### Orkla Investments

As of 1 January 2011, Orkla's industrial investments, energy and real estate activities and Share Portfolio are organised under Orkla Investments.

#### Borregaard

Borregaard is the world's most advanced biorefinery, and a wholly-owned subsidiary of Orkla. Based on the use of natural, sustainable raw materials from forests, the company manufactures advanced, environmentally friendly biochemicals, biomaterials and bioethanol that can replace oil-based products. Borregaard also holds strong positions in the ingredients, fine chemicals and energy markets. Borregaard has approximately 1,200<sup>3</sup> employees who work in factories and sales offices in 20 countries in Europe, the USA, Asia and Africa.

#### AS Saudefaldene Hydro Power

Orkla owns 85 percent of AS Saudefaldene Hydro Power. The company operates seven hydropower plants in Sauda with an effect of 356 MW and a total annual mean production of 1,850 GWh. The company has 33<sup>3</sup> employees.

#### REC

Orkla owns 39.7<sup>3</sup> percent of REC (Renewable Energy Corporation). The company is a global leader in solar grade silicon, and one of the world's leading manufacturers of multicrystalline silicon wafers. The company also conducts extensive downstream activities. REC has approximately 4,200<sup>3</sup> employees, and operates in Norway, the USA and Singapore.

#### Jotun

Orkla owns 42.5<sup>3</sup> percent of Jotun, Norway's leading paint and powder coatings company in selected segments. Jotun holds leading positions in a large number of its market segments, both in Europe and on a global basis. The company has approximately 7,000<sup>3</sup> employees, and has a presence in more than 80 countries through either its own companies or its distributors.

#### The Share Portfolio and Orkla Eiendom (real estate)

Orkla manages one of Norway's largest share portfolios, which chiefly comprises investments in the Nordic region. Orkla Eiendom invests in and develops real estate.

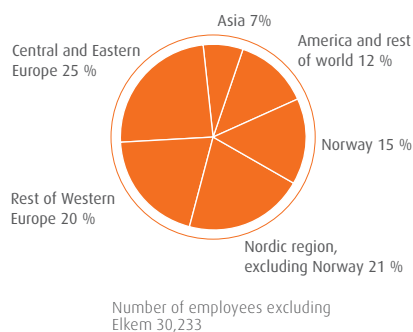
#### Elkem<sup>4</sup>

In 2010, Elkem consisted of the following business areas:

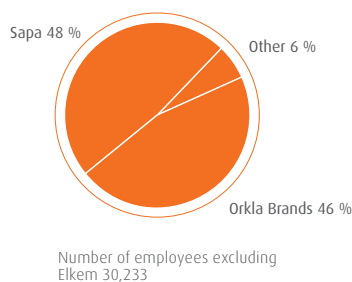
- Elkem Solar
- Elkem Silicon Materials
- Elkem Foundry Products
- Elkem Carbon
- Elkem Energi

The company is one of the world's foremost manufacturers of materials within the product areas solar grade silicon, silicon, ferrosilicon, carbon and energy. Elkem has operations in several countries other than Norway, including Iceland, Canada, Brazil, South Africa and China. The company has a total of about 2,500<sup>3</sup> employees, 1,500 of whom work in Norway.

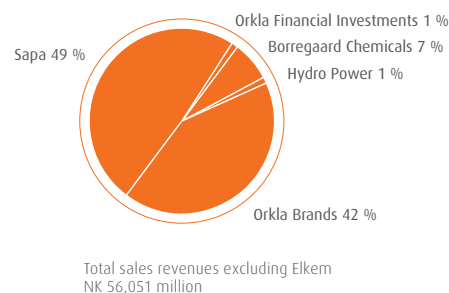
Number of employees,  
by geographical area



Number of employees,  
by business



Sales revenues,  
by business



<sup>3</sup> As of 31.12.2010.

<sup>4</sup> A binding agreement on the sale of Elkem to China National Bluestar was concluded in January 2011.



# Dialogue with Stakeholders

A good dialogue with stakeholders is crucial to creating trust and to enabling companies to exercise their corporate responsibility. The most important stakeholder groups with which Orkla interacts are employees, customers, shareholders, suppliers, public authorities and the local communities in which the Orkla companies operate. The dialogue with these groups is carried as an integral part of the companies' business activities, and covers every aspect from employee performance assessment interviews and customer service functions to contact with public authorities and participation in external networks.

Each company in the Group is responsible for identifying the potential impacts of its activities on its local community, people and the environment, and for integrating the interests of relevant stakeholder groups into its routine operations. To support the companies' efforts, the Group devised a tool in 2010 for analysing important issues relating to the interaction between the company and its stakeholders. The procedures for dialogue with and involvement of stakeholders are described on [www.orkla.com](http://www.orkla.com).

## Public affairs in 2010

The primary public affairs issues addressed by Orkla in 2010 were framework conditions, the environment and corporate responsibility. The Group companies also engaged in a dialogue on issues raised by politicians and local communities.

## Dialogue on the companies' operations

In 2010, several of the Orkla companies received visits from politicians and heads of state who were given guided tours and information about the companies' operations. This type of contact provides an opportunity to create greater understanding of the companies' goals, plans and needs. In connection with the Norwegian state visit to Slovakia in October, the Norwegian royal couple and Slovakian President Ivan Gasparovic and his wife visited Sapa Profiles Slovakia. In the autumn of 2010, Göteborgs Kex was paid a visit by Swedish Prime Minister Fredrik Reinfeldt and the other leaders of the Swedish political coalition, the

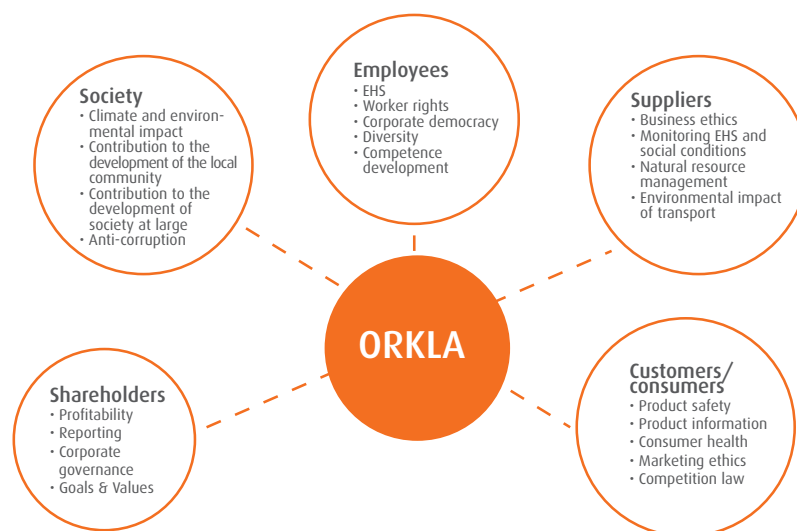
Alliance, and the Estonian chocolate manufacturer Kalev was visited by the Estonian president's wife, Evelin Ilves. A number of prominent politicians visited Borregaard in 2010. Among other things, in December, Norwegian Minister of Trade and Industry Trond Giske opened Borregaard's new operations centre, a high-technology control centre for the overall management of Borregaard's production plant in

Sarpsborg. In May, Norwegian Petroleum and Energy Minister Terje Riis-Johansen visited Elkem Solar for a briefing on Elkem's production of solar grade silicon. At the same time, the company presented its views on the framework conditions for the metal and materials industry.

Few matters related to the companies' operations had a negative impact on

## DIALOGUE WITH STAKEHOLDERS – RESULTS AND OBJECTIVES

AREA	RESULTS 2010	OBJECTIVES 2011/2012
Public affairs	Designed a tool for analysing stakeholder needs.	Establish an active, professional dialogue with key stakeholder groups.



Orkla uses a stakeholder model to analyse corporate responsibility issues

local communities in 2010. Abba Seafood announced plans in the autumn of 2010 to close its shrimp factory in Kungshamn, and engaged in a dialogue with the local community in that regard. Borregaard held information meetings in 2010 for the population in the vicinity of its production plant to discuss odour problems. Elkem participated in a dialogue with local authorities and the local population in Salten concerning plans to explore the possibility of extracting quartz from Nasa Mountain. The Group had no issues in 2010 relating to the rights of indigenous peoples<sup>5</sup>.

#### Dialogue concerning framework conditions

Elkem engages in dialogues to ensure competitive framework conditions for Norwegian energy-intensive industry. In 2010 Elkem was involved in discussions related to the implementation of the EU's Emission Trading System (the EU ETS Directive) on the allocation of quotas for CO<sub>2</sub> emissions. Elkem is also involved in the Norwegian Ministry of the Environment's follow-up of the Climate and Pollution Agency's report on Norwegian climate policy, *Climate Cure 2020*.

In 2010, Orkla Brands Corporate Affairs met with representatives of the Ministry of Agriculture, the Ministry of Finance, the Ministry of Trade and

Industry and a number of organisations in connection with the preparation of an annual report on the way framework conditions affect Orkla's Norwegian companies. The report is based on an analysis of the competitiveness of the Norwegian food industry which is prepared every year by the Norwegian Agricultural Economics Research Institute (NILF) on assignment for Orkla Brands and Stabburet.

Orkla keeps a close eye on developments in the EU's food-related work with a view to registering changes in legislation as early as possible and finding good solutions for implementing new laws and regulations in the Group companies.

#### Dialogue on the development of environmentally friendly technology

The development of renewable energy, sustainable biofuel and more environmentally friendly, energy-efficient production processes often requires substantial amounts of capital and entails a high level of risk. Orkla therefore focuses on fostering framework conditions that encourage the development of desired technology. In 2010, Borregaard and Elkem discussed this issue with key politicians. Elkem also participated in the Norwegian Forum for Environmental Technology's work on preparing proposals for the Norwegian environmental technology

regime. Borregaard joined the Forum early in 2011.

In 2010, Elkem received grants totalling NOK 39 million from the Norwegian organisation Enova for a new energy recovery plant at Elkem Thamshavn. The investment, which will total NOK 215 million, will increase annual energy recovery to up to 180 GWh, and will consolidate the plant's position as the world's most energy-efficient, environmentally friendly silicon smelting plant.

Hafslund has received support from Enova for the construction of a new waste incineration plant that was opened on Borregaard's site in March 2010. The plant supplies only steam to Borregaard, generating an effect equivalent to a 50 percent reduction in Borregaard's consumption of heavy oil.

In 2010, Borregaard received a total of NOK 11 million in funding for its research projects from the Research Council of Norway. The company also received a grant of EUR 4 million, or around NOK 35 million, in research funding from the European Community's Seventh Framework Programme for research and development. This funding is part of EU support for the development of renewable fuels and chemicals that can reduce greenhouse gases and make society less dependent



Photo: Göteborgs Kex

Swedish Prime Minister Fredrik Reinfeldt and the other party leaders in the Swedish Alliance coalition visited Göteborgs Kex in 2010.

<sup>5</sup> Based on annual internal reports from the business areas to the Group on disputes, legal proceedings, supervision cases and similar matters.



Photo: Jarl M. Andersen

Norwegian Minister of Trade and Industry Trond Giske opened Borregaard's new operations centre in autumn 2010.

on oil and gas in the future. The grant covers two projects for the construction of demonstration and pilot facilities relating to new technology for extracting ethanol and other products from biomass. In 2010, Borregaard was also granted NOK 58 million in support from Innovation Norway's environmental technology programme for the construction of a pilot plant for the production of second-generation bioethanol from agricultural and forestry waste. The pilot plant is estimated to cost NOK 130 million, and construction is scheduled to begin in the first half of 2011.

Orkla companies have received a total of NOK 28 million in public funding for research, improvement projects and other matters related to operations in 2010.

**Dialogue on corporate responsibility**  
Orkla's then President and CEO, Dag J. Opedal, met Russian President Dimitrij Medvedev in connection with the Russian head-of-state's visit to Norway in April. Mr. Opedal took advantage of the opportunity to underscore the importance of Russia's efforts to strengthen its economy, combat corruption and become a member of the World Trade Organisation (WTO).

In 2010, Orkla, the UN Development Programme (UNDP) and the Norwegian Association of Chocolate Manufacturers jointly initiated dialogue

about the possibility of establishing a collaborative project between food companies, the Norwegian, Swedish, Danish and Finnish authorities and the authorities in the Republic of Côte d'Ivoire aimed at developing the country's cocoa communities. Work on the project has come to a temporary halt pending a solution to the political conflict that arose in Côte d'Ivoire following the presidential elections in November 2010.

As a contribution to the work carried out by KOMpakt, the Norwegian Government's forum for corporate responsibility, Orkla is chairing a working group tasked with revising KOMpakt's terms of reference. The activities of the working group began in the autumn of 2010, and are scheduled to be completed in the winter of 2011.

### External recognition

Several Orkla companies won recognition in 2010 for their environmental and corporate responsibility work. Abba Seafood was awarded the E-Prize energy efficiency prize for its many years of efforts to promote efficient energy use. The award is presented jointly each year by the energy company E.ON and the Swedish business journal Veckans Affärer, and 100 companies were nominated in 2010. In connection with the 20th anniversary of the Nordic Swan ecolabel, Lilleborg received two awards for its long-term

efforts to promote the use of the Swan label on its products and its efforts to meet the environmental programme's increasingly stringent criteria. Põltsamaa Felix placed 12th in a national ranking of Estonia's foremost companies in the field of corporate responsibility. The Russian chocolate company Sladco was presented with an award by the Sverdlovsk region for its charity work, and the Russian chocolate company Krupskaya received a prize from the St. Petersburg's City Committee of Food Industry Trade Unions for its efforts and results in the social arena. Elkem Thamshavn was awarded the Federation of Norwegian Industries' Safety Prize for 2009, in recognition of Elkem's preventive efforts in the EHS field. Sapa Heat Transfer Shanghai was designated a "Green Enterprise" by the Shanghai Environment Bureau in acknowledgement of the company's environmental and energy efficiency work. Elkem received the Ideal Employer award for 2010. This prize is awarded by the employer branding company Universum on the basis of a survey conducted among around 6,500 students. In 2010, Borregaard was commended, particularly in the management category, following a reputation survey among company executives in Østfold, south-eastern Norway.

# Governance Procedures

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. Good governance procedures with regard to corporate responsibility will help to ensure that activities in every part of the Group are carried out in accordance with fundamental ethical values, and with respect for people, society and the environment.

In line with Orkla's decentralised organisational model, each company has an independent responsibility for its operations. This also includes the exercise of the company's corporate responsibility. This work takes place within the framework of the Group's values and general guidelines, and is followed up through internal reporting, internal audits, risk management procedures and the Group's internal governance structure.

## The Board of Directors and executive management's corporate responsibility work

Orkla's Board of Directors wishes to review the status of efforts related to the Group's corporate responsibility on an annual basis. No such review was carried out in 2010, but the governance procedures for the Group's corpo-

rate responsibility work were a topic of Board discussion in connection with a review of Orkla's internal governance structure. A general review of the corporate responsibility work of Orkla's Board of Directors is planned in 2011, and will include a revision of the Group's Code of Conduct.

In 2010, the Group Executive Board was given a quarterly briefing on the status of the Group's EHS work, which included a report on any serious incidents. A more comprehensive review of planned EHS activities was provided in the first quarter of 2010.

The status of Orkla's corporate responsibility work was reviewed by the Group Executive Board in 2010. Orkla also took part in an external project to identify existing practices and trends

with regard to the corporate responsibility work of company boards. This has been a collaborative project involving eight Norwegian companies under the auspices of consultancy SIGLA as, and the results of the study will be used in the further development of Orkla's internal governance procedures. Representatives of Orkla's Board of Directors and executive management staff were interviewed as part of the project.

## The Group's governance and control procedures

The Group sets standards for its companies' efforts to exercise corporate responsibility by establishing general guidelines for corporate responsibility and ethics, and by providing more detailed guidelines on certain topics, such as anti-corruption efforts and

### GOVERNANCE PROCEDURES – RESULTS AND OBJECTIVES

AREA	RESULTS 2010	OBJECTIVES 2011/2012
Dialogue with Orkla's Board of Directors	Regular reports submitted on EHS activities.	<ul style="list-style-type: none"> <li>Continue to provide regular reports on EHS activities.</li> <li>Review the status of the corporate responsibility work of Orkla's Board of Directors.</li> </ul>
Governance procedures	<ul style="list-style-type: none"> <li>Establishment of Orkla's Corporate Responsibility Council.</li> <li>Revision of rules of procedure for internal company boards.</li> </ul>	<ul style="list-style-type: none"> <li>Revise Orkla's Code of Conduct.</li> <li>Review the Group's corporate responsibility governance procedures.</li> </ul>



"In 2010, Orkla's Corporate Responsibility Council was established to advise and support the Group Executive Board with regard to matters relating to ethics and corporate responsibility."

competition law. Corporate responsibility is also a topic covered in Orkla's rules of procedure for internal company boards, which were revised in 2010. The Group has established general principles for the identification and monitoring of the risk of supplier breaches of Orkla's ethical standards.

The Orkla companies have a duty to report to the Group any matters related to possible breaches of official regulations. Issues related to ethics and corporate responsibility form part of the due diligence assessments that are carried out in connection with major investments. They are also included in internal audits.

In 2010, Orkla's Corporate Responsibility Council was established to advise and support the Group Executive Board with regard to matters relating to ethics and corporate responsibility. The Council has replaced the former Corporate Responsibility Forum, and consists of representatives of the management of the various business areas and key staff functions. In 2010, the Group also began work on the process of reviewing and further improving the internal procedures for monitoring companies' corporate responsibility performance. This work will continue in 2011.

Orkla's principles for good corporate governance are described in greater detail in Orkla's Annual Report for 2010 and on Orkla's website.



Orkla's Corporate Responsibility Council

Photo: Marianne Otterdahl-Jensen



In 2010, Orkla participated in an external study of the corporate responsibility work of company boards.

Photo: Rachel I. Mathisen

## ENVIRONMENT, HEALTH AND SAFETY



"The development of new technology and sustainable products is important for securing future production and for the environment."

## Zero Harm Vision

Orkla's vision of zero harm to individuals, the environment and society lies at the core of the Group's EHS work. The general criteria with which the companies must comply are defined in Orkla's EHS policy. EHS is the responsibility of each individual company, but the guidelines are intended to ensure control and continuous improvement over time. Operational efficiency based on compliance with EHS requirements is regarded as an important value driver at Orkla, as laid down in Orkla's "Goals and Values". This means that EHS must be an integral part of all of Orkla's business activities.

## Occupational health and safety

### Injury prevention efforts

Behaviour-related safety measures are a key aspect of Orkla's EHS work, and are designed to enable each employee to perform his or her job correctly and safely from day one. Achieving this objective requires the development of best practice standards, the effective adaptation of technological solutions, and comprehensive training for and coaching of employees at the workplace.

To ensure that Group companies adopt a coherent approach to their risk picture, all the companies carry out regular risk analyses. These analyses form the basis for ordering priorities within the EHS activities of the individual companies.

Health and safety are important issues in the collaboration between management and employee representatives in Orkla companies. In the Scandinavian countries, health and safety committees have been established in all factories in compliance with local legislation.

Despite the efforts to prevent occupational accidents, two fatal accidents tragically occurred in connection with Orkla's operations in 2010. At Elkem's plant on Iceland, a male employee died from burn injuries caused by a blow-out of hot material and gas from the smelting furnace. At Elkem's Erdos JV plant in China, a contract driver was killed when the tractor he was

driving overturned and he was crushed by the trailer. These incidents show that all parts of the organisation must give their full attention to injury prevention efforts.

An important aspect of the improvement process is recording and following up on all types of injuries and undesired events. Sickness absence and injury trends are monitored regularly by the companies' boards and management teams. Orkla achieved a Lost Work Day Rate (LWDR)<sup>6</sup> of 4.3 (4.5 for continuing operations, excluding Elkem) in 2010, compared with 4.5 in 2009. The Total Recordable Rate (TRR)<sup>7</sup> was 13.3 in 2010, compared with 12.8 in 2009. This increase is ascribable to the fact that several Orkla companies have established procedures for recording and following up on injuries that did not lead to absence in 2010.

Although injury rates for Orkla as a whole have not changed significantly, many of the companies have seen a positive trend in 2010. This shows that key EHS principles, such as good order and cleanliness, engagement, expertise-building and a willingness to learn from others, are crucial to achieving improvement. There must be focus and emphasis on these important principles throughout the organisation.

### Health-promoting workplaces

In 2010, efforts were focused on the topic of "Health-promoting workplaces and long-term employee health" as a

follow-up to a conference on the topic held in late 2009. In practice, this objective means ensuring that individual businesses put in place good processes in which management and employees participate actively in establishing measures tailored to their workplace.

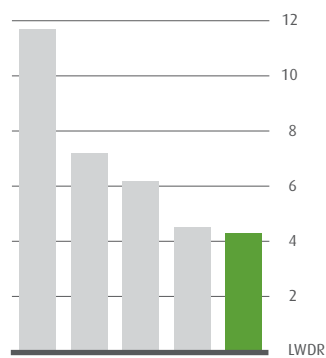
Sickness absence in the Orkla Group was 3.6 percent in 2010 (the corresponding rate for continuing operations, excluding Elkem, was also 3.6 percent), while the corresponding rate for 2009 was 4.3 percent. The rules for registering sickness absence and follow-up of employees on sick leave vary from one country to another.

In Norway, Orkla complies with the principles of inclusive working life, which entail active follow-up of absentees and cooperation with the company health service. Similar principles also apply to Orkla's operations in other parts of the world. Sickness absence for the Norwegian companies was 5.3 percent in 2010, which represents a significant reduction from 6.6 percent in 2009. Sickness absence excluding Elkem's Norwegian companies was 5.5 percent.

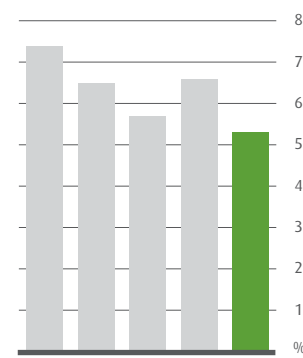
## The environment

Orkla operates in many different areas, and its businesses impact the environment to differing degrees. The Group wants its companies to set ambitious, but realistic, environmental targets. The companies focus strongly on reducing any negative environmental impacts arising from their processes

Trends in LWDR<sup>1</sup> at Orkla\*



Trends in Sickness Absence for Orkla in Norway\*



<sup>6</sup> Number of injuries leading to absence per million hours worked.

<sup>7</sup> Number of injuries leading to absence, need for medical treatment or restricted work per million hours worked.

\* Figures as reported in 2006–2009.

<sup>1</sup> Number of injuries leading to absence per million hours worked.

\* Figures as reported in 2006–2009.

and products. Any emissions are registered and dealt with in compliance with national and local requirements.

At AS Saudefaldene's closed power plant in Hellandsbygd, Norway, oil was discharged into Storlivatn Lake as a result of frost damage to a transformer cooler that had not been drained after the power station was shut down. Because the lake was frozen and the oil was quickly cleaned up, the negative environmental impacts of the discharge were negligible. A minor discharge of detergent from the Kolding Salater factory in Denmark led to a sanction from the local authorities. The discharge had no impact on the environment.

Orkla's environmental impacts are primarily related to greenhouse gas emissions in connection with energy consumption and processing emissions from Elkem's smelting plant, as well as waste management and noise from factories. The use of materials and natural resources, including water, are also important environmental issues.

Focusing on continuous improvement means putting in place control procedures and reducing emissions. Improvement activities are based on the "best available technology", i.e. the focus is on the right choice of raw materials, process improvements and attainable emission and discharge levels.

#### Energy and climate accounts

Orkla prepares energy and climate accounts based on the international Greenhouse Gas (GHG) Protocol Initia-

tive. These accounts are also reported to the Carbon Disclosure Project (CDP), an independent organisation that provides investors all over the world with a basis for assessing how the world's largest companies are addressing climate challenges.

In 2010, global greenhouse gas emissions from Orkla's own operations totalled 2.15 million tonnes of CO<sub>2</sub> equivalents, compared with 1.85 million tonnes of CO<sub>2</sub> equivalents in 2009. Including emissions from purchased energy, emissions totalled 3.08 million tonnes of CO<sub>2</sub> equivalents. The increase in emissions in 2010 is primarily due to the fact that Elkem's smelting plant is again operating at a high level of production. Greenhouse gas emissions excluding Elkem amounted to 640,000 tonnes of CO<sub>2</sub> equivalents from Orkla's own operations and 1.15 million tonnes of CO<sub>2</sub> equivalents including emissions from purchased energy. The emissions from Sapa, Borregaard Chemicals' factories and Orkla's other operations are primarily related to the production of thermal energy from fossil fuels.

Energy consumption in 2010 totalled 9.6 TWh, compared with 8.2 TWh in 2009. Approximately 6 TWh of this was electricity. The increase was largely due to higher production at Elkem's plants. Excluding Elkem's plants, consumption totalled 5.4 TWh. Approximately 2 TWh of energy was produced by Orkla's own hydropower plants.

The Orkla companies work continuously on energy-saving and invest-

ment projects aimed at reducing energy consumption and using renewable energy to the greatest possible extent. These projects are among Orkla's most important environmental initiatives in the short term.

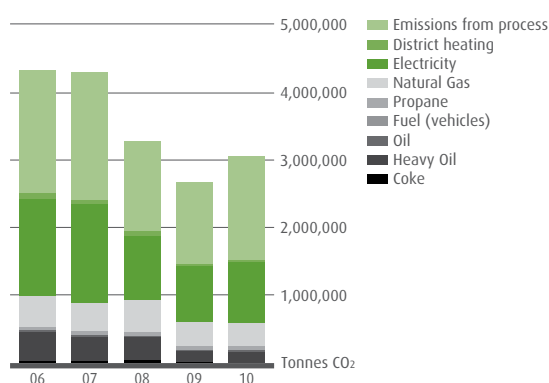
In the past few years, Borregaard has significantly reduced its emissions of greenhouse gases. As a result of the company's environmental strategy, more than 80 percent of its energy supply is now based on renewable sources and energy recovery from waste. In 2010, a new waste incineration plant was opened on the Borregaard site which halved the company's consumption of heavy oil.

#### REACH

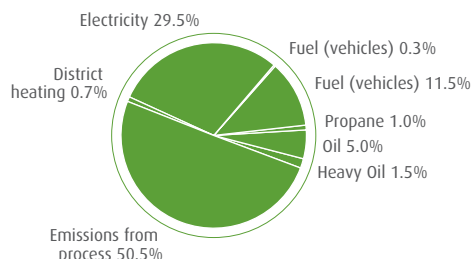
REACH is the EEA's set of regulations governing the registration, evaluation, restriction and authorisation of the sale of chemical substances. All Orkla companies to which these regulations apply have established procedures to ensure compliance with future REACH requirements. In 2010, Lilleborg, Borregaard and Elkem carried out the necessary registration of substances that are manufactured and/or imported in volumes exceeding 1000 tonnes per year. This ensures that the companies will be permitted to continue to import and/or manufacture the substances in question.

In the case of microsilica (Silica Fume), Elkem has been assigned the role of lead registrant in Norway for the chemical safety report (CSR) on which REACH registration of the substance is based. Elkem is also lead

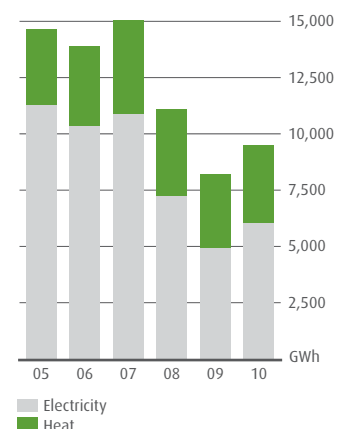
Total CO<sub>2</sub>-emissions for Orkla 2005-10



Allocation of CO<sub>2</sub>-emissions for Orkla 2010



Consumption of Energy





registrant for the compound substance Si/FeSi silicates. Borregaard registered 14 substances in 2010, and was lead registrant for two of them. The companies are now beginning work on preparations for the next phase, in which all chemicals manufactured in or imported to the EEA in a quantity exceeding 100 tonnes per year are to be registered by July 2013.

### Sustainable product development

The development of new technology and sustainable products is important for securing future production and for the environment.

#### Energy-efficient buildings

Sapa Solar BIPV is Sapa's system for exploiting solar energy. The system is built up of solar cells which are incorporated into double or triple glazing units, alternatively into filling panels as opaque single panes. A wide range of shapes, colours and optical structures in the solar cells can be combined with glass and extrusions to create energy-efficient, innovative and environmentally friendly building solutions. Sapa Building Systems focuses on developing sustainable solutions tailored to customer needs, and advises its customers on environmentally friendly, energy-efficient design. Videum Vaxjo and Skanska's head office in Sweden, Utrecht Train Station in the Netherlands, Van De Putte in Belgium, the Inspiria Science Center Østfold and Marienlyst School in Norway are all examples of buildings in which energy-friendly solutions provided by Sapa were used in 2010.

"Sapa Building Systems focuses on developing sustainable solutions tailored to customer needs, and advises its customers on environmentally friendly, energy-efficient design."



Photo: Kyrre Lien

Marienlyst School in Drammen, which was inaugurated in August 2010, is Norway's first passive house school building. The doors and windows were supplied by Sapa Building Systems.



Lilleborg has worked systematically with the optimization of packaging for many years.



Borregaard produces environmentally friendly biochemicals, biomaterials and bioethanol that can replace oil-based products.

Photo: Kyrre Lien



Abba Seafood is actively engaged in sustainable fish management.

Photo: Abba Seafood AB

Orkla wishes to provide information on its environmental, health and safety efforts in an open, trustworthy manner, and to engage in an active dialogue with important stakeholders. A number of internal and external activities were carried out in the course of 2010. These activities are described in Orkla's EHS Report 2010, [www.orkla.com/ehs2010](http://www.orkla.com/ehs2010)

#### EHS-Report 2010



 ORKLA

#### Recycled aluminium

Sapa Heat Transfer has designed its product development model so as to take account of the product's environmental impacts throughout its life cycle. In 2010, Sapa Heat Transfer in Finspång and Shanghai carried out a joint project to increase the percentage of recycled aluminium in production. Recycling aluminium takes only five percent of the energy that is required to produce new aluminium from ore.

#### World's most advanced biorefinery

Borregaard uses the entire log of timber to create products and energy in the company's production of biochemicals, biomaterials and bioethanol, which are environmentally friendly,

sustainable alternatives to oil-based products. Innovation is key to the company's operations, and around 25 percent of Borregaard's sales currently come from products launched in the course of the past five years. Life cycle analyses confirm that the biorefinery concept ensures good climate and environmental accounts.

In 2010, Borregaard made major advances in the development of new technology for the manufacture of biochemicals and second-generation biofuel based on various biomasses. An exciting project is currently under way that is focused on the use of modified cellulose fibre in a variety of applications with good EHS properties.

Several patent applications have been submitted in connection with these projects.

#### Sustainable fishing

Abba Seafood is aggressively committed to the sustainable management of fishery resources. The company's policy for these efforts is called Go Blue. Abba Seafood's Fish Matrix is the tool used by the company to implement its policy. In 2010, Abba worked closely with the Marine Stewardship Council to increase consumer awareness of sustainable fish management.

## EMPLOYEES



"Responsible operations are contingent on the ability of management and employees to exercise good judgement."

## Developing People – Creating Value

Constructive interaction between management and employees is crucial to achieving long-term, profitable growth. In order to realise Orkla's primary goal of developing people and creating value, the Group emphasises the importance of the development of a sound working environment, good leadership, a well-functioning corporate democracy, human resource development and a healthy corporate culture.



### The corporate culture and the working environment

Orkla companies must respect human and labour rights, and promote a good working environment that is characterised by trust, involvement and a focus on improvement. All of the companies in the Group have established formal hiring procedures and working conditions that protect employee rights in accordance with local legislation and Orkla guidelines. Among other things, the Group does not tolerate child labour or forced labour, and has put in place effective procedures to ensure that they do not occur in the Group's operations. The performance of all Group management staff is monitored in relation to employee development and promotion of a collaborative climate. Around 73 percent<sup>8</sup> of the Group's employees are covered by the companies' procedures for annual employee performance assessment interviews.

Responsible operations are contingent on the ability of management and employees to exercise good judgement. Raising awareness of the manager's overall responsibility is therefore a key aspect of Orkla's management training, and efforts to promote a sound corporate culture and values have high priority. Each company is responsible for implementing the Group's Code of Conduct in an effective way. Training in ethics is normally provided as part of the companies' introductory programmes for new employees, and in the Group's management training pro-

grammes. The Group's corporate responsibility staff assist companies with training and guidance on this topic, and in 2010 held meetings for around 140 management staff and key personnel. The Group also provides guidance on and training in competition law and anti-corruption work.

### Employee opinion survey

In 2010, Orkla conducted a Group-wide employee opinion survey, in which Orkla Brands, Sapa, Borregaard and Orkla's central corporate functions participated. The purpose of the survey was to gauge employee engage-

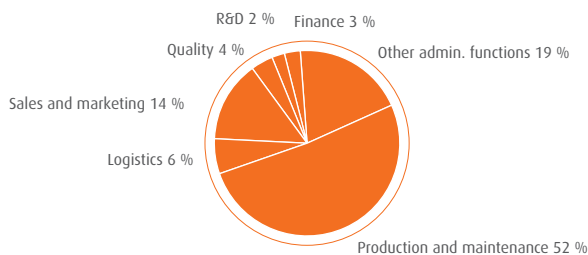
ment and to ascertain employees' views on matters relating to the company and their workplace, to secure a basis for a dialogue on improvement measures. The overall response rate was close to 75 percent, which is considered very good for this type of survey. The Group has initiated a process to break down and discuss the survey results within the various companies, with emphasis on ensuring that the process takes the form of a dialogue between management and employees.

The results show that employee satisfaction in every part of the Group is



Photo: Kyrre Lien

Employees, by function



Source: Orkla employee opinion survey

"The Group requires that a minimum of one woman must be nominated when recruiting candidates for management team positions at company or business area level, and women are given priority for participation in Orkla's management development programme."

<sup>8</sup> Estimate based on current procedures.



generally high. For the Group as a whole, 86 percent of respondents stated that they enjoy their work, 75 percent said they look forward to going to work, and 77 percent stated that they are proud to work for their company. These are positive results compared with external norm data. The survey was conducted with expert guidance from the Norwegian School of Management (BI) in Oslo, and the anonymised data will be used in BI's research.

### Diversity

Diversity in the form of employees with a wide range of experience and of different ages and sexes is an important objective for Orkla companies in order to ensure the broadest possible basis for recruitment and to create attractive workplaces. Moreover, such diversity is a strength in connection with product and process development, as it can contribute to better market understanding and broader perspectives. Respect, tolerance and equality are key elements of Orkla's corporate culture. Principles for the equal treatment of employees regardless of sex or origin are laid down in both the Group's Code of Conduct and the guidelines for recruitment and wage-setting. Orkla has signed the Norwegian agreement on Inclusive Working Life, thereby committing the Group to promoting an inclusive working environment, which includes implementing measures to retain older employees. Orkla has collaborated with the Alarga foundation for several

years on helping young people of minority origin gain easier access to the labour market, and in 2010 hosted a network conference organised by the foundation. In 2010, the Group also established cooperation with Ambisjoner.no, a career and education web portal. The issue of non-discrimination is included in the companies' general working environment training. For instance, at Sapa Profiles North America's businesses in the USA, every employee undergoes annual training in the prevention of discrimination and harassment in the workplace.

In the employee opinion survey conducted in 2010, 73 percent of the respondents stated that, in their experience, the company they work for offers equal opportunities for success to people with every kind of background, while 10 percent felt that this was not the case. This result is more positive than comparable external figures. Nevertheless, Orkla wishes to create a greater awareness among the companies' management staff of the value of diversity and the need for equal treatment and non-discrimination.

Orkla has operations and employees in 40 countries. In line with the Group's decentralised business model, Orkla attaches importance to employing managers with relevant business and cultural insight. Almost all the members of companies' management teams are recruited locally, and there is an active focus on career development

across companies within the same business area and country.

For several years, Orkla has worked systematically to promote a better gender balance in the Group's management. The Group requires that a minimum of one woman must be nominated when recruiting candidates for management team positions at company or business area level, and women are given priority for participation in Orkla's management development programme. The Group has had a mentoring programme and a network for women managers for several years. Several of the companies also implement their own measures to increase the proportion of women managers. For instance, Procordia carried out the fourth round of its strategic network for women managers in 2010, which this time also included participants from Abba Seafood and Axellus.

In 2010, 33.7 percent of Orkla employees were women (34.1 percent in continuing operations). The percentage of women in the Group's management teams is stable at approximately 14 percent<sup>9</sup>. The overall percentage of women managers at all levels of the Group's operations<sup>10</sup> was 25.5 percent (26 percent for continuing operations). In 2010, 35.3 percent of Orkla Brands' managers were women, while the corresponding figure was 16 percent at Sapa and 18 percent at Borregaard. The number of women managers at Orkla is considered to be too low, and

## EMPLOYEES – RESULTS AND OBJECTIVES

AREA	RESULTS 2010	OBJECTIVES 2011/2012
Gender equality and diversity	<ul style="list-style-type: none"> <li>The proportion of woman managers was 25.5% in total.</li> <li>The proportion of woman participants in Orkla's Senior Management Programme was 14%, and the proportion of participants with a non-Norwegian background was 57%.</li> </ul>	<ul style="list-style-type: none"> <li>Increase the proportion of woman managers.</li> <li>Strengthen the dialogue with Orkla's business areas on diversity.</li> </ul>
Human resource development	1,821 employees have completed key courses provided by Orkla or the business areas.	Develop skills-building programmes in accordance with needs and strategies.
Anti-corruption efforts	1,639 managers and employees have completed anti-corruption training.	Strengthen the Group's internal control routines.

<sup>9</sup> Orkla defines a senior executive as a member of a management team at Group, business area or company level. This group comprises about 300 managers, and constitutes around 10 percent of the total number of managers.

<sup>10</sup> For reporting purposes, managers are defined as employees with formal personnel responsibilities. This definition does not cover technical managers or other management positions without personnel responsibilities.

action to remedy this situation will continue.

Any breaches of rules relating to gender equality and discrimination in the companies are reported to the Group's Legal Affairs Department. Orkla has also established an internal whistleblowing service. There were two cases in 2010 related to regulatory requirements regarding gender equality and non-discrimination<sup>11</sup>. One of Sapa's companies in France was ordered by a court of first instance to pay damages to a former employee on account of discrimination in connection with dismissal. The company has appealed against the judgment. The US Office of Federal Contract Compliance Programs (OFCCP), which monitors that suppliers to public companies comply with public procurement requirements relating to equal opportunity, has carried out an audit of the employment procedures of Sapa Extrusions Inc. in the USA. The OFCCP criticised the employment procedures at one of the company's factories, and in 2010 Sapa Extrusions Inc. agreed to pay an infringement penalty of USD 450,000 to the OFCCP. In the past few years, Sapa Profiles' businesses in North

America have increased their focus on this issue, and work has begun at the factories on the preparation of equal opportunity action plans.

In 2010, an internal working group reviewed the status of Orkla's diversity work and identified areas for improvement. This work will be followed up in 2011 through a dialogue between the Group and the business areas. In connection with the revision of Orkla's Code of Conduct in 2011, the Group's internal requirements with regard to diversity and non-discrimination will be further elaborated.

### Corporate democracy

Orkla recognises the value of a well-functioning corporate democracy, and it is estimated that in the Nordic countries some 75 percent of all production employees in the Group are organised in trade unions. The percentage of union members is significantly lower among white-collar employees. Active systems of corporate democracy have been established in all Orkla companies. Employees are represented in the Group's governing bodies. Information on Orkla's corporate democracy systems may be found at [www.orkla.com](http://www.orkla.com).

In 2010, in the companies in Norway, Sweden and Denmark, employee representatives were elected to the company boards and to the Board of Directors and Corporate Assembly of Orkla ASA. The annual meeting of the Orkla European Works Council was also held, at which 30 representatives of companies in 14 different European countries came together to discuss matters of common importance to employees.

Cooperation between the Group Executive Board and the employee representatives in 2010 was focused primarily on the ongoing reorganisation processes. There was also an active dialogue regarding vocational training and collaboration with vocational training institutions, primarily through a network for employee representatives and HR managers in Orkla's Norwegian companies. In all the companies where reorganisation processes have been carried out, efforts have been made to engage in a dialogue with employee representatives and to involve the employees.



Photo: Marianne Otterdahl-Jensen

<sup>11</sup> Based on annual internal reports from the business areas to the Group on disputes, legal proceedings, supervision cases and similar matters.

In 2010, Orkla organised a network gathering for women managers in the Group, which was attended by around 100 women. The main topic of the gathering was how the Group can ensure a higher percentage of women at top management level.



In 2010, Borregaard established a new operations centre at its facilities in Sarpsborg

Photo: Kyrre Lien

### Human resource development

Orkla considers on-the-job training to be pivotal to developing employee expertise. This training is supplemented by various types of courses and formal training provided by the companies, the business areas and Orkla. Among other things, the companies hold protection and safety courses for managers and key employees in the production force, introductory courses for new employees and function-specific training. Orkla runs its own training programmes in key areas of expertise, and courses in management development and business systems are provided centrally in the business areas. An overview of these skills-building programmes may be found under Orkla's sustainability reporting at [www.orkla.com](http://www.orkla.com). Approximately 6 percent of Orkla employees took part in a central skills-building programme in 2010.

### Anti-corruption efforts

Orkla is committed to developing a strong anti-corruption culture, and in 2009 drew up a new anti-corruption manual containing detailed guidelines

for desired practices in this field. A total of 1,639 managers and employees in exposed positions<sup>12</sup> completed web-based training in the use of the new manual in 2010. This represents 5 percent of all employees. Anti-corruption efforts were also a topic addressed at a number of management meetings. Orkla's attitudes towards corruption are described on Orkla's website.

No matters involving breaches of anti-corruption or competition regulations were reported in 2010<sup>13</sup>.

### Reorganisation and organisational development

Orkla is continuously engaged in efficiency improvement and organisational development work with a view to ensuring the Group's long-term competitiveness. Both individual process improvement projects and continuous improvement efforts are carried out in accordance with a philosophy of lean management. There is close cooperation between management and union representatives on both reorganisation and the

upgrading of expertise. In connection with acquisitions, the Group carries out due diligence processes that include assessment of EHS performance, employment contracts and other working conditions. Any necessary improvements are included in the plans for the integration process. There is an emphasis on the smooth integration of new companies through direct follow-up, skills-building programmes and the use of general guidelines.

Several efficiency improvement processes were carried out in 2010 which entailed workforce reduction and reorganisation. Two businesses were sold in the course of the year, and 14 new companies were acquired. Further information on these measures is provided in Orkla's sustainability reporting for 2010 at [www.orkla.com](http://www.orkla.com)

<sup>12</sup> Training provided for all senior executives and managers and employees at lower levels of Orkla companies who are considered to hold positions that may be exposed to risk.

<sup>13</sup> Based on annual internal reports from the business areas to the Group on disputes, legal proceedings, supervision cases and similar matters, and on the Group's internal audits.



## CUSTOMERS AND CONSUMERS



photo: Kyrre Lien

"The Orkla companies hold leading positions in their market segments, and put great emphasis on customer satisfaction."

## Being Reliable

Orkla is a global enterprise, and has operations in 40 countries. Regardless of geography or market, Orkla's products and services must always be reliable as regards quality, origin and impacts on human health and the environment. Orkla companies work systematically on product safety issues to ensure that the Group achieves this aim.



### Dialogue with customers

Contact with customers and consumers is a key element of the product development work of all Orkla companies. The companies utilise customer satisfaction surveys, consumer research and direct customer contact to gain insight into the needs and desires of customers. Borregaard and Sapa involve their customers in development projects in order to tailor solutions to individual customer needs. Sapa's Profile Academy offers customers training in the use, design and development of aluminium profiles. Sapa has also established innovation centres, at which the company and customers jointly develop profitable, environmentally friendly product solutions.

### Customer satisfaction

The Orkla companies hold leading positions in their market segments, and put great emphasis on customer satisfaction. In 2010, several companies received awards from their customers. Elkem Foundry Products in India was crowned best supplier to the company by Indo Shell Cast Private Ltd., while Sapa Heat Transfer in Shanghai received an award from the Denso Corporation in Japan for its contribution to the company's development in various regions. The Norwegian Orkla companies Stabburet, Lilleborg, Nidar,

Sætre and KiMs were voted the five best suppliers to the Norwegian grocery trade, out of a total of 55 companies, in a customer satisfaction survey carried out by the consultancy Remark in 2010. The companies were assessed in relation to cooperation ability, sales apparatus, product range, innovation and innovative thinking, logistics and product supply, in-store marketing and sales management.

### Product liability

The different Orkla companies serve different types of customer, ranging from children who buy sweets on a Saturday to industrial customers like car manufacturers and construction contractors. Product liability issues therefore vary greatly from company to company. However, production in all Orkla companies must meet consistently high standards of product quality and safety. The overall responsibility for product safety lies with the managing director of each individual company.

Borregaard, Sapa and Orkla all made further improvements to their internal quality assurance routines in 2010.

The Orkla Food Safety Standard (OFSS) sums up Orkla Brands's internal food safety requirements. All

Group companies that produce food and beverages are required to satisfy the requirements of the OFSS, and are monitored by means of regular audits. In 2010, 67 OFSS audits were performed, compared with 50 in 2009. Moreover, a permanent food safety training course was established in 2010 for quality managers and other key personnel involved in food production. The course comprises two modules, each lasting three days. At the end of 2010, 20 persons had completed the new training programme. In recent years, Orkla's food safety efforts have secured a significant reduction in the number of undesirable product quality incidents.

In 2010, the Group has not been involved in legal disputes concerning breaches of product liability or customer health and safety regulations<sup>14</sup>.

### Health and nutrition

Orkla continuously develops its products with regard to nutrition and health. Several Orkla Brands companies are cooperating with Lund University in Sweden to ensure an even higher level of expertise in these efforts. In 2010, a cross-company cooperation project was launched by the Orkla Brands companies, with the objective of reducing the salt content

## CUSTOMERS AND CONSUMERS – RESULTS AND OBJECTIVES

AREAS	RESULTS 2010	OBJECTIVES 2011/2012
Health and nutrition	<ul style="list-style-type: none"> <li>Established Orkla Brands' project to reduce salt content in foods.</li> <li>Improved the nutritional profiles of a range of foods.</li> </ul>	<ul style="list-style-type: none"> <li>Prepare target figures for salt content by product category.</li> <li>Increase the companies' knowledge about salt.</li> <li>Participate in external research relating to salt reduction.</li> <li>Continue work on reducing the saturated fat content of foods.</li> </ul>
Food safety	Completed 67 internal food safety audits.	Continue conducting internal audits based on OFSS to ensure a high, uniform standard at Orkla Brands factories.
Customer dialogue	Initiated the development of a joint system for complaints reporting within Orkla Brands.	Establish a joint system for complaints reporting within Orkla Brands.

<sup>14</sup> Based on annual internal reports from the business areas to the Group on disputes, legal proceedings, supervision cases and similar matters.



Photo: Procordia

of relevant product groups without affecting shelf life or taste. Corresponding efforts have been initiated by the companies to reduce the use of additives like flavour enhancers, colourings and flavouring agents. For example, in 2009–2010, Procordia systematically evaluated the possibilities for reducing the levels of additives in all of its foodstuffs, and several products are now entirely additive-free.

#### **Orkla's policy on genetically modified raw materials**

Orkla's Board of Directors decided as early as 2001 that Group companies should adopt a wait-and-see approach with regard to the use of genetically modified raw materials. The Group gives great emphasis to building confidence in its products. All products must therefore be based on safe raw materials, and be manufactured using methods that customers and consumers accept. None of Orkla's products contain genetically modified raw materials.

#### **Responsible marketing**

The marketing of Orkla's products must help to strengthen the relationship of trust between consumers, the brands and the Orkla companies. Responsible marketing practices are particularly important in the marketing of food and beverages intended for children and young people, and in the marketing of products that promise to

improve health. As serious suppliers of dietary supplements, Orkla companies impose strict requirements on their own marketing of products that promise health benefits. Orkla Brands has drawn up internal guidelines that provide individual companies with information about how marketing measures that target children and young people should be designed.

In 2010, KiMs, Nidar and Stabburet received an enquiry from the Norwegian Consumer Ombudsman concerning the companies' use of promotional gifts in certain marketing campaigns. The companies set out their views in letters and meetings with the Ombudsman, and have amended their practices in some respects. At the same time, the companies support the Consumer Ombudsman's planned preparation of clearer guidelines on the interpretation of the Marketing Control Act in relation to promotional gifts, so that industry participants have a clearer picture of the possibilities and limitations under the Act.

The Orkla Brands companies have good procedures in place for ensuring that personal information collected in connection with marketing activities is treated in accordance with the applicable regulations. In 2010, the Group has not been involved in legal disputes concerning breaches of data protection or data storage regulations<sup>15</sup>.

"None of Orkla's products contain genetically modified raw materials."

<sup>15</sup> Based on annual internal reports from the business areas to the Group of disputes and legal proceedings.

# Health and Nutrition

Health and nutrition are an important aspect of the development of foods by the many food companies within Orkla Brands, and around 25 percent of Orkla Brands's sales come from foods and dietary supplements with health benefits that are communicated to consumers. Some of the most important improvements made in 2010 were:



Products with high energy content, specially developed for older people suffering from malnutrition.

Photo: Procordia



Reduction of salt and fat content in ready meals, including in keyhole-labelled pizza.

More information about efforts in the area of health and nutrition can be found at [www.orklabrands.com](http://www.orklabrands.com).

Denomega, a part of Borregaard Ingredients, has developed a new production method for fish oil that ensures good taste and is highly effective in removing undesirable substances. The company has also developed customised omega-3 oils for the bakery and dairy sectors.

Reduction of sugar content in drinks, yoghurts and ketchup.



70 percent reduction in saturated fat in certain snack products.



Bread with high fibre content.



## SUPPLIERS

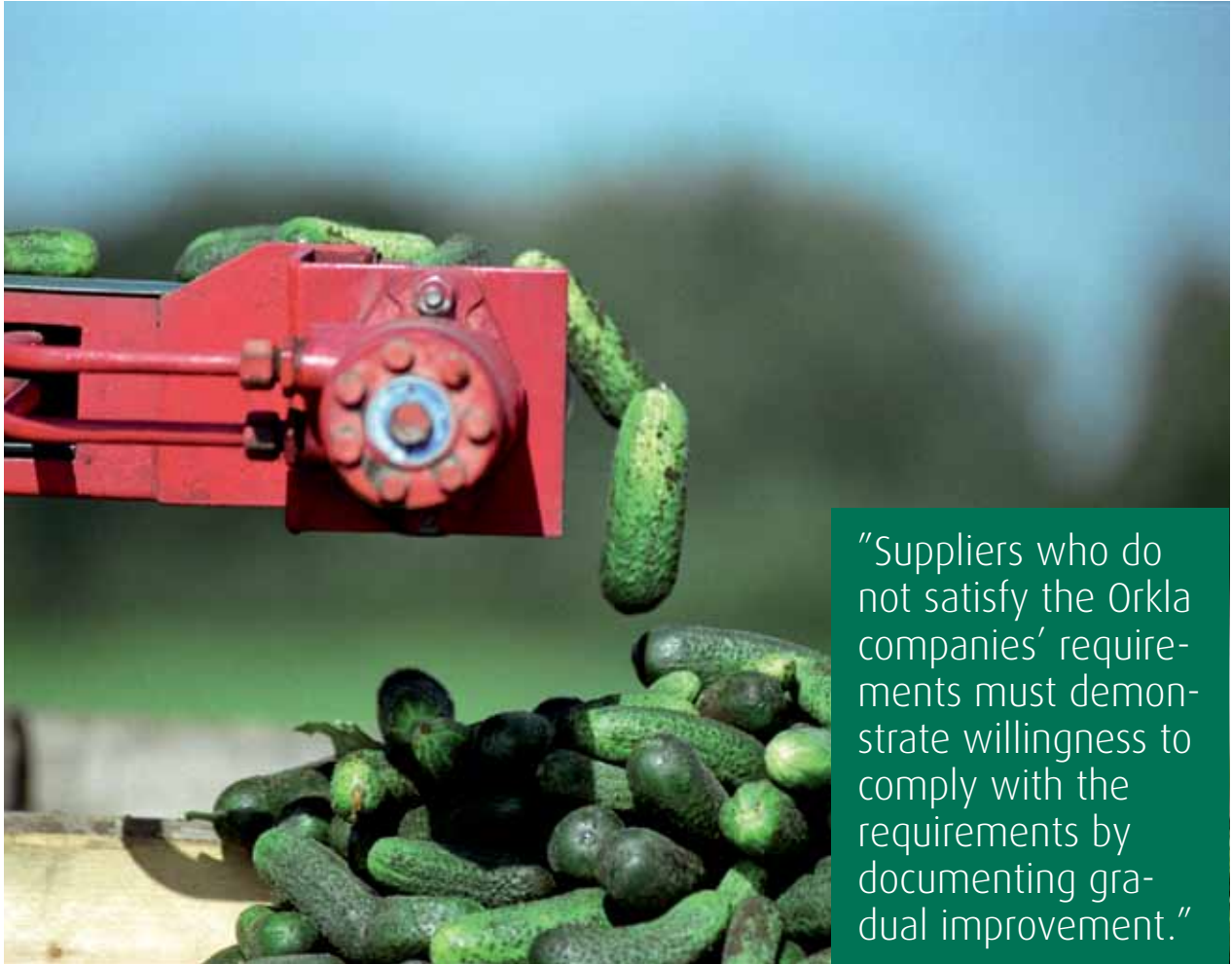


Photo: Procordia

"Suppliers who do not satisfy the Orkla companies' requirements must demonstrate willingness to comply with the requirements by documenting gradual improvement."

## Responsible Sourcing

Orkla seeks to set clear requirements for its suppliers in relation to quality and product safety, human rights, working conditions, environmental management and anti-corruption efforts. Orkla's suppliers are important cooperation partners, and the Group wants to promote improvements actively through its companies.



In accordance with Orkla's decentralised organisational structure, purchases are made by the individual Group companies, although purchasing is coordinated within business areas wherever appropriate. The companies make a significant proportion of their purchases from suppliers in the country or region in which they are located.

### Risk assessment

The Orkla Supplier Code of Conduct describes the ethical standards the Orkla companies set for their suppliers in relation to business practices, working conditions and environmental management. The requirements are based on UN and ILO conventions and Orkla's basic values. Orkla wishes to ensure that production in all parts of the supply chain complies with these requirements.

The large number of suppliers to the Orkla companies makes it important to give priority to the follow-up of the suppliers deemed most at risk. To identify these, the Group encourages companies to carry out systematic risk

assessments, in which certain countries, production methods and product categories are given a special risk weighting.

### Supplier follow-up

Encouraging continuous improvement is an important basic principle for supplier follow-up. Orkla's responsible sourcing principles require at-risk suppliers to be followed up through inspections, dialogue and, if relevant, orders to make improvements. For example, Orkla companies may demand access to the premises of producers who supply goods to them, to permit inspections to be made. Such inspections may be carried out by the companies' own employees or by external auditors. Supplier inspections must always be followed by an improvement plan, which should contain a schedule for the implementation of improvement measures.

Suppliers who do not satisfy the Orkla companies' requirements must demonstrate willingness to comply with the requirements by documenting gradual

improvement. In the event of gross breaches of Orkla's requirements or the absence of improvements over time, the supplier relationship is terminated.

The Orkla companies have many suppliers, and the follow-up of Orkla's Supplier Code of Conduct is therefore a time-consuming task. Moreover, the Group's diversified structure means that the companies use suppliers in very different sectors and countries, and different follow-up and improvement measures are thus required. Orkla's suppliers take three main forms: contract manufacturers, direct suppliers of raw materials and inputs, and complex supply chains in which social challenges may lie with suppliers several links further up the supply chain.

Contract manufacturers and direct suppliers can be followed up directly. Companies have less influence in the case of product categories with more complex supply chains, and follow-up can often be difficult. Cocoa and palm

## SUPPLIERS – RESULTS AND OBJECTIVES

AREA	RESULTS 2010	OBJECTIVES 2011/2012
Procedures	Roll-out of common procedures for responsible sourcing has begun at Orkla Brands, Elkem and Borregaard.	All Orkla Brands and Sapa companies are to implement procedures to ensure compliance with Orkla's Supplier Code of Conduct.
Supplier follow-up	General risk assessment carried out of suppliers which in total account for more than 35 percent <sup>16</sup> of the Group's purchasing volume.	Identify the risk of breaches of Orkla's Supplier Code of Conduct in respect of every supplier <sup>17</sup> .
Training	Sixty percent of the Group's purchasing managers have received training in Orkla's general principles for responsible sourcing.	All purchasing managers must have received training in responsible sourcing procedures.
Food safety in purchasing	<ul style="list-style-type: none"> <li>Implementation of the Orkla Food Safety Standard in Purchasing initiated.</li> <li>Forty-seven internal food safety auditors qualified.</li> <li>IT system for supplier approval adopted by the majority of the Orkla Brands companies.</li> </ul>	Ensure a consistently high level of food safety in purchasing through full implementation of the Orkla Food Safety Standard in Purchasing.

<sup>16</sup> Estimate based on current procedures.

<sup>17</sup> A risk assessment is carried out in respect of suppliers where the value of annual purchasing contracts exceeds NOK 250,000.



Photo: Procordia

Procordia focuses on local produce. A significant proportion of the raw materials the company uses are produced in Sweden. The majority of the vegetables used in production, such as potatoes, cucumbers and beetroots, are supplied by local vegetable cultivators



At Sapa Heat Transfer in Shanghai, developing long-term collaboration with suppliers is a priority. The company requires all its suppliers to comply with applicable regulations, and evaluates the suppliers' environmental performance. Where possible, local suppliers are preferred, and sustainability is one of the assessment criteria for choosing suppliers.  
Photo: Sapa

oil are examples of product groups which require special follow-up measures. This is the reason for Orkla's initiative focused on cocoa production in the Republic of Côte d'Ivoire, which is described on page 32. Industry cooperation and the harmonisation of standards and follow-up tools across sectors and geographical locations are impor-

tant in relation to both complex supply chains and supplier follow-up in general, in order to raise standards linked to working conditions, the environment and ethical considerations.

### Cooperation partners and international solutions

International cooperation and harmonised systems for risk assessment and supplier audits are important means of reducing the workload imposed on suppliers in connection with such follow-up, and of ensuring that efforts have a broad effect. The organisation Sedex offers a shared web-based system for collecting and sharing information about working conditions in supply chains. Orkla Brands's membership of Sedex gives Group companies access to a standardised risk assessment that enjoys broad international acceptance, and ensures uniform supplier follow-up for a large number of companies across different sectors. By using the supplier audits of Sedex and third parties, the Orkla Brands companies are able to conduct locally adapted, efficient follow-up of their most at-risk suppliers in a manner that also benefits the suppliers, as the work can be more easily shared with other customers.

Orkla Brands participates in AIM PROGRESS, an open industry cooperation project intended to ensure coordinated, efficient improvement efforts in global supply chains. AIM PROGRESS

is an initiative of the European Brands Association and its US sister organisation, the Grocery Manufacturers Association, and comprises 24 global consumer goods companies. Among other things, AIM PROGRESS provides training to the supply chain on issues linked to responsible production conditions.

### Skills-building and internal procedures

The Group's requirements and general responsible purchasing principles were formulated in 2009, and are currently being implemented. Orkla's decentralised Group structure means that each company is independently responsible for establishing risk assessment procedures and following up on suppliers.

In 2010, around 200 managers and purchasing staff completed internal training on Orkla's strategic responsible purchasing principles. Orkla Brands has also established a network of responsible sourcing officers in 2010, covering 20 companies. The purpose of the network is to exchange experiences and promote cooperation. Network participants have completed two days of training under the Orkla Brands responsible sourcing programme and participated in web-based meetings to share experiences and receive guidance. Moreover, Orkla Brands has established a support function which is to guide companies in

the implementation of the Orkla Brands responsible sourcing programme, the use of tools like Sedex, and efforts to strengthen the general understanding and management of risk.

Borregaard revised its procedures for the approval of new suppliers in 2010, improving them with regard to the follow-up of the company's ethical supplier requirements. Borregaard has also begun working with Sedex, and has started to use Sedex's tools for supplier risk assessment. All employees in Borregaard's purchasing department have completed training on Orkla's strategic responsible sourcing principles, and other relevant training measures have also been implemented. Risk assessment and supplier follow-up will continue in 2011.

In 2010, Elkem completed a risk assessment of approximately 120 suppliers. The company routinely informs all suppliers of the Orkla Supplier Code of Conduct in connection with visits. Elkem carried out audits of four Chinese suppliers in 2010, in addition to arranging five internal workshops on responsible purchasing for purchasing staff and plant managers.

Sapa will begin introducing systematic supplier follow-up in 2012, one year later than originally planned. In 2010,

more than 10 of Sapa's purchasing managers participated in courses under Orkla's responsible sourcing programme offered by the Orkla Purchasing Academy.

### Food safety in purchasing

Consistently high levels of product quality and food safety are crucial for the Orkla companies. The food safety efforts of Orkla Brands's foods companies have been further strengthened in recent years through the implementation of a system for approving and following up on suppliers. This system was developed in 2008, and has been implemented in the period 2008–2010. In total, 47 Orkla Brands employees have qualified as food safety auditors during this period. The training consists of a two-day seminar, followed by training audits carried out with trained auditors.

Following a successful pilot project in 2009, the IT system for food safety-related supplier approval was rolled out to the Orkla Brands companies in Sweden, Norway, Denmark, Finland, the Baltics, Austria, Poland, Portugal, Slovakia and the Czech Republic in 2010. More than 70 employees of these companies have completed training in the use of the new system.

Also in 2010, based on a risk assessment, food safety audits were carried

out on suppliers to Orkla Brands companies. The results of the audits showed that more than 80 percent of the audited suppliers achieved a satisfactory food safety standard, while the remaining suppliers had to implement improvement measures in order to continue supplying Orkla Brands companies. During 2010, more than 600 suppliers were asked to complete a self-evaluation of their ability to comply with the requirements of Orkla Brands. These evaluations, along with other parameters like inherent risk and the companies' experiences of a given supplier, will serve as the basis for assessing which suppliers are to be audited in 2011. The initial roll-out of Orkla Brands's supplier approval procedures to the Indian and Russian companies is also planned for 2011.

"International cooperation and harmonised systems for risk assessment and supplier audits are important means of reducing the workload imposed on suppliers in connection with such follow-up, and of ensuring that efforts have a broad effect."



Photo: Procordia



# Sustainable Cocoa Production

Nidar gives priority to skills-building and cooperation when tackling the most difficult challenges in the chocolate industry – the conditions faced by cocoa farmers in the Republic of Côte d'Ivoire.

The mayor of Trondheim and almost 50 Nidar employees comprised the welcoming committee when the very first tanker carrying certified cocoa from Côte d'Ivoire arrived at the factory on 15 November 2010.

The aim is for all Nidar chocolate to be produced from certified cocoa by 2015. The percentage of certified cocoa will be increased year by year, depending on the supply of certified cocoa from Côte d'Ivoire.

## Utz Certified

Nidar has selected the certification standard Utz Certified. Utz ensures that the cocoa is cultivated under sustainable conditions, and provides the cocoa farmers with agricultural training. This helps to secure higher incomes and better living standards for the cocoa farmers of Côte d'Ivoire.

"Ever since the first course, I have seen improvements in my cocoa field. I know how to remove the poor cocoa fruits and take care of the good ones. This gives me a healthier crop. I can prevent disease and rot, and have

learned to clean the crop more efficiently. I see that the crop is healthier, and also save money because I use fewer pesticides," explains Marculio Kpiby, a participant in Utz's four-year training programme.

## Important for the employees

"The focus on child labour and the poor conditions faced by cocoa farmers in Côte d'Ivoire has made an impression on Nidar's employees for many years. Our announcement last summer that we were going to switch to certified cocoa therefore generated considerable joy within the company. Our employees are genuinely concerned to ensure that Nidar takes responsibility for this part of the value chain," says Nidar's managing director, Inger Johanne Solhaug.

## International cooperation

Cocoa is the most important raw material and export product of Côte d'Ivoire, the world's largest cocoa producer. With more than 1.5 million small cocoa farms, a high illiteracy rate and poor infrastructure, there is a need for a holistic development of

cocoa communities in order to secure a broad, permanent improvement in living conditions. Accordingly, in 2010, Nidar and the Norwegian Association of Chocolate Manufacturers, along with the United Nations Development Programme (UNDP), launched the idea of an international cooperation project aimed at promoting sustainable cocoa production in Côte d'Ivoire. The objective is to establish long-term cooperation between chocolate manufacturers, authorities and expert organisations regarding measures to strengthen cocoa communities and increase the welfare of cocoa farmers. The project was presented in a concept form to companies and authorities in Norway, Sweden, Denmark and Finland in 2010, and is currently at the design stage. However, the political conflict that arose in Côte d'Ivoire following the presidential election in November 2010 has necessitated a temporary suspension of the project pending the resolution of the situation. Several other Orkla companies, Panda, Göteborgs Kex, Sætre, Stabburet and Bæcks Conditori, are considering becoming involved in the project in addition to Nidar.



The certification standard UTZ CERTIFIED covers agricultural training.



Inger Johanne Solhaug, Managing Director of Nidar

Photo: Nidar

Photo: Nidar



## ORKLA AND SOCIETY



Illustration: Inspira ScienceCenter

"The Orkla companies' contributions in areas such as research, education, culture, sport and charitable work benefit both Orkla and society at large."

## Positive Interaction

Many Orkla companies hold strong positions in their markets and local communities, and generate positive economic and social ripple effects. Interaction with the authorities and society for the common good is necessary for future value creation within Orkla.

### Positive economic ripple effects

The value creation of the Group flows back into local societies in a number of ways. Employee pay, taxes and charges, and payments to suppliers are all examples of the positive ripple effects of Orkla's profitable business operations. The Orkla companies' contributions in areas such as research, education, culture, sport and charitable work benefit both Orkla and society at large. The part of created value that is not distributed in the form of dividends to Orkla's many shareholders is reinvested as equity capital, thus strengthening the Group's ability to develop further and ensure long-term profitability.

### Involvement in good causes

Many Orkla companies are cornerstone businesses in their local communities. By cooperating with and lending support to organisations active in sport, education, culture and charitable work, the Orkla companies help in various ways to strengthen the local communities of which they are a part. Such cooperation ranges from pure monetary donations to cooperation on events, informational measures, and trainee and exchange schemes. The Orkla companies describe their involvement on their respective websites.

At Group level, Orkla's sponsorship and support projects amounted to NOK 11 million in 2010. The most important of these include:

#### SOS Children's Villages

Orkla has been the main cooperation partner of SOS Children's Villages since 2000. Orkla's contributions for the period 2009–2013 have been earmarked for the construction of a children's village in Pleiku in Vietnam. The project was a natural choice given the Group's increased focus on Asia.

#### The Norwegian National Opera & Ballet

Orkla is a cooperation partner of the Norwegian National Opera & Ballet. In addition to providing employees and business partners with the opportunity to experience outstanding cultural events, Orkla's box is used for meetings and other activities.

#### The Nobel Peace Center

Orkla is one of the main sponsors of the Nobel Peace Center in Oslo. The Peace Center works to inform people about the Nobel Peace Prize, the Peace Prize winners and their work, and to generate debate about and engagement in matters such as war, peace and conflict resolution. The Oslo Center for Peace and Human Rights.

Orkla's support for the Oslo Center for Peace and Human Rights will end in 2011, following a four-year cooperation period during which Orkla contributed NOK 5 million in total.

#### The Inspiria ScienceCenter

Orkla ASA, in cooperation with Borregaard, is one of the main sponsors of the Inspiria ScienceCenter, which is

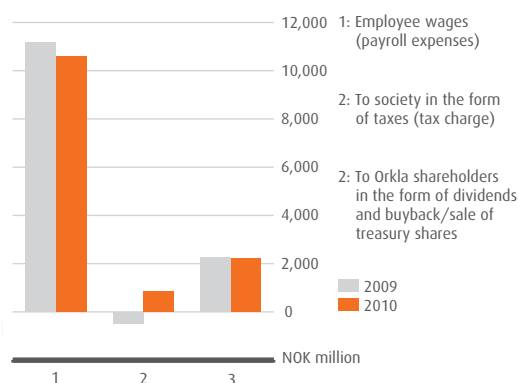
currently being constructed in Østfold. The ScienceCenter will be an important means of increasing understanding of and interest in the natural sciences in society in general, and in the school system in particular. The Group is involved in the ScienceCenter's work in the areas of health, the environment and energy. Sapa has supplied materials for the building, which will be among the largest of its kind in Scandinavia.

### Collaboration with schools

Orkla's many industrial companies are dependent on access to employees with the right qualifications for production and research-related positions. Orkla companies therefore support measures aimed at increasing young people's interest in scientific and industrial subjects, not least through collaboration with primary and secondary schools, university colleges and universities.

"Orkla's many industrial companies are dependent on access to employees with the right qualifications for production and research-related positions."

Value Creation at Orkla



The figures do not include Elkem



Photo: SOS Children's Villages

Orkla is financing the construction of a new children's village in Vietnam.



Sapa employees and managers are working together on a project to build seven houses for earthquake victims in Haiti

Employees from Sapa Profiler AB in Vetlanda, Sweden, lectured at 34 universities and university colleges in 2010. Sapa Heat Transfer in Finspång, Sweden, is a part-owner of the local school Curt Nicolin, where company staff teach courses designed to stimulate students' interest in technology and engineering subjects. Similarly, Borregaard has provided extensive support for school activities and measures aimed at increasing interest in and understanding of the sciences through youth business establishment programmes, mentoring schemes and joint projects with the Østfold school administration. In two major projects, a new teaching programme in general technical studies and a chemistry programme at Østfold University College were established.

Four young employees of various Elkem companies serve as role models in a government initiative to encourage young people to choose scientific subjects, [www.rollemodell.no](http://www.rollemodell.no). In 2010, Elkem won recognition in the form of a "yellow jersey" awarded by the Confederation of Norwegian Enterprise for its effective efforts to find industrial apprenticeships for young people.

Many of the Orkla Brands companies work closely with local schools on vocational training, and have well-established apprenticeship programmes. Several companies also collaborate with relevant university colleges.

Among other things, Procordia has developed successful cooperation with the Skåne Food Innovation Network. This involves the company participating in teaching and running a work-experience scheme for students.

### Research of public benefit

Research and development are important for Orkla, at both Group and company level. Much of the research that Orkla supports, or carries out itself, is related to important social issues such as the effective utilisation of resources, increased use of renewable raw materials, energy conservation and new forms of energy. Research on health and nutrition is also pivotal for Orkla.

### The Group

In 2004, Orkla and Elkem donated NOK 45 million to the Research Council of Norway in connection with Orkla's 350th anniversary and Elkem's 100th anniversary. The funds are being used to finance long-term, independent research in areas of interest to the business sector. Funding recipients include projects within the food programme of the Research Council of Norway, which aims to promote Norwegian food research. The donation from Orkla and Elkem triggered a 25 percent increase in State grant funding. Along with interest received on the funds, this has made it possible to provide support totalling NOK 64 million to 13 research projects.

Two projects that were partly financed using funds from the donation were initiated in 2010. The Institute for Research in Economics and Business Administration (SNF) launched a project that is intended to improve the knowledge base for the formulation of public competition policy. The project has been awarded NOK 5 million by the Research Council of Norway. The Norwegian Veterinary Institute in Oslo initiated a project which aims to develop tools for routine controls and risk identification connected to pathogenic nematodes and allergens in fish and seafood. NOK 7 million has been allocated to this project.

### Borregaard

Borregaard employs around 60 people in the area of research and development, and almost a quarter of its industrial turnover is generated by newly developed products launched within the last five years. The company has a separate unit dedicated to business and technological development in connection with its biorefinery concept. In the past two years, Borregaard has received widespread acclaim for its research work, and been granted research support by the EU, the Research Council of Norway and Innovation Norway (See page 10).

Following the identification of Borregaard's plant as a possible source of the outbreaks of Legionnaires' disease in Sarpsborg in 2005 and 2008, Borre-



gaard has initiated and contributed to several research studies intended to increase knowledge about Legionnaires' disease. The research supplements the damage limitation and preventative measures implemented by the company. In cooperation with the Norwegian Defence Research Establishment and international experts, the company has undertaken extensive studies and surveys of various factors related to the growth and spread of Legionnaires' disease, not least in connection with biological treatment plants. These activities have provided Borregaard with a wide range of measures that combine good purification measures with Legionnaires' disease-proof operations. The research has given the company, the industry in general and the authorities new, cutting-edge knowledge that strengthens their ability to implement measures in future to reduce the risk of outbreaks.

#### Sapa

Sapa is increasingly focusing on solutions that are tailored to specific customer needs, as a result of the company's "Towards Solutions" strategy. Sapa's Innovation Centres play a key role by enabling customers to take part in the product development process along with Sapa's highly qualified personnel. In view of high energy and raw material prices, durability, recycling possibilities and energy-saving solutions are in demand in the market. An example from 2010 is the new train station in Utrecht, the Netherlands, where Sapa Building System is designing and manufacturing an innovative roof and facade structure based on the use of glass and semi-transparent modules with integrated solar panels. Aluminium is an attractive construction material for cars, because its low weight helps to reduce fuel consumption. In 2010, within its AA6000 range, Sapa Profiler developed and applied for a patent for a new alloy of aluminium, magnesium and silicon that has special collision properties.

Since the late 1990s, Sapa Profiler in Slovakia has worked closely with the Institute of Materials and Machine Mechanics of the Slovak Academy of Science on pilot and full-scale testing of promising research ideas. This collaboration has resulted in the development of an extrusion process for advanced aluminium alloys with a high

silicon content for use in stators. A project for the extrusion of complex light metals has received funding of EUR 2 million, or around NOK 16 million, from the EU's research fund.

#### Orkla Brands

Orkla Brands companies are among the supporters of research conducted by Lund University in Sweden into the effect of various foods that are claimed to have "anti-inflammatory" impacts on healthy people. Diets with a high content of anti-oxidants and whole-grain products have been found to reduce cholesterol by up to 33 percent, to reduce blood pressure and to reduce the risk of blood clots. Orkla Brands is also working with the Antidiabetic Food Centre on research into overweight and diabetes. A cooperation project with Sintef is focusing on the reduction of the salt content of fish and meat products.

#### Elkem

Around 80 people at Elkem work on research and development. The results of their development efforts include a new, energy-saving metallurgical process for producing silicon for the solar cell industry. The solar factory in Kristiansand produces solar grade silicon using one quarter of the energy consumed by comparable plants that employ traditional technology.

In cooperation with Kvadraturen Skolesenter (Kvadraturen school centre) and the University of Agder, Elkem Solar is comparing the efficiency of the product Elkem Solar Silicon® in Norway and Kenya. In 2010, the test station on the roof of Kvadraturen Skolesenter in Kristiansand was officially opened. Two doctoral students from the University of Agder are monitoring the project, which will run for three years. The project is also intended to increase interest in the natural sciences at the school, and to boost Elkem's recruitment efforts.

Professor Otto Lohne of the Department of Materials Science and Engineering at the Norwegian University of Science and Technology (NTNU) was awarded the Elkem Research Fund Innovation Prize for 2010. Through his work at NTNU and for SINTEF, Otto Lohne has built up a considerable volume of research and teaching activity in the area of solar cell materials. Elkem is also supporting a Master's thesis in the area of materials science and engineering, and a doctoral research fellow focusing on metallurgy.



Sapa Building Systems is developing a profile solution with integrated solar panels for the train station in Utrecht, the Netherlands.

Illustration: Sapa



# Being a Good Neighbour

The Orkla-owned company Borregaard is an enterprise rich in history. Its first industrial plants were founded in the 1600s, while the modern industrial operation really took off in 1889. Today, Borregaard is an international company with operations in 20 countries in Europe, the USA, Asia and Africa. Borregaard owns one of the world's most advanced, sustainable biorefineries. Using Norway spruce, the company produces advanced, environmentally friendly biomaterials, biochemicals and bioethanol that can replace oil-based products. Borregaard also holds strong positions in the ingredients, fine chemicals and energy sectors. Borregaard's presence has significant positive ripple effects on the local community. Borregaard's head office is located in Sarpsborg, Norway, which is also home to Borregaard's largest manufacturing plant and the company's research and development department. Borregaard Sarpsborg has 750 employees and sales of NOK 2.5 billion, and is thus an important institution and cornerstone business in Sarpsborg. In order to attract and retain well-qualified staff, the company is reliant on the Sarpsborg region being an attractive place to live and work. As a major employer of engineers and science graduates, Borregaard attaches great importance to generating interest in the natural sciences among children and young people.

Borregaard's sponsorship and donations strategy is based on this principle, and the company is also engaged in a number of educational measures. In order to make the region more attractive, Borregaard has become involved in various regional and city development initiatives, such as city planning, the opening of Rygge airport, the establishment of a marketing and tourism office, and the trade association Vekst i Sarpsborg (Growth in Sarpsborg). Borregaard also supports measures focused on the school system and cultural and sporting initiatives. Each year, Borregaard donates approximately NOK 2 million to various measures in the Østfold region.

## Young people and the natural sciences

Orkla and Borregaard are among the largest contributors to the Inspira ScienceCenter in Sarpsborg, Scandinavia's biggest institution of its kind. Their support has also included the financing of a chemistry laboratory and the use of Borregaard's staff resources. Further cooperation is planned, which will take place at the ScienceCenter. Borregaard has assisted in the introduction of natural science studies at a local upper secondary school, and is participating in the "Lektor-II" scheme, which involves, among other things, Borregaard researchers teaching chemistry at upper secondary level. Borregaard provides a number of work experience and apprenticeship positions for upper secondary students. It is also engaged in cooperation with Østfold University College, which includes offering work experience positions to chemistry students at the university college.

## Sport and culture

Borregaard supports the cultural sector in Sarpsborg, and has provided a plot of land for the potential construction of a new cultural centre in the city. Borregaard has supported football in Sarpsborg for almost 100 years, but also helps to ensure that those interested in other sports, like ice hockey, handball, cross-country skiing and golf, are able to pursue their hobbies.



Photo: Kyrre Lien



Photo: Kyrre Lien

Borregaard is a major employer in Sarpsborg.

# The Global Compact

Orkla joined the UN Global Compact in 2005, and is now one of more than 8,000 companies and organisations that promote the ten core principles of the initiative in connection with human and workers' rights, the environment and anti-corruption efforts. Participation in the Global Compact obliges Orkla to make annual status reports. Orkla uses the Sustainability Report and EHS Report to document the Group's efforts in these areas. A summary of where information may be found about Orkla's efforts with regard to each of the ten Global Compact principles is provided in the Group's sustainability reports; see [www.orkla.com](http://www.orkla.com).



# The Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) is an institution run by various stakeholders, who collaborate on the development of global guidelines and standards for sustainability reporting. Both Orkla's corporate responsibility efforts and its Sustainability Report for 2010 are based on recommendations found in the GRI's guidelines (G3). Orkla reports on GRI indicators relating to topics of responsibility that are important to the Group as a whole. Given Orkla's diversified and decentralised organisational structure, the choice of reporting indicators is also based on an assessment of appropriateness from a resource-use perspective. Orkla has therefore chosen to implement partial reporting in respect of certain indicators. GRI defines 10 reporting principles and, in Orkla's view, the Group's reporting practices comply with these in all material respects. We have self-assessed our reporting to be GRI Application Level B.

A summary of where information may be found about the GRI indicators is provided in Orkla's sustainability reporting; see [www.orkla.com](http://www.orkla.com)

# Information About this Report

This report presents Orkla's corporate responsibility work in 2010. Orkla's Sustainability Report is published annually, at the same time as Orkla's Annual Report and EHS Report. In 2011, all reports were published on 24 March, while the 2009 reports were published on 25 March 2010. Older reports are available at [www.orkla.com](http://www.orkla.com). This report relates to the financial year 2010. Unless otherwise specified, key figures are quoted as at 31 December 2010, and for the Orkla Group as whole, including Group companies. Data from previous years which are referred to in this year's report have not been recalculated in relation to earlier reports. In order to facilitate comparison with figures in next year's reports, key figures for 2010, both for the Group as a whole and for continuing operations, have been quoted exclusive of Elkem, which was sold in January 2011.

The report should be read in conjunction with other information available in Orkla's Annual Report and EHS Report, and on its website. While the Sustainability Report provides a general description of the Group's efforts in 2010, more detailed descriptions of the measures implemented by individual companies and of the Group's procedures are published on [www.orkla.com](http://www.orkla.com). Some changes have been made to

the report structure in 2010 compared to Orkla's 2009 Sustainability Report. A new chapter on Orkla's business has been included to provide a better overview of the Group's structure and operations. Information about internal EHS efforts and efforts relating to external environmental issues has been collated into a dedicated EHS chapter in order to highlight the Group's EHS work. Information about the Group's procedures for responsible investment has been removed from the report, but is available on the Group website. Content summaries for 2010 in accordance with the GRI and the Global Compact's 10 principles are also available solely on the website.

The information in the report is based on input from many different units and sources of data. Great emphasis has been given to ensuring that the information is correct. The report presents the main themes of the Group's corporate responsibility efforts and related results and measures. However, the report does not aim to cover all the detailed matters that may be important for individual local businesses, activities or products. Orkla values external views on its efforts to develop and improve the Group's corporate responsibility performance. Comments on

the report and feedback on the Group's work may be sent to [info@orkla.com](mailto:info@orkla.com).

The thematic approach and the treatment and selection of information are based on the GRI principles for good reporting practice. In its corporate responsibility work, Orkla attaches importance to identifying the material and relevant challenges that the Group faces, and concentrates its efforts on areas in which the Group has great influence. The precautionary principle and the life-cycle principle must permeate both the Group's decisions and its activities, and information about the results of Orkla's corporate responsibility efforts must be provided in an open and confidence-building manner. The report has not been verified by an external third party.

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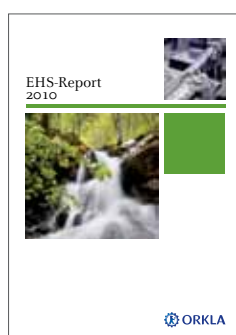
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