
SUSTAINABILITY REPORT

2009



THE ORKLA GROUP

Orkla operates in the branded consumer goods, aluminium solutions, renewable energy, materials and financial investment sectors. Group sales total approximately NOK 56 billion. Orkla has 30,000 employees and operates in approximately 40 countries.



¹ Operating profit before amortisation, gain on sale of power assets, restructuring and significant impairment charges.

KEY FIGURES ¹	2009	2008	2007	2006	2005
Operating revenues (NOK million)	56,228	65,579	63,867	52,683	55,304
EBITA ² (NOK million)	2,448	4,240	5,112	5,084	4,805
EBITA-margin ² (%)	4.4	6.5	8.0	9.7	8.7
Ordinary profit before tax (NOK million)	1,071	-2,015	10,059	8,525	7,206
Earnings per share, diluted (NOK)	2.5	-2.8	8.1	10.9	5.6
Return on capital employed, from industrial activities ³ (%)	5.2	9.4	11.5	13.0	11.4
Return on Share Portfolio (%)	39.0	-45.3	16.2	27.4	38.4
Equity ratio (%)	51.7	47.7	58.3	60.4	50.8

¹ Historical figures for 2005-2007

² Operating profit before amortisation, gain on sale of power assets, write-down inventory Sapa Profiles in 2008, restructuring and significant impairment charges.

³ See definition on page 123 in Orkla's Annual Report.

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THE SUSTAINABILITY APPROACH

The current global economic and climate challenges underscores the importance of using sustainability as a parameter for measuring development. Both for society at large and for Orkla, 2009 was a year of rethinking what it takes to create sustainable growth.

The international crisis in the financial and real economy made it necessary to restructure operations and implement workforce cuts in several parts of the Orkla Group in 2009. Restructuring at Orkla is a question of systematic re-design of activities and continuous organisational development. Also when unforeseen restructuring processes are required, as was the case in 2009, the Group attaches importance to balancing short-term and long-term considerations. At Sapa, management and trade union representatives agreed to implement a temporary reduction in working hours in order to reduce the need for dismissals. This is an example of a win-win solution. The impact on employees was cushioned, while Sapa retained its ability to increase capacity rapidly when the market situation improved.

The financial crisis and climate challenges have given rise to renewed debate about how to ensure a sustainable development of society that safeguards the needs of both present and future generations in a satisfactory manner. In order to earn society's trust, we must ensure that Orkla's activities create positive ripple effects and contribute to desirable social development. In 2009, Orkla took up the concept of corporate responsibility for renewed debate within the Group. Among other things, it was a key topic at a conference attended by all of the Group's Managing Directors.

In Orkla's decentralised organisational model, each company has independent responsibility for its operations. The Group's emphasis on local responsibility

and proximity to the local market is also a strength of Orkla's corporate responsibility commitment, which is predicated on a strong awareness of the company's responsibility towards both the community of which it is a part and the company's stakeholders. The ability to understand the needs of customers, employees, shareholders, authorities and other stakeholders, and to respond effectively to these needs, is crucial to achieving long-term trust and profitability.

Orkla's decentralised responsibility structure is founded on the assumption that every part of the Group operates on the basis of a common set of norms and values. In recent years, the Group has increasingly established common standards to ensure more uniform practices in areas such as EHS, food safety and supplier monitoring. The Group's environmental policy was revised in 2009, and new, common guidelines were established for suppliers. The Group also intensified its efforts to combat all forms of corruption by developing a new anti-corruption manual and appropriate training tools. Work on revising and further developing the Group's common guidelines and systems relating to ethics and corporate responsibility will continue in the years ahead. These efforts will also strengthen the Group's long-term competitiveness.



Dag J. Opedal
President and CEO
Orkla ASA



«To earn society's trust, we must ensure that Orkla businesses create positive ripple effects, and contribute to desirable social development»

CORPORATE RESPONSIBILITY AT ORKLA IN 2009

Corporate responsibility has been a current topic in 2009, both in general social debate and internally at Orkla. Expectations regarding the contribution of business and industry in this area are being defined more specifically. Moreover, the efforts to achieve a new global climate agreement in 2009 have increased awareness of the fact that a more sustainable society can only be created through productive interaction between public authorities, business and industry, and society at large. In 2009, Orkla continued to implement improvements in fields such as EHS, human resource development and product safety. At the same time, corporate responsibility became an even clearer overarching priority on the Group's management agenda this year, and internal systems were improved in several areas.

A clear division of responsibility is essential to the effective use of resources to generate good results. Consequently, Orkla takes a positive view of the work now being carried out under the auspices of the United Nations and the OECD to define what the duty of business and industry to respect man and the environment should entail in practice. Greater international consensus on the obligations of business and industry and a clearer division of responsibility between public authorities and the private sector will generate better results and ensure that resources are used to better effect.

At the same time, dialogue and collaboration between business and industry and the rest of society will be increasingly important both as a source of ideas and input for stakeholders' own efforts and for achieving mutual trust. In 2009, the Norwegian Government published a white paper on corporate responsibility in a global economy, which emphasised the importance of cooperation between public authorities, the private sector and other actors in society in meeting global challenges. Orkla's strong position in many markets and local communities enables it to contribute to the development of good industry standards, and to help address some of society's challenges. Some of the most important areas in which Group companies can promote positive social development are climate and energy challenges, labour standards within the Group and in the supplier chain, health and nutrition, and the development of viable local communities.

The Group will use the white paper, the upcoming ISO 26000 standard and other external expectations as a source of inspiration in further strengthening its efforts in these areas in the years ahead.

Orkla requires all Group companies to ensure that they operate in accordance with the Group's Code of Conduct, and with respect for individuals, society and the environment. At the same time, the Group creates positive ripple effects by implementing improvement measures and investing in its businesses. Positive environmental and energy measures often generate cost savings. Needs such as more climate-friendly energy and healthier foods, and solutions to other social concerns, constitute new market opportunities. Orkla believes that corporate responsibility describes a company's overall contribution to society, including efforts that are primarily motivated by commercial considerations.

Main activities in 2009

Orkla's efforts to make continuous improvements to the environmental, health and safety performance of its companies have continued with great vigour in 2009. EHS monitoring is a regular topic of discussion at board meetings at Group, business area and company level, and EHS procedures have been improved in the past few years. Nevertheless, the trend in the sickness absence rate for the Group as a whole was negative in 2009: 4.3 per cent compared to 3.4 per cent in 2008. The injury rate (Lost Work Day Rate – the number of in-

juries resulting in absence per million hours worked), was 4.5 in 2009, compared to 6.2 in 2008. Sadly, three fatal accidents occurred in 2009, underscoring the importance of continuous, systematic efforts to prevent injury.

Orkla is committed to taking responsibility for the environment and limiting undesired environmental impacts throughout the value chain. Life-cycle analyses are an important tool for focusing attention on environmental conditions and prioritising the measures that contribute most effectively to environmental improvements.

Orkla prepares energy and climate accounts based on the international Greenhouse Gas Protocol Initiative. In 2009, the Group also reported to the Carbon Disclosure Project (www.cdproject.net).

Orkla works systematically to develop expertise and its corporate culture. Examples of important activities that continued in 2009 include efforts to increase the proportion of female managers, to provide good training opportunities for young graduates, and to promote the effective recruitment of skilled personnel by offering work-experience placements for apprentices undergoing vocational training. During the year, the Group prepared and began to implement a new anti-corruption manual in order to increase awareness of the corruption issue among Orkla's managers and employees in purchasing and sales positions. Continuous improvement of product



Orkla is working to increase the proportion of women managers. Photo: Marianne Otterdahl-Jensen

safety, customer advice services and customer dialogue have also been important issues addressed by Orkla companies in 2009. The Group continued its efforts in the field of health and nutrition, as well as its efforts to develop more climate-friendly products.

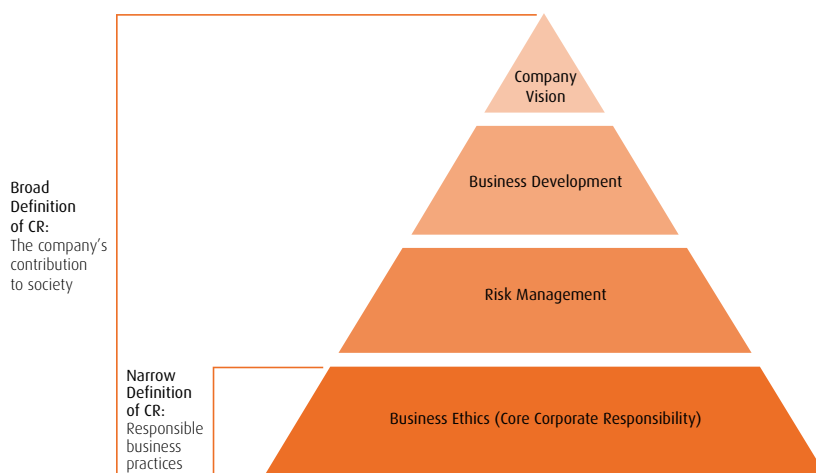
In 2009, Orkla drew up ethical, environmental and working-condition standards that are to be applied in companies' purchasing activities. Common procedures for supplier monitoring were also prepared. These will be implemented gradually in all companies, with a view to improving the companies' ability to identify risk factors and contribute to suppliers' improvement processes.

Many Orkla companies are major employers in their local communities, and contribute to positive community development through dialogue and by providing support for local projects. A number of beneficial initiatives were carried out in 2009.

Under Orkla's multi-local organisational model, each Group company is responsible for its own strategy and operations

within the framework of the Group's values and guidelines. In 2009, Orkla's Corporate Responsibility Forum prepared an assessment of opportunities and challenges in Orkla's corporate responsibility work, which will form the basis for a more uniform, systematic approach to this work across the companies. Corpo-

rate responsibility was one of the topics at Orkla's Senior Management Conference in November 2009. The aim of the conference was to establish a common understanding of this issue, and to lay the foundation for further management discussions within the various companies in 2010.



Corporate responsibility at Orkla

DIALOGUE WITH STAKEHOLDERS

Orkla's business operations are dependent on constructive interaction with society. The ability to understand and address stakeholder needs is essential to the Group in many ways: to ensure the recruitment of necessary staff and that requisite resources, access to capital and operating parameters are present, to ensure understanding of market needs and what is required in order for companies to create further profitable growth, and to build trust in products and companies.



Minister of the Environment and International Development Erik Solheim held a speech during the opening of Elkem Solar's new production plant for silicon feedstock. Photo: Tomm Christiansen

Each company in Orkla must establish measures that ensure an ongoing dialogue with and the involvement of its stakeholders, ranging from employee performance-assessment interviews and customer-service functions to contact with authorities, communication with organisations and participation in external networks. Contact with public authorities and communication with external organisations also take place at Group and business area level. Orkla's Forum for Government Affairs is an internal body comprising representatives from the Group Executive Board, Orkla Brands, Borregaard and Elkem. The Forum discusses both the principles for Orkla's public affairs work and current issues.

Public affairs procedures

Orkla's dialogue with employees, customers, consumers, suppliers, shareholders, investors and local communities is described in separate chapters later in this report. Below is a description of the Group's procedures for maintaining a dialogue with authorities and non-governmental organisations.

Dialogue with authorities and politicians
Orkla companies maintain an ongoing

dialogue with the supervisory authorities in their spheres of activity in order to ensure satisfactory compliance with official operating requirements and to obtain advice on practical problems. This dialogue is conducted by the relevant specialist staff at each factory. The managers of individual companies engage in dialogue with local and national political authorities to find effective solutions to specific issues that affect the company's operations, and to gain acceptance for the companies' goals, plans and needs. For instance, in 2009, key Norwegian politicians visited Elkem in connection with the inauguration of Elkem's power plant at Sauda and Elkem Solar's new production plant for solar-grade silicon in Kristiansand. Borregaard's biorefinery concept, which includes the production of second-generation bioethanol, has aroused increased interest among politicians and professional bodies. This has resulted in a number of visits, presentations and dialogues focusing on the framework conditions for this business. Stabburet, Nidar and Pöltsamaa Felix were also visited by leading politicians during the year.

Orkla Brands Corporate Affairs is engaged in a dialogue with the authorities

in the Nordic region and Brussels on food legislation and trade policy framework conditions. At Group level, Orkla participates in KOMpakt, the Norwegian Ministry of Foreign Affairs' corporate responsibility forum, in order to remain informed about and contribute its views in relevant matters. Orkla is also represented on the Strategic Council for Environmental Technology, which is chaired by the Minister of Trade and Industry and consists of 24 top business executives from relevant industries, the public sector, the Norwegian Federation of Trade Unions (LO) and Bellona, an international environmental NGO. The purpose of the Council is to provide input to, and to monitor, the Government's work on preparing a national strategy for environmental technology.

Much of the dialogue with authorities in the countries in which Orkla is represented takes place through key organisations such as the Confederation of Norwegian Enterprise (NHO), the Swedish Food Federation (LI) and the Confederation of Danish Industry (DI), as well as industry and trade associations.

Dialogue with organisations
Orkla is a member of the United Nations

Global Compact, and participates in the Global Compact's Nordic Countries network, which supports the exchange of experience and enhancement of expertise relating to relevant corporate responsibility issues. Some Orkla companies have established formal cooperation with organisations that can provide them with expert assistance in connection with relevant issues. The companies' trade organisations also assist them in identifying issues and needs that arise during interaction between the companies and society at large, and in conducting a dialogue with external organisations in this connection.

Several Orkla companies have regular contact with major trade unions, and Orkla's Group Executive Board, along with Orkla's union representatives, meets with LO leaders annually. Orkla Brands Corporate Affairs staff have professional contact with both LO and special-interest organisations in the fields of food and agriculture.

Public affairs topics in 2009

The main topics addressed in the Group's dialogue with authorities and society in 2009 revolved around political framework conditions, climate and energy, and health and nutrition.

Political framework conditions

Orkla is committed to promoting equal competitive conditions. In 2009, the Group companies engaged actively in the issue of competitive prices for energy and raw materials for food production. Orkla Brands has conducted a dialogue with the Norwegian authorities on the need to eliminate taxes on chocolate, confectionery and beverages which distort competition. The financial crisis and the authorities' efforts to deal with it were also a topic in Orkla's dialogue with the authorities in 2009.

Climate and energy

In 2009, REC and Elkem Solar were granted funding by the Norwegian Research Council of Norway for the implementation of energy and climate projects. Borregaard received a total of NOK 54 million from the Norwegian Research Council and an EU programme for research on and further development of

AREA	RESULTS 2009	OBJECTIVES 2010/2011
Contact with authorities	Maintained an ongoing dialogue with authorities and politicians on current sustainability issues and framework conditions	Establish common practices for dialogue with external stakeholders
Dialogue with Orkla's Board of Directors	<ul style="list-style-type: none"> Review of the status of CR work for Orkla's Audit Committee Regular reporting on the status of EHS work at Board meetings 	<ul style="list-style-type: none"> Review the status of CR efforts by Orkla's Board of Directors Continue to report regularly on EHS work at Board meetings



Minister of Petroleum and Energy Terje Riis-Johansen was given a tour of Elkem's new power plant at Sauda in connection with its opening. Photo: Elkem

new biorefinery concepts. Borregaard will also benefit from government grants that were given to the energy supplier Hafslund in 2009 to partially finance the construction of a waste incineration plant in Sarpsborg. The plant will considerably reduce Borregaard's oil consumption, and is an important climate measure. Generally speaking, central government support for capital-intensive, often high-risk, environmental projects is important to enable business and industry to invest in this type of improvement measure. In 2009, through their dialogue with the authorities and through public debate, Elkem and Borregaard highlighted the need for financial support for pilot plants focusing on the development of more energy-efficient, environmentally-friendly production processes and products. The development of this kind of technology will make an important contribution to overcoming climate challeng-

es, but entails a high level of risk and substantial development investments.

Health and nutrition

For many years, the food companies in Orkla Brands have encouraged healthier diets by developing healthier foods, improving consumer guidance and product labelling, and exercising caution with regard to marketing directed at children. As part of these efforts, the companies have maintained a dialogue with the health authorities in the Nordic countries and with Scandinavian consumer organisations. Among other things, Orkla Brands has helped to prepare the implementation of the Swedish keyhole labelling system in Norway and Denmark by participating in the definition of criteria for it. Orkla Brands has also helped to draw up new guidelines for the use of health claims in connection with foodstuffs.

EMPLOYEES



Photo: Kyrre Lien

EMPLOYEES

Orkla's primary goal is "developing people - creating value". This expresses both Orkla's ambitions and its obligations. The potential of each individual must be tapped in a way that offers opportunities for his or her positive development while creating value for Orkla. Moreover, working in an Orkla company must not result in injury or illness. The Group considers it a key management responsibility to promote a safe, healthy working-environment that is characterised by trust, involvement and a focus on improvement.

Building competence and corporate culture

Systematic human resource development

Employee skills are largely enhanced through on-the-job training. Everyone must be given opportunities to develop their own abilities and improve the quality of their work. The most important training takes place in direct connection with each employee's own work.

Since 1993, Orkla has organised internally developed training programmes in key areas of expertise. During this period, more than 4,700 employees have attended the Orkla Academies. At the Group's training and conference centre, Borregaard Manor, an average of one centralised Orkla course is held every week, for 40 weeks a year. Every year, between 700 and 800 employees participate in these skill-building programmes.

Orkla works systematically to recruit young graduates. As part of the Young Professionals programme, the Group arranges joint sessions for employees who have recently completed their education with a view to providing the young graduates with a solid platform for further learning and development.

In addition to the Group's centralised training programmes, the various business areas provide a wide range of courses and training sessions. One example is Sapa, which consciously uses practical training tools and methods to improve its business operations. Sapa's business system, Genesis, incorporates principles for operational efficiency which are applied to achieve continuous improvement in all the business units. These principles are based on a "learning by doing" approach. All production plants are required to have Genesis coaches, who coordinate the training and skill-enhancement programmes on the basis of these principles.

As a result of Sapa's decentralised structure, all of its business units have their own training programmes designed to support their local needs. At business-area level, the following training and development tools are offered:

AREA	RESULTS 2009	OBJECTIVES 2010/2011
Anti-corruption work	Prepared a new anti-corruption manual for the entire Group. Implementation commenced	Provide training in use of new anti-corruption manual by means of management sessions and web-based training tools
Gender equality and diversity	The proportion of women in the Group's management teams was 14 per cent, compared to 19 per cent in 2008	<ul style="list-style-type: none"> • Increase the proportion of women managers • Review the Group's guidelines and action plan to ensure diversity • Arrange a gathering for Orkla's women managers
Human resource development	More than 40 centralised Orkla courses were arranged, for around 800 employees	Maintain the quality and scope of the Orkla Academies
Guidelines for business ethics and corporate responsibility (Orkla's Code of Conduct)	Carried out a situation assessment for the Group to identify risk and opportunities from a CR perspective	<ul style="list-style-type: none"> • Revise the Group's Code of Conduct • Further develop internal tools

ORKLA'S CENTRALISED TRAINING PROGRAMMES

ACADEMY/PROGRAMME:	NUMBER OF MODULES AND DAYS:	NUMBER OF CLASSES PER YEAR:
Orkla B2B2D Academy	3 modules of 4 days each	1 new class per year
Orkla Production Academy	3 modules of 4 days each	3 new classes per year
Orkla Finance Academy	1 module of 5 days	1 to 2 new classes per year
Orkla Sales Academy	4 modules of 4 days each	2 new classes per year
Orkla Purchasing Academy	3 modules of 4 days each	1 class per year
Customer and Consumer Orientation (CCO)	1 module of 4 days	1 course per year
Orkla Senior Sales Workshops	1 module of 3 days	2 courses per year
Orkla Senior Brand Workshops	1 module of 3 days	2 courses per year
Orkla Brand Academy	4 modules (2 modules of 4 days each and 2 modules of 5 days each)	2 new classes per year
Orkla Senior Management Programme	3 modules (1 module of 4 days and 2 modules of 5 days each)	1 new class per year
The Orkla B2B Academy	Customer Value Management (2 modules)	As needed

- The EHS University, providing training in environment, health and safety.
- The Sapa Academy for managers and potential managers.
- The Sapa Profiles Academy, offering courses in aluminium profiles that are intended for Sapa customers, but in

which employees may also participate.

- The Genesis University, a programme that supplements regular systems training.
- The systems and benchmarking toolbox, a complementary set of tools including training procedures and manuals.

EMPLOYEES



Courses and human resource development are important parts of Orkla's ongoing improvement efforts. Photo: Kyrre Lien

APPRENTICES IN ORKLA COMPANIES IN 2009

COMPANY	FUNCTION/FIELD OF EXPERTISE	NO. OF APPRENTICES IN 2009
Borregaard	Chemical process operator, laboratory operator, industrial mechanic, electrician, automatician, logistics	26 (Sarpsborg, Norway)
Elkem	Chemical process operator, industrial mechanic, electrician, automatician, automation mechanic, TAF-laboratory operator, and production and industrial technician	41 (Kristiansand, Bremanger, Salten, Thamshavn and Sauda, Norway)
Sapa	Various apprenticeships in the fields of production, maintenance, sales and administration	93* (Finspång and Vetlanda, Sweden; Shanghai, China; Grenå, Denmark; Harderwijk, Netherlands; Lichtervelde and Ghlin, Belgium; Remscheid, Germany; Székesfehérvár, Hungary; Cressona, USA; Ostrava, Slovakia)
Orkla Brands:		
Krupskaya	Food technology and food production technology at university level	8 (St. Petersburg, Russia)
Abba Seafoods	Short traineeships for students at the Swedish University of Agricultural Sciences	
Stabburet	Technical mechanic and production operator	6 (Råbekken, Stranda, Brumundal, Norway)
Nidar	Industrial food production, automaticians and industrial mechanics	13 (Trondheim, Norway)
Spilva	Logistics	1 (Riga, Latvia)
Dragsbæk	Office administration	1 (Thisted, Denmark)
Credin	Office administration	1 (Juelsminde, Denmark)
Bakers	Confectionery and bakery apprenticeships	9 (Trondheim, Bryne, Larvik, Molde, Nordby, Norway)
Lilleborg	Laboratory, automation and chemistry	7 (Ski, Kristiansund, Norway)
Procordia Food	Production, finance, innovation, information	37 (Kumla, Fågelmara, Örebro, Eslöv, Sweden)

*The figures for Sapa are not complete.

Sapa's aim is for more than 80 per cent of training to take place on the job, with the rest taking place in the classroom.

Training tomorrow's workers

Orkla companies require qualified staff in a wide range of specialised fields. The Group therefore collaborates actively with various types of universities, university colleges and upper secondary schools to ensure recruitment and support relevant training programmes. Orkla is also partnering with one of the research centres of the Norwegian School of Management (BI).

The Orkla companies often give presentations at schools and in local associations. For example, management staff and other key employees from Sapa's numerous companies regularly hold guest lectures at technical universities and university colleges on the possibilities and limitations of aluminium, and on the environmental and energy-related aspects of aluminium as a material.

Apprentices

Many of the Orkla companies have established apprenticeship programmes in collaboration with vocational training schools in their local communities. In this way, pupils gain relevant experience as a supplement to their theoretical education. Some companies also offer trainee opportunities for students at university colleges and universities.



Borregaard and Orkla are helping to finance a new Science Center in Østfold. Illustration: Aart a/s, Århus, www.aart.dk

An attractive employer

The employer branding company Universum has conducted its annual Universum Student Survey since 1988. In this survey, students in the fields of business, IT, law and engineering/natural science answer questions regarding their work and career expectations. Based on their responses, an annual Top 100 list of Norway's most popular employers is published. In 2009, Orkla was ranked number ten on this list.

Focus on the sciences in Østfold County

Borregaard requires a large number of employees with an education in chemistry and other natural sciences, and is actively involved in strengthening the focus on these subjects in schools in Østfold. Among other things, a representative of Borregaard's senior management chairs the board of a network that seeks to increase interest in scientific subjects among children and young people in the county. One of the main measures in the campaign is the decision, made in 2009, to establish a new Science Centre. Borregaard and Orkla will contribute NOK 5 million in funding for the project over a period of three years. The new centre will offer learning experienc-

es adapted to different age groups with a view to stimulating interest in mathematics, chemistry and natural-science subjects. The centre will also serve as an arena where teachers can familiarise themselves with new methods for teaching scientific subjects, and as a meeting place for business and industry. Construction is due to start in 2010, and the centre is scheduled to be completed in 2011.

Borregaard is also engaged in close cooperation with Østfold University College and other schools and educational institutions in the area. In 2009, the company supported the re-introduction of a chemistry programme at Østfold University College and the establishment of a chemistry programme for upper secondary schools in Østfold. The new programme is being tested at Greåker Upper Secondary School, in the form of a pilot project launched in the 2009/2010 school year.

Intensified efforts to combat corruption

Orkla has zero tolerance for corruption, and in 2009 intensified its efforts to combat all forms of corruption. A new anti-corruption manual was prepared in 2009, which will apply to all of the

Group's operations. The manual was written in English, and has been translated into Norwegian, French, Russian, Portuguese and Chinese. All language versions are available to Group employees through the Orkla Group Manual.

The purpose of the anti-corruption manual is to increase awareness of and knowledge about issues related to corruption, and to clarify the Group's stance on corruption and procedures for ensuring compliance with anti-corruption legislation. Orkla employees must not, directly or indirectly, give, offer or request, or accept or approve an actual or offered improper advantage in connection with a post, office or commission. Orkla companies must take relevant steps to ensure that Orkla's business partners, including suppliers, are not involved in corruption or other unlawful or unethical activities.

In addition to general guidelines, the anti-corruption manual provides specific guidance on questions relating to gifts, payment of customers' or suppliers' expenses, facilitation payments and other practical issues. Implementation of Orkla's anti-corruption policy began in the autumn of 2009, through manage-

EMPLOYEES



Specialist seminar for Alarga scholarship recipients and their mentors. Photo: Levent Ulltanur

ment meetings and a specially designed, web-based training programme. This programme is intended for employees who may encounter corruption issues in connection with their work. Several seminars on corruption will also be held for the various Group companies.

Gender equality and diversity at Orkla Recruitment

Orkla strives to ensure diversity in its workforce, and is committed to recruiting, developing and retaining the best employees, irrespective of gender or background. An internal diversity committee was established in 2009. In the course of 2010, the committee is to identify and analyse challenges and the need to implement necessary measures within the Group to promote gender equality and prevent discrimination on the basis of gender, ethnic background or disability. In 2009, 33 per cent of Orkla employees were women.

The Group currently recruits equal num-

bers of men and women. To increase the recruitment of candidates with an ethnic minority background, the Group will continue to work closely with the Alarga Foundation. In 2009, Orkla also entered into an agreement with Ambisjoner.no, a website that provides guidance and motivation to young people from minorities in relation to educational and career issues.

Pay and working conditions

Orkla aims to ensure that all employees are paid in accordance with the pay targets and collective wage agreements drawn up by employers' organisations and other bodies in the relevant countries. Orkla emphasises expertise, the complexity of the position, performance and competitiveness in the market, regardless of gender, ethnicity or disability. A further factor that is considered important in promoting gender equality is measures that make it easier to combine a career with family life. In the course of 2010, Orkla plans to carry out a global employee opinion survey to ascertain

employees' views on matters such as equal treatment with regard to pay and working conditions, promotion and development opportunities, by reference to gender, ethnicity and disability.

Promotion and career development opportunities

Orkla aims to achieve a more equitable gender balance, and to have more women in management positions than there are today. In total, 14 per cent of the members of the Group's management teams are women, compared to 19 per cent in 2008. The number of female managers at Orkla is still too low, and efforts to increase the proportion of women will continue. Examples of action taken to raise the percentage of women, particularly in the Nordic businesses, include the mentor programme, a special focus on female managers in annual management evaluations, giving women priority in connection with management development courses, the requirement always to identify a female candidate for

management positions, and the measurement of changes in the gender balance. Further measures will be considered in connection with the work of Orkla's internal diversity committee.

Protection against harassment

Orkla does not tolerate any form of insulting behaviour, harassment, discrimination or other conduct which colleagues, business contacts or others may find threatening or demeaning. All employees are entitled to fair and equal treatment. The topic of discrimination is included in the general working-environment training given by companies, and discrimination is defined as a potential risk factor in Orkla's risk-assessment system. There are established routines for dealing with harassment in the form of a whistle-blowing service for the Group.

Guidelines and support for companies

In recent years, Orkla has introduced more common guidelines and policies on important responsibility issues. In 2010 and 2011, the Group will carry out a revision of the Orkla Group Manual, in which these common guidelines are collected. This will entail, among other things, a review of the Group's guidelines for business ethics and corporate responsibility. At the same time, an assessment will be made of how the contents of the Orkla Group Manual can be communicated through the use of appropriate teaching methods.

In 2009, Orkla established a corporate responsibility function at Group level that provides companies with specialist support for their work in this area.

Cooperation with employees

Orkla considers a well-functioning system of corporate democracy to be important, and in the Nordic countries an estimated 75 per cent of the Group's employees are members of unions. The corresponding percentage for management staff is significantly lower.

The Group has put in place procedures that facilitate positive cooperation between the members of the various trade unions.

The employee share purchase programme

Orkla has had a programme for several years which offers employees the opportunity to purchase a specified number of Orkla shares at a discount. This programme makes it possible for employees of Group companies to participate directly in the Group's value creation. The programme is also intended to increase employees' knowledge about the Group and strengthen their loyalty to Orkla.

Under the programme, which complies with the provisions of the Limited Liability Companies Act, shares were offered to around 28,500 employees in 26 countries in 2009. The employees were given a discount of 25 per cent – the same as in 2008 – and were able to purchase up to 697 Orkla shares. A total of 2,451 employees took part in the programme in 2009, representing just under ten per cent of those who received the offer. The employees purchased a total of 1,289,452 shares, for a total value of close to NOK 52 million.

Health and safety

Health-promoting workplaces

The sickness absence rate in the Orkla Group was 4.3 per cent in 2009, while the corresponding rate for 2008 was 3.4 per cent. The rules for recording sickness absence and follow-up vary from country to country. In 2009, attention was focused on creating health-promoting workplaces, and in the course of 2010 Orkla companies will continue to explore ways of utilising this approach in their improvement efforts.

Influenza prevention activities

Early in 2009, Orkla Brands contacted the Norwegian Institute of Public Health to ascertain the risks related to the new influenza variant (also called swine flu). In June, Orkla Brands began work on a pandemic plan, and ensured its rapid implementation in 70 companies in the summer of 2009. Orkla Brands arranged nine centralised pandemic contingency meetings in 2009 in this connection to underpin the prevention efforts of the Group companies. Senior managers and key personnel at Orkla and Orkla Brands were briefed regularly, and information was distributed internally to all employ-



Orkla's whistle-blowing service

Orkla considers an open corporate culture to be a vital prerequisite for a constructive dialogue on difficult matters. A whistle-blowing service has also been established to give employees and others the opportunity to alert the Group's governing bodies to possible breaches of Orkla's ethical guidelines in cases in which it is difficult to address matters at local level. Two electronic mailboxes have been established:

compliance@orkla.com (English)
compliance@orkla.no (Norwegian)

Emails to these addresses are automatically directed to the head and deputy head of the Internal Audit Department. The Internal Audit Department reports on such matters to the Board of Directors' Audit Committee, and is therefore formally independent of Orkla's line management. Information about the whistle-blowing service may be found on www.orkla.com.

In 2009, one matter was reported to Orkla's Internal Audit Department through the whistle-blowing system, compared to six matters in 2008. The small number of matters reported may mean that, on the whole, the Orkla businesses operate within the ethical guidelines adopted by the Group, or that employees of Group companies are not sufficiently aware of the system. In 2010, the Group will begin using a new Group intranet to inform employees about the service in a more effective manner. Other information activities will also be considered, for instance in connection with the work of Orkla's internal diversity committee.

ees through the companies' own information channels. These measures helped to reduce the risk of infection, and kept sickness absence at a more moderate level than would otherwise have been the case.

Injury prevention

The Lost Work Day Rate (the number of

EMPLOYEES



The Orkla companies work systematically to prevent injury. Photo: Kyrre Lien

injuries resulting in absence per million hours worked), was 4.5 per cent in 2009, compared to 6.2 per cent in 2008. This reduction is the result of an organisation-wide emphasis on important EHS principles such as tidiness and cleanliness, engagement, skills enhancement and willingness to learn from others. It is important to record all types of injury, and to implement improvement measures to prevent them from recurring. However, the most important factor in preventing incidents and assigning priority to improvement measures to prevent serious injury is the preparation of risk analyses.

Reorganisation and structural development

Several of Orkla's business areas were considerably affected by the global economic downturn in 2009. A sudden plunge in sales volume made it necessary to undertake staffing cuts and to restructure operations at Sapa, Elkem and Orkla Finans. The restructuring processes were carried out in close dialogue with union representatives in the companies concerned, and emphasis was given to finding good alternatives to dismissal. The net reduction in the number of man-years in the Orkla companies from 2008 to 2009 was 1,374.

Cost-reduction project at Elkem

In 2008 and 2009, Elkem's operations were significantly impacted by declining demand and customers' inability to pay as a consequence of the financial crisis and the global economic recession. To reduce costs and ensure long-term profitability, the company implemented an efficiency improvement project in 2009 which entailed a complete review of all



In 2009, Borregaard established a new control centre, which will support improvement and effectiveness. Photo: Kyrre Lien

administrative functions in the business area, primarily at Elkem's head office, sales office and the Elkem units at Fiskaa in Kristiansand. The project resulted in workforce cuts of around 135 employees. (See separate box on page 15).

Skills enhancement and new technology at Borregaard

In 2009, Borregaard initiated a major project aimed at improving production efficiency at Borregaard Fabrikker in Sarpsborg. The project entails the grouping of 15 control rooms in a single, new control centre. Production is also being extensively reorganised, and new technology and management systems are being introduced. A prerequisite for this process, and the most important component of the project, is a comprehensive programme to enhance employee skills. The project will continue in 2010 and 2011, and will reduce the workforce by a total of around 200 man-years. This downsizing will be implemented over a long period of time, and job cuts will largely be achieved through natural staff turnover. This process is being implemented in close cooperation with the employee organisations, and steps are being taken to help employees to find new jobs.

Restructuring at Orkla Finans

As a result of a sharp drop in demand for financial services in the autumn of 2008, Orkla Finans decided to restructure

the company in a way that entailed substantial staffing cuts. The company adjusted its strategy, and in October 2008 reduced the number of employees from around 150 to about 90. This restructuring was a significant reason for the company's operations breaking even in the fourth quarter of 2009, compared to a loss of NOK -70 million for the 2008 accounting year. The staff reductions were made in close cooperation with the employees, all of whom were offered assistance in finding new jobs. Four employees who were affected by the downsizing nevertheless chose to bring proceedings against the company due to disagreement about the process and conditions. Following a unanimous district court judgment in favour of Orkla Finans in the first case, settlements were reached in the other three cases at levels reflecting the company's view of the matter.

Structural changes at Sapa

Through Sapa's merger with Alcoa's aluminium profiles business in 2007 and the acquisition of Indalex in 2009, Swedish-based Sapa has grown to become global market leader in the aluminium profiles industry. In 1999, the company had 10 production plants in Europe, and one plant in China. Ten years later, Sapa has operations in 30 countries, and a total of 56 production plants in Europe, the US, Canada, Mexico and China. The amalgamation of these businesses has necessitated a comprehensive review

of the business structure aimed at achieving cost-effective operations and exploiting economies of scale. The need for rationalisation and cost reductions was heightened by the financial crisis, which led to a severe decline in the automotive and construction industries. In total, four aluminium-profile production plants were closed down in 2008, while a further four plants in the US were closed down in 2009. Sapa has reduced its workforce by approximately 3,800 employees as a consequence of the economic decline.

In this process, Sapa has emphasised openness and conserving and utilising the companies' local experience, expertise, systems, training and employees. All key positions and commercial structures were put in place shortly after the merger with Indalex.

The processes were carried out in close cooperation with the employees and

their organisations, and consisted of the following:

- Talks were held with all employees and employee representatives
- Open selection procedures were carried out to ensure that the right candidates were found for key positions
- Synergies were identified, and a number of factories were optimised/closed down:
 - Banbury, UK
 - Noblejas, Spain
 - Keystone Heights, US
 - Louisville, US
 - Parsons, US
 - Morris, US
- Relevant compensation mechanisms, adapted to the above points, were assessed
- Integration training was provided for all new units
- A programme was implemented to facilitate the strategic adaptation of all companies to the Sapa system, with a focus on three main pillars:

- Environment, health and safety
- Genesis (Sapa's business system)
- Customer Value Management

Furthermore, Sapa reduced production at a number of plants in 2009. The reorganisation process was carried out in close cooperation with the company's union representatives. Through this dialogue, Sapa's management and the union representatives agreed to introduce a temporary system of part-time work for selected groups of employees in order to reduce the need for dismissals.

Local management has played an important role in the integration and restructuring process. This has ensured a good working environment, in which Sapa has retained its decentralised structure while exploiting economies of scale. Sapa's basic values and well-established EHS procedures have served as important guiding principles for the development of the new Sapa.

Downsizing and corporate responsibility – a contradiction in terms?

Efforts to increase efficiency and improve operations should be made continuously to ensure the company's long-term competitiveness and avoid the need for extensive, short-term workforce reductions. However, swift, unexpected changes in markets or operating parameters, can necessitate sweeping, unplanned cost-reduction measures. This was the case for Elkem in 2009.

The decline in Elkem's markets in the autumn of 2008 led to the establishment of Project 2009, which had the objective of cutting costs substantially and strengthening the company's long-term competitiveness. The project was carried out during the first half of 2009, and culminated in a reorganisation in which around 135 people lost their jobs.

"I consider it a defeat to have to make the kind of sudden, major workforce cuts we made in 2009, both out of respect for our employees and because, ideally and in a long-term perspective, a company ought to be able to regulate cost and revenue levels in other ways," says Elkem's Karin Aslaksen, Senior Vice President, Human Resources. However, she sees no contradiction between downsizing and corporate responsibility.

"Management's responsibility is to ensure profitable operations. If a company has to reduce its workforce, management has a great responsibility as regards how the process is carried out, and what, besides cutting costs, the goals of such a process are. That is where the question of corporate responsibility comes in," Karin Aslaksen points out.

Elkem's overarching goal in downsizing processes is to help redundant employees to transition into an active life outside the company, either in a new job or in education. The following principles are key guidelines for the company:

- Ensure the continuous development of employees, so that they will always be attractive employees both in the company and elsewhere
- Establish a range of measures to provide both practical and emotional support to help employees through what is, for many of them, a difficult period

"With the exception of three people, all those we could no longer keep at Elkem have found new jobs, and many have reported that they are very happy with their new situation. They are competent individuals who are sought after and appreciated by new employers," says Karin Aslaksen.

Elkem's management emphasised the importance of close cooperation with the employees and their unions, fact-based information, a good implementation plan and help in finding a new job, primarily through personal counselling.



Karin Aslaksen.
Photo: Walter Jacobsen

"We worked hard during the months in which this process took place; cooperation was particularly intense between company management and union representatives in the works council that was established. We didn't agree on everything. Several disagreements were noted along the way, but we managed to agree on what was most important: the fact that we had a joint responsibility for ensuring the continued operation and development of Elkem and a good exit strategy for those for whom no place could be found in the new organisation," Aslaksen explains.

CUSTOMERS AND CONSUMERS



Quality assurance is an important part of product development for Orkla's companies

Photo: Svein Erik Dahl, Samfoto

CUSTOMERS AND CONSUMERS

Whatever the industry or geographical market, Orkla bases its operations on products and solutions that offer relevant advantages and that are safe with regard to human health and the environment. For the Orkla Group, corporate responsibility means supplying good products in a responsible manner, thereby earning the trust on which it is dependent.

In their efforts to create value and win customer loyalty, an active dialogue with customers, consumers and public authorities provides the companies with valuable feedback about the job they are doing. This dialogue helps business units to identify critical expectations and corporate responsibility issues, and gives them an opportunity to develop new products and play an active role in shaping sustainable framework conditions.

Responsibility issues that are important for Orkla in relation to customers and consumers include food and product safety, responsible marketing and good consumer information. Orkla companies are also engaged in product development that helps to resolve important social challenges such as overweight and climate change.

Dialogue with customers

Orkla companies interact with their customers and consumers in a variety of areas. Consumer research and customer satisfaction surveys are important sources of insight into customer needs, and are utilised actively as a basis for the companies' product development. Several companies involve their customers directly in development projects to ensure that their needs and interests are met as accurately as possible. The companies also attach importance to establishing good customer and consumer service procedures.

Complaint management and good advice

Many Orkla Brands companies are important suppliers of foodstuffs and other products for the consumer market. These companies have consumer service departments that deal with complaints, questions and other inquiries from consumers. Companies like Stabburet, Procordia and Nidar are often asked questions relating to allergies, health and nutrition, while Lilleborg has provided consumers with advice on cleaning and laundry for several decades.

Consumer confidence in the financial market

Orkla Finans has strict internal procedures relating to business ethics to ensure that the company's practices promote confidence in the company as a

AREA	RESULTS IN 2009	OBJECTIVES 2010/2011
Health and nutrition	<ul style="list-style-type: none"> Initiated several research-related projects Increased use of GDA labelling. Improved information on nutrition and health on the Orkla Group and individual company websites 	<ul style="list-style-type: none"> Continue efforts to develop nutritionally improved products Reduce the content of salt and artificial additives
Food safety	<ul style="list-style-type: none"> Revised the OFSS standard Carried out around 50 audits of Orkla companies 	Carry out a minimum of 50 audits per year
Customer dialogue	Consumer service procedures improved in Pierre Robert Group and Axellus	Establish common guidelines for consumer service in Orkla Brands

supplier of financial products and services. In March 2008, the company decided to terminate its contracts with all its external distributors. At the same time, Orkla Finans opened several sales offices itself, ensuring that it has full control over the quality of its sales and customer advisory services.

Sapa's collaboration with customers

More and more companies are signing up for Sapa's Profile Academy, a training course that provides a deeper understanding of aluminium profiles and their potential future applications. The programme consists of lectures on materials, production processes and construction technology, as well as visits to Sapa's production plants. Programme participants include product developers, designers, technicians and purchasers from Sapa's customers, in addition to the company's own employees.

Sapa has also established Innovation Centers around the world, which offer customers access to the Group's aggregate experience and expertise. Sapa considers close contact with its customers to be a key prerequisite for further growth, and in 2009 further consolidated its position as partner to a number of its customers.

Alstom

Sapa is often involved in customers' product development processes, helping to find profitable, sustainable solutions wherever possible. Its goal is to enable

customers to offer the market more competitive products. One example of a successful project is Sapa's collaboration with Alstom, a company that is to supply train car bodies to Stuttgart in connection with the expansion of the city's rail network. The project must satisfy clear environmental criteria, and the aluminium profiles supplied by Sapa are an important component of the expansion plans. The low density of aluminium significantly reduces the weight of full train sets, thereby substantially reducing energy requirements. Combined with regenerative brakes that allow braking energy to be recovered and fed back into the electricity grid and a focus on more efficient methods of heating the cars, this will reduce energy consumption by 40 per cent compared to the previous generation of train sets.

Aluminium is a long-lived metal that can be recycled with no loss of quality and at low energy cost (only five per cent of the energy required to produce the metal in the first place).

Product liability

Food safety at Orkla Brands

Healthy, safe products of a good, stable quality are essential to maintaining consumer confidence and to brand-building. Food safety is therefore a high priority for the Orkla Brands companies. They have developed their own standard, the Orkla Food Safety Standard (OFSS), with which all Orkla factories that manufacture

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Orkla's food production complies with the Orkla Food Safety Standard. Photo: Kyrre Lien



food or beverages must comply. The OFSS is based on internationally recognised standards, but also includes requirements and guidelines developed specifically for Orkla Brands' factories.

The OFSS imposes requirements relating to company management, the Hazard Analysis and Critical Control System (HACCP), quality assurance systems, factory strategy, personnel, and process and product control. It also requires proper procedures for supplier approval and monitoring.

To ensure that all Orkla Brands factories comply with the OFSS requirements, internal food-safety audits are conducted on a regular basis. The audits consist of a systematic review of all activities (both the quality management system and production operations), and also covers storage facilities, changing rooms, canteens and outdoor areas around the factories. Based on the results of the OFSS audits, each company is placed into one of the following three categories:

- green – meets OFSS requirements
- yellow – almost meets OFSS requirements
- red – does not meet OFSS requirements

As a general rule, companies in the green and yellow categories are audited every 18th and 12th month, respectively. Com-

panies in the red category are followed up particularly closely, and re-audited within six months.

All audits are documented by written reports that focus on necessary improvements. Based on these reports, binding action plans are drawn up by the factories. The action plans and audit reports then serve as the basis for the next audit.

The food safety audits are conducted by a special team of auditors, who are hand-picked experts on food safety and quality, and whose job responsibilities include carrying out audits. Their primary task is to assess whether the OFSS requirements are met, and to make recommendations and offer encouragement for further improvement. Providing advice and suggesting specific solutions is therefore an important part of the team's work, and plays a key role in the factories' ongoing improvement efforts. Great emphasis is placed on the fact that the team has the same qualifications as, and carries out assessments that are identical to those of, external auditors. To ensure their independence, no auditors audit their own companies.

Since the introduction of the OFSS in 2004, more than 330 audits of close to 100 factories have been carried out.

Substitution

Under the Norwegian Product Control Act, companies that use substances that may be hazardous to human health and the environment are required to assess the use of substitutes. Lilleborg has for many years, even before the substitution requirement was imposed, systematically sought good alternative ingredients which carry less health and environmental uncertainty.

In recent years, Lilleborg has devoted considerable effort to assuring the quality of the perfume used in its products, for both the consumer and the professional markets. The company's Development Department works to find substitutes for undesirable perfume components. Examples of components that have been minimised or replaced in recent years include aromatic musk compounds, polycyclic musk compounds, geranyl nitrile, rose compounds and lily. In 2009, Lilleborg Profesjonell also replaced a complex binder in a number of its products, and is currently working on replacing a tenside in several products.

Also in 2009, the Dr Greve Pharma range of skin care products was launched without parabens, a class of substances about which questions have been raised in recent years. In the course of the year, work was also completed on a project to replace a softening ingredient used in several products. Lilleborg regards the substitution requirement as a useful tool in its efforts to lead the way in safeguarding the environment and consumer safety.

REACH

REACH is a set of regulations on chemicals and their safe use which is being implemented in the EEA area. The regulations are intended to ensure that the chemicals used in industry are safe as regards human health and the environment. The main elements of the regulations are registration, evaluation, authorisation and restriction/prohibition. The aim of REACH is to improve the protection of human health and the environment through increased knowledge about the intrinsic properties of chemical substances and their uses. It is industry's responsibility to obtain toxico-

logical and ecotoxicological data, and to provide information on safe use of the substances in the supply chain.

The Orkla companies that use chemicals in their production processes have established procedures for implementing these regulations. Borregaard and Elkem stay continuously updated on the REACH process through, among other things, their European and Norwegian trade organisations (CEFIC, CEPI, EuroAlliages, Federation of Norwegian Industries, etc.) The industry is obliged to comply with all statutory requirements relevant to its activities as manufacturer, importer, distributor and downstream user of chemicals. Borregaard and Elkem are reviewing and preparing their operations for compliance with the requirements, and have already pre-registered all relevant substances that are manufactured in and/or imported into the EEA area. The companies and their industrial partners have made good progress as regards preparing for the actual registration process, giving priority to the substances that are imported and manufactured in large volumes and that must be registered by 1 December 2010. The companies are also conducting a dialogue with customers and suppliers to share the necessary information.

Nutrition and health

The food companies in Orkla Brands take responsibility for promoting a healthier diet by developing healthier products, providing better nutritional labelling, and adopting a cautious approach in the marketing of food and beverages to children.

Developing healthier foods

Orkla Brands wishes to offer a broad portfolio of food products, comprising both products for enjoyment and products with positive nutritional properties. Considerations related to nutrition and health are incorporated into the companies' product development processes. Developing healthier products is a question of responsibility, but also an area that offers interesting business opportunities. Whenever possible in view of taste and commercial considerations, the Orkla Brands companies seek to develop products that help to promote a healthier diet. Products with special nutritional ad-



The Orkla companies have reduced the salt content of a range of foodstuffs, including Felix ketchup.



Ingers SuperRug bread from Bakers contains rye, and has a high fibre content.

CUSTOMERS AND CONSUMERS



Product development is a key element of the strategy of Orkla's food companies (such as here at Jästbölaget). Photo: Kyrre Lien

AREA	OBJECTIVES 2008/2009	SOME RESULTS FOR 2008/2009
Energy density	Reduce fat and sugar content where possible.	Launch of beverages with low sugar content: Fun Light, Nora and Fun Fruit.
Fat content and type of fat	<ul style="list-style-type: none"> • Increase use of the nutritionally best types of fat. • Continue efforts to reduce and eliminate trans fats. • Replace palm oil with a healthier alternative like sunflower oil. 	<ul style="list-style-type: none"> • None of Orkla's Scandinavian food companies use trans fats in production. • Palm oil was replaced by sunflower oil or rapeseed oil in all crispy products at KiMs, OLW and Chips
Salt	Avoid unnecessarily high salt content.	The content of salt has been reduced in a number of food products, such as Felix ketchup and ready meals, Pastella pasta, Grandiosa pizzas and Ingers Super Rug bread.
Carbohydrates and fibre	Promote a better balance between carbohydrates and fibre.	<ul style="list-style-type: none"> • Use of high-fibre flour and flour types in bread-baking • Launch of LHL heart-friendly bread from Idun • Launch of Naturlig Sunt Kompis and Ingers Super Rug breads from Bakers.
Additives	Reduce use of artificial additives.	A number of food products containing no artificial additives were launched in 2009, such as Felix mashed potatoes, a potato-and-vegetable dish from Procordia, and Bergene Melk milk chocolate from Nidar

vantages account for a growing percentage of the food companies' total sales.

In 2009, the companies have focused actively on product development relating to energy density, fat content, salt, carbohydrates and fibre. Several development projects have also been carried out in which artificial additives were eliminated, or replaced by natural ingredients.

Health products from Borregaard

Denomega, which is part of Borregaard Ingredients, has developed unique marine omega-3 oil products for the food industry. These products are used, among other things, in foods that have health effects. For instance, Denomega's tasteless and odourless Omega 360 product is used to enrich many foodstuffs with omega-3, which has beneficial effects on health. The company is concentrating primarily on products for the bakery sector including a proprietary product customised to bakery needs (PureMix). The product is also used in dietary supplements. Furthermore, Denomega has developed a high-quality cod liver oil for the international market. The oil is manufactured using a method (PurEvap TM) developed by Denomega, which produces extremely pure cod liver oil with an appealing taste and colour.

Borregaard has also developed a new cel-

lulose-based product, PowerFiber, which may have a positive health effect. The product is used as an additive in food-stuffs, and makes it possible to reduce fat content while retaining the positive perceived qualities of fat, such as consistency and texture. PowerFiber is expected to have great potential as a fat-replacement product in segments like yoghurt, mayonnaise, dressings and ice cream. PowerFiber has been introduced in food products in close cooperation with several Orkla Brands companies. A number of Orkla products, such as dressings with a fat content of only 3 per cent, now contain PowerFiber.

Liva Energi – high-energy food for the elderly

Undernourishment is a problem for some elderly persons. Liva® Energi, which was launched by Procordia in 2009, is a range of high-energy food for the elderly, in which 3/4 of a portion provides the same amount of energy as a full portion of ordinary food. Procordia teamed up with nutrition experts to develop the new range, which initially comprised five different products. The range consists of ordinary food that provides extra energy, and is designed to make life simpler for the elderly, their relatives, and kitchen and health personnel.

Consumer guidance

To make it as easy as possible for consumers to plan their diets, Orkla Brands emphasises good consumer guidance and nutritional labelling of products. The product information must be fact-based and easy to understand. Orkla Brands has established special websites containing dietary information, and published a report in 2009 describing the principles on which its health and nutrition work is based. The report is updated annually. Furthermore, each food company publishes product and nutritional information on its own website.

In 2009, work on implementing the common European Guideline Daily Amount (GDA) labelling system continued in Orkla's food companies. This voluntary labelling system is supported by most of the major European food companies, thus making it easier for consumers to compare products and nutritional information.

The labelling also offers guidance on recommended portion sizes. Orkla Brands provides financial support for the development and running of several websites on which more information on GDA labelling may be found: www.gdainfo.dk, www.gdainfo.se and www.gdainfo.no.

Orkla's food companies in Sweden and Norway use the keyhole labelling system to identify products that are healthy choices in their product categories, and Bakers indicates the whole-grain content of their bakery products through the Norwegian Brødskalaen ("Breadscale") labelling system.

Responsible marketing

The aim for all of Orkla Brands' marketing is to achieve good, effective communication that helps to build a long-term relationship of trust between consumers, brands and Orkla companies. Orkla's Norwegian food companies endorse the guidelines for food and beverage marketing directed at children and young people that were introduced in 2007. After the guidelines were issued, Orkla Brands drew up an internal guide for its companies, which contains more detailed information on the guidelines and explains how they are to be interpreted.

The Orkla Brands companies apply these guidelines actively in their ongoing assessment of new marketing activities.

These include innovation projects, advertising campaigns and the development of end-user marketing. When the guidelines were first introduced, all of the companies reviewed their marketing practices and made relevant adjustments. These included:

- stricter assessment of advertising and other marketing activities to make sure that they are not perceived to target children under the age of 12
- stricter procedures for the distribution of samples and demonstrations
- stricter practices in connection with sponsorship inquiries.

As a result of the guidelines, Sætre, KiMs, Nidar and Stabburet have adjusted their message or communication tools on several occasions when developing new products, advertising or other marketing measures. Among other things,

Should higher responsibility standards apply to the sale of products that promise better health?

"Yes," says Axellus, Orkla's dietary supplement company. Axellus supplies and markets well-known, long-established products such as Möller's, Collett, Sana-Sol, Gerimax, Curamed and Nutrilett. The company operates in a market characterised by complex rules as to what kind of marketing is permitted.

"The main reason why consumers buy dietary supplements is because they expect a health benefit. It is therefore absolutely crucial for the industry's credibility that we ensure that we market our products in an honest, responsible manner," emphasises Kristina Johansen, Information Manager at Axellus.

"More than 30 people are currently employed in our Quality and Regulatory Department, and around 10 people work in our Development Department. They all ensure that we can always deliver what we promise. Here, it's not just the Marketing Department that is responsible for marketing products," Johansen explains.

"We consider it important to communicate honestly. By that I mean that we don't just think about what we are allowed to say about a product, but also about what we can and should say. There are great variations in the way dietary supplements are marketed, and we expect regulatory changes to shape our industry in the future. We hope that the changes that are coming will, among other things, make it easier for consumers to compare products. For instance, in the market for omega-3 products, there is no common practice as regards indicating amounts. Consumers are dependent on the manufacturers marketing their products responsibly, which is something they should be entitled to expect from all of us who sell dietary supplements," concludes Johansen.



CUSTOMERS AND CONSUMERS



Borregaard's biochemicals are attractive, eco-friendly alternatives to oil-based products. Photo: Kyrre Lien

the four companies have declined a large number of invitations to sponsor events for children. The companies also say no to product placement in films or television programmes for children. In accordance with the guidelines, Sætre has stopped putting plastic figures in boxes of Tom & Jerry children's biscuits.

Environmental management

Production, packing and distribution are stages of the cycle of most Orkla products. The Group's aim is to reduce the environmental costs at all stages (the life-cycle approach), while maintaining its quality and product-protection standards.

Abba Seafood – the green fish

In September 2009, Abba Seafood received the Green Fish award for its efforts to increase the proportion of environmentally labelled fish and shellfish products in its product range. The award was the result of a competition organised by WWF Sweden, Foreningen Årets Kokk and Restaurantakademiet, in which 14 fish producers and grocery chains participated.

The debate about cod and other vulnerable fish species has sparked greater interest in tracing the journey of fish from sea to plate. In response to growing demands and expectations from all quarters relating to the sustainable management of fish resources, Abba Seafood has significantly expanded its selection of MSC and KRAV-labelled products since the spring of 2008. The company has also eliminated all fish species on the red list in the WWF's Fish Guide for 2008 from its production. For Abba Seafoods, the sustainable management of marine resources is important for both the brand and for access to good raw materials in the future.

Packaging optimisation

Orkla Brands companies use large quantities of packaging, and are engaged in a broad range of packaging optimisation efforts with a view to developing environmentally sound packaging solutions. Packaging optimisation necessitates close cooperation across a variety of internal functions, as well as between grocery suppliers, packaging manufacturers and the retail trade.

In its product and packaging development, the industry is focusing on the entire value chain. The emphasis is on optimisation, and not necessarily minimisation, of packaging. If packaging is reduced too much, it may result in damage to products and wastage, thereby negatively impacting the environment, food safety and profits. The goal is to minimise packaging without impairing its functionality.

In the autumn of 2009, Lilleborg received the Optimisation Award for 2008 for its many years of optimisation work. The award is presented by the Norwegian Packaging Association (DNE) and Næringslivets Emballasjeoptimeringskomite (NOK), a joint industry committee established in 1998 to optimise packaging.

In its grounds for the award, the jury stated, "Lilleborg has worked continuously for ten years to produce effective packaging solutions that take account of the needs of both the environment and customers. For 2008, Lilleborg AS reported, among other things, reductions of over 70 per cent in material usage in connection with refill bags. The company also reports smarter packaging for disposable wet mops and examples of pallet optimisation, reduced transport needs and lower emissions. In the course of ten years of documented packaging optimisation in Norway, Lilleborg AS has supplied examples to NOK's annual report to the Norwegian Climate and Pollution Agency (SFT)."

The Swan label

Lilleborg is an active user of the Swan official environmental label. As early as 1993, Lilleborg was the first grocery supplier to market a Swan-labelled product, and since then has gradually been able to offer Swan-labelled laundry, cleaning and dishwashing products. In recent years, a number of products designed for the professional cleaning market have also qualified for the Swan label. Systematic, verifiable efforts to substitute more environmentally friendly components are an important prerequisite for Swan labelling. The Swan label makes it easier for consumers to make good environmental choices. Moreover, the label is widely known, and has high credibility.

Borregaard produces second-generation bioethanol, which is used as a fuel for buses and other vehicles. A life-cycle analysis has documented the fuel's high climate utility, and efforts are being made to secure Swan labelling for it.



SUPPLIERS



The Pierre Robert Group regularly discusses working conditions with its Chinese suppliers

Photo: Margrethe Vikanes

SUPPLIERS

Orkla has long made active efforts to promote the Group's values in its supplier chain. The Group maintains an ongoing dialogue with its most important suppliers, and imposes clear requirements regarding human rights, working conditions, environmental impact and corruption. Although Orkla's decentralised structure means that responsibility for following up on suppliers lies with the individual Group companies, the Group introduced common requirements and guidelines in 2009. Over the course of the next two years, the Group will implement a common work methodology and shared systems in its business areas.

Orkla's business areas operate in very different supplier markets. The scope of Orkla's purchases from developing countries is relatively limited at present, but growing rapidly. This means that, in the years ahead, the Group may be exposed to greater risk as regards unacceptable environmental, health and safety (EHS) and working conditions in the supplier chain. Orkla has more than 40,000 direct suppliers, and fewer than five per cent of these are currently located in developing countries. The suppliers in question are primarily suppliers of raw materials, and in some cases of finished products.

Monitoring human rights and working conditions

Introduction of common guidelines for suppliers

In 2009, new, common guidelines for suppliers were introduced. These guidelines are to be used by all subsidiaries, and are based on the ETI (Ethical Trading Initiative) Base Code, which covers human rights, child labour and working conditions such as pay and working hours. The Group has additionally included requirements relating to anti-corruption, environmental impact and the establishment of management systems. The guidelines were added as a separate annex to Orkla's

AREA	RESULTS 2009	OBJECTIVES 2010/2011
Procedures	<ul style="list-style-type: none"> Prepared common requirements and procedures for responsible purchasing by the Group Established routines using Sedex 	All companies must implement Orkla's new procedures for responsible purchasing.
Supplier monitoring	Carried out systematic risk assessment of suppliers representing a total of 25 per cent of the Group's purchases	Ascertain the risk of breaches of Orkla's supplier requirements with regard to all Group suppliers.
Training	<ul style="list-style-type: none"> Module on responsible purchasing introduced in the Orkla Purchasing Academy Training on Orkla's guidelines given to 25 per cent of the Group's purchasing staff 	All purchasing staff must have completed training on Orkla's guidelines for responsible purchasing.

standard contracts, and will initially be communicated to new suppliers and existing suppliers who are expected to present a medium or high risk.

Risk assessment of suppliers

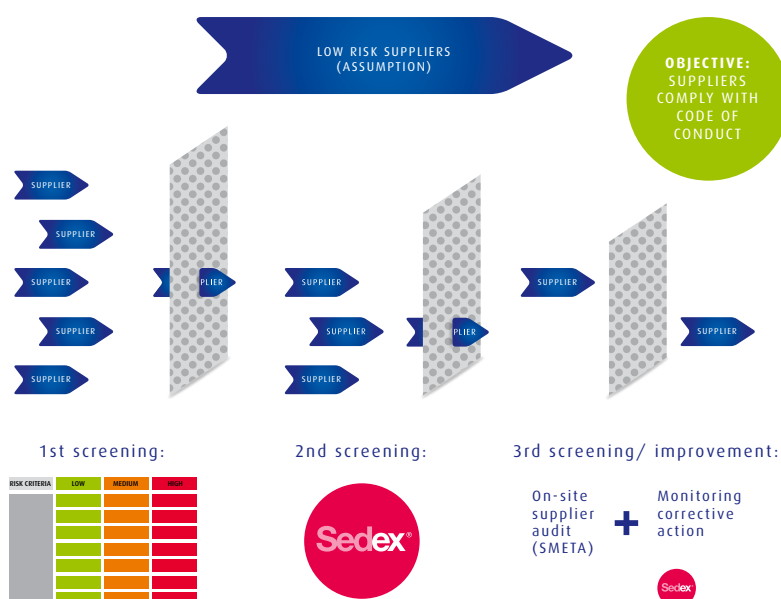
The Orkla companies have an independent responsibility for following up on their suppliers, and have established a wide range of procedures for doing so. In 2009, Orkla's central purchasing department developed a model for supplier

risk assessment that is to be implemented by all companies in the course of 2010 and 2011.

Purchasing risk must be assessed on the basis of a number of factors, the most significant of which are:

- the supplier's country of origin,
- the product's country of origin and
- the size of Orkla's total purchases from the supplier

The Group's purchasing experience shows that the ability to influence the



In 2009, Orkla developed a new model for assessing risk linked to suppliers.

SUPPLIERS



Participants in the Orkla Purchasing Academy received training in responsible purchasing in the autumn of 2009. Photo: Claudia Schille.

supplier to make the desired changes increases when Orkla is one of the supplier's major customers.

In the case of suppliers who are considered to represent a medium or high risk, Orkla companies must carry out a more thorough risk assessment. The supplier will be requested to submit relevant documentation, and to complete a self-assessment. If the risk associated with the supplier is still rated as high, the supplier's EHS conditions and working conditions must be audited. The purpose of such audits is to identify risk factors and uncover non-conformance with the Group's guidelines, and to conduct a dialogue with the supplier about how the situation may be improved.

Internal training to increase understanding

In 2009, responsible sourcing was added as a new module in the Orkla Purchasing Academy. In addition, training was given to the central purchasing function in Orkla Brands, which is responsible for a large proportion of purchases from coun-

tries outside Europe. During 2010, purchasing staff employed locally by Group companies in Asia, Africa and South America will receive training. Moreover, the exchange of expertise and experience will be facilitated by the establishment of internal web forums and the holding of webinars.

Pilot project relating to Responsible Purchasing by Orkla Brands

In 2009, Orkla Brands implemented a project aimed at establishing requirements and procedures for responsible sourcing, covering all of Orkla Brand's largest companies. The project developed and tested a standard procedure for risk assessment and supplier monitoring. The pilot phase of the project was completed, and the methods developed will be rolled out in 2010 and 2011, through the "Responsible Purchasing" programme. Companies that conduct a growing proportion of their purchasing outside the OECD area will be given roll-out priority.

The project emphasised the use of internationally recognised standards, systems

and approaches to ensure thoroughness and clarity on the part of companies and greater predictability and simpler implementation for suppliers. In its work on risk assessment and supplier monitoring, Orkla Brands cooperates with the Supplier Ethical Data Exchange (Sedex). The audit efforts are based on the SMETA Best Practice Guide (see separate box).

The use of third-party audits is advantageous in high-risk countries because it ensures that local knowledge and experience are utilised to uncover problems, and that interviews are carried out professionally and in employees' own language. Orkla has therefore concluded an agreement for an external cooperation partner to conduct supplier audits based on the SMETA methodology. However, primary responsibility for the dialogue relating to monitoring efforts will lie with the purchasing department of the subsidiary in question.

Orkla conducts a dialogue with its suppliers about responsible purchasing to increase suppliers' awareness of the need to respect fundamental human rights, and to safeguard health, safety and the environment, and business ethics. Supplier audits are not about approving or not approving a supplier, but rather about identifying non-conformance with Orkla's guidelines and assessing how these may be remedied. By using the purchasing power of the Orkla companies where it has the greatest effect, the Group hopes to contribute to positive changes in both the short term and the long term for many individuals who are subject to unacceptable environmental, working and employment conditions.

International cooperation has a greater effect

In 2009, Orkla Brands became a member of AIM-PROGRESS in order to gain access to a standardised procedure for supplier monitoring, and to use the forum's joint purchasing power (which amounts to well over NOK 1,000 billion), as a common voice for quicker improvements in the globalised supply chain. AIM-PROGRESS is a cooperation forum involving a number of international producers of branded goods that, despite being competitors, jointly implement cooper-

ation projects to promote improvements in the supply chain. One of the projects relates to joint training of the members' suppliers to reinforce the message that good working conditions are important. In Istanbul, where the first round of training took place, 135 representatives from 55 supplier companies participated.

Several of AIM-PROGRESS's members also utilise Sedex and the SMETA framework in their improvement and monitoring efforts, thus increasing the influence and impact of the solutions higher up the supply chain. Joint systems and methods prevent the duplication of efforts and reduce the burden on suppliers.

Improved supplier monitoring by Elkem

In recent years, Elkem has increased the number of supplier audits it carries out, giving emphasis to raw-material suppliers. Over 100 Elkem employees have completed internal training on Elkem's corporate responsibility principles and their effect on the selection and follow-up of suppliers. The requirements Elkem has introduced are based on the UN Global Compact, SA8000 and the ETI Base Code, as well as Elkem's own EHS system.

Supplier monitoring is carried out jointly by Elkem's purchasing personnel and specialists with wider expertise in the areas of EHS and corporate responsibility. Elkem's requirements are communicated when contracts are concluded, and followed up on in connection with routine visits to suppliers. The objective is for corporate responsibility to be an equally natural part of discussions as specifications, quality, delivery dates and prices. Risk assessments and feedback from supplier visits determine whether individual suppliers are monitored by means of expanded audits. Such audits include workplace inspections at suppliers' factories, reviews of detailed checklists and discussions about how improvements can be made in respect of non-conformances and observations. Supplier monitoring is a demanding process. Elkem recognises the enormity of the task, and acknowledges that much remains to be done. Its international operations mean that Elkem has many suppliers in countries in which breaches of

SMETA

SMETA (Sedex Members Ethical Trade Audit) has three elements:

1. A Best Practice Guide for carrying out ethical audits.
2. A standard audit report format.
3. An activity plan for improvement efforts.

SMETA is not a standard that results in a certification of the supplier.

The SMETA Best Practice Guide contains information/recommendations on:

- the planning of an audit
- communication with the supplier in advance of the audit, and what documentation is required
- the format of the audit, including the number of employee interviews and how to conduct factory inspections
- which controls must be implemented (in accordance with the ETI Base Code, etc.)
- how dialogue relating to improvements should be handled
- how the audit should be concluded
- how the audit report is written and improvement activities are planned
- what expertise an audit team should have.

SMETA is a multi-stakeholder framework, and can be downloaded free of charge from Sedex's website. A new, expanded version is expected in 2010. Sedex encourages companies to use the framework even if they are not members of the organisation.



www.sedex.org.uk

SUPPLIERS

fundamental human and workers' rights occur. In practice, influencing suppliers in countries with different cultures and weaker public scrutiny can be difficult and take time. The travelogue of EHS Manager Mark Breidenthal below provides a small insight into some of Elkem's challenges and working methods.

Monitoring of product quality

Regardless of business area, market or product, the Orkla Brands companies impose strict quality requirements on their suppliers. The quality requirements are incorporated into supplier agreements, and are followed up on by means of delivery receipts, goods certificates, ongoing dialogue and, when needed, quality audits of suppliers.

Increased focus on food safety through supplier follow-up

In 2009, Orkla Brands continued the implementation of its new system for approving and following up on suppliers in the area of food safety. The system was developed in 2008, and is an extension of Orkla Brands' food safety system for its own production facilities, the Orkla Food Safety Standard (OFSS). The sys-

tem covers all suppliers of raw materials, primary packaging and finished products for Orkla Brands operations that produce food and drink. Approval is granted separately for each supplying factory, and takes into account the following factors: the supplier's self-assessment, a risk assessment carried out by the relevant Orkla Brands company and, if required, a physical audit.

Responsibility for approval and monitoring is shared by Orkla Brands companies. The companies are responsible for the actual work involved in granting approvals, while Orkla Brands Corporate Affairs is responsible for the system, including system development, training of auditors and harmonisation of assessments. To support the companies, category coordinators have been appointed in Orkla Brands Corporate Affairs. These coordinators are responsible for providing support to companies in their respective categories.

A new IT-based support system was developed in 2008. In 2009, the system was completed and tested in a pilot project at Abba Seafoods in Sweden. The roll-out

of the IT system to Orkla Brands companies in the Nordic region, the Baltics, Poland, Austria, the Czech Republic, Romania and Portugal began in October, and will continue until February 2010. The Russian and Indian companies will be included as of the autumn of 2010.

More new auditors were trained in 2009. At the end of the year, 32 persons from 20 companies were certified as Orkla Brands Supplier Auditors. In addition, 90 other key persons received training in the new system.

In total, 210 food safety supplier audits were carried out in 2009. The results of the audits showed that many suppliers are maintaining a good or acceptable level of compliance with regard to Orkla Brands' quality requirements. Some suppliers are not complying with the requirements satisfactorily, particularly in the case of documentation requirements. In these instances, concrete improvement measures have been implemented.

In 2010, the focus will be on carrying out audits, and on implementing the IT-based support system.



Per Rønnebæk headed Orkla Brands' pilot project for responsible purchasing in 2009. Photo: Marit Mosnesset.



In 2009, Elkem conducted several supplier audits in China. Photo: Elkem.

Supplier monitoring in practice

By: Mark Breidenthal, EHS Manager, Elkem AS

On Sunday afternoon, a car picks me up in Dawukou. Ahead of us lies a five-hour drive through parts of Ningxia and Inner Mongolia in China. I greet the rest of our party: a colleague from our plant in Dawukou, who speaks excellent English, two suppliers and a driver. The first topic of conversation is seatbelts, which everyone somewhat reluctantly agrees to wear. As soon as we hit the motorway, speed becomes the next issue. The best I achieve here is smiles and assurances of the driver's outstanding driving abilities.

Our destination is Baotou, an industrial city with almost two million inhabitants, located in Inner Mongolia. We plan to visit two suppliers, and to have meetings with two more. At the hotel, we meet several colleagues, both Norwegian and Chinese, who want to discuss our plans for tomorrow. Everyone seems tense. We are going to meet several suppliers to discuss our EHS standards and ethics, and find out how these are safeguarded in their operations. We will also conduct an audit of EHS and working conditions at two production plants. Much of the tension relates to uncertainty about how I will deal with any non-conformance we find. Most of the group knows Chinese industry well, and knows that we may find serious health, safety and environment breaches. I assure them that the purpose of such visits is always to assist in making improvements, and not to reduce the number of suppliers. As long as the suppliers are willing to amend conditions, and show progress in their improvement efforts, we will continue to pursue cooperation.

I wake to a new day well rested. Like most Chinese cities, Baotou is full of contrasts – opulent wealth and deep poverty live side by side. Traffic is chaotic, and a heavy blanket of pollution covers the city.

The first supplier has a strong position in its product sector, and we are regarded as a small customer. Our nervousness mounts during the review of Elkem's standards, as the company's representatives seem a little disinterested. We are assured that they have been told by their owners to be attentive to corporate responsibility and to follow relevant guidelines. The audit of the production plant also gives grounds for concern. The facility is very tidy and clean, but no work is being done in production areas that should normally be buzzing with activity. We see no concrete non-conformance indicating that we should consider terminating our relations with the supplier, but a lack of transparency always leaves us worried. The supplier will undergo continued monitoring and further audits.

The next day, we are to visit a privately owned magnesium factory. Magnesium producers have really felt the credit crunch, and are experiencing tough domestic competition within China. Many factories have either shut down production for periods or pursued cost-cutting measures. Those who have visited the factory before are wondering how this has affected improvement efforts, which after all often result in a short-term increase in costs. The supplier greets us with open arms and hot tea. The entire management team attends, pays close attention and makes copious notes during our presentation of Elkem's corpo-

rate responsibility principles. The managers are keen to communicate that they too are focusing on these matters, and that they are working to make improvements. When the meeting is over, we go out to inspect the facility. The entire group wants to come along, and we are given permission to look at and take pictures of whatever we wish. We observe non-conformance, but those who have visited the factory before notice major changes since their last visit. Most areas are tidy and clean, and workers have been given safety equipment and begun using it. We stop at the various work stations, pointing out dangerous conditions and discussing solutions with the management team just as we would in Norway. The supplier shows great willingness to make improvements, but, in our assessment, requires more expertise and more systematic improvement procedures. Where this supplier is concerned, therefore, we must consider how we can provide support for his further efforts to achieve improvements.

These two very different experiences illustrate how challenging it is to promote corporate responsibility. On the one hand we have a supplier who shows little interest, who is entirely satisfied with the status quo, and who may well be exploiting its relative strength vis-à-vis a small customer. On the other hand, we have a humble supplier who is exposed to competition and wants to learn and make improvements, but who lacks knowledge and resources. We naturally impose the same ethical requirements on both, but have to work in different ways to ensure compliance with our guidelines and support their respective improvement efforts.

SHAREHOLDERS



Communication with shareholders, potential investors and analysts is an important priority for Orkla

Photo: Heiko Junge, Scanpix

SHAREHOLDERS

Through sound business operations, Orkla aims to achieve long-term value growth for its shareholders which exceeds that of relevant, competitive investment alternatives. For shareholders, this is reflected in the combination of the long-term price performance of the Orkla share and the dividend that is paid out.

Orkla has about 48,000 shareholders, and it is important for the company to ensure effective, transparent communication with the financial market. Shareholders, investors and analysts must have access to up-to-date information on the Group's situation at all times. This is ensured through regular, open dialogue with important stakeholders. Providing correct information at the right time and ensuring transparency about the company's affairs creates confidence and leads to the correct pricing of the Orkla share. Compliance with the principles for good corporate governance lays the foundation for long-term value creation, to the benefit of shareholders, employees, other stakeholders and society at large.

Corporate responsibility

The work of the Board of Directors and management on corporate responsibility

Orkla wishes to support sustainable social development through responsible business management and systematic improvement efforts linked to the external environment, climate and energy, and by investing in profitable business projects with positive potential social ripple effects. The Group's position on corporate responsibility is set out in its Goals and Values and in business ethics guidelines, guidelines on corporate responsibility and, where relevant, more specific guidelines.

Orkla's Board of Directors considers it desirable to review the status of the Group's corporate responsibility work annually. The most recent review was submitted to the Board of Directors' Audit Committee in December 2009. The Board also deals with relevant individual

matters as necessary. In 2009, the Group Board was given quarterly reports on the status of the Group's EHS work, including updates on serious incidents. A more comprehensive review of the plans for Orkla's EHS work was undertaken during the first quarter of 2009. EHS monitoring is also a permanent agenda item at board meetings of individual companies and business areas.

In the autumn of 2009, Orkla held a management conference at which corporate responsibility was an important topic. The objective was to improve knowledge about the Group's views in this area, and to shed light on specific challenges and opportunities for Group companies. The conference formed the starting point for further management discussions within Group companies in 2010.

The organisation of Orkla's work on corporate responsibility

In accordance with Orkla's multi-local organisational model, the individual Group companies have independent operational responsibility, which includes the exercise of Orkla's corporate responsibility. This work must take place within the framework of the Group's values and guidelines. Responsibility for drawing up and revising the Group's guidelines on business ethics and corporate responsibility has been given to Orkla Corporate Functions, which is represented on the Orkla Group Executive Board. A new, specialist corporate-responsibility function was established at Group level in 2009. Corporate responsibility efforts are discussed continuously in the Orkla Corporate Responsibility Forum, in which central specialist functions and all business areas are represented.

External evaluations

Orkla's work on corporate responsibility and the results that are achieved are evaluated regularly. For the Group, this confirms whether its efforts produce the desired results, and provides valuable feedback from external experts. Orkla therefore uses this information actively to identify potential for improvement in Orkla companies. In 2009, the Orkla Group was evaluated by Covalence, Ethibel, Eiris and Sustainable Value Creation, a cooperation project involving Norwegian investors. Orkla reports climate-related information to the Carbon Disclosure Project, and in 2009 achieved a ranking of sixth among 48 Norwegian companies. Orkla scored 68, compared to an average result of 55 for the Nordic companies participating in the project.

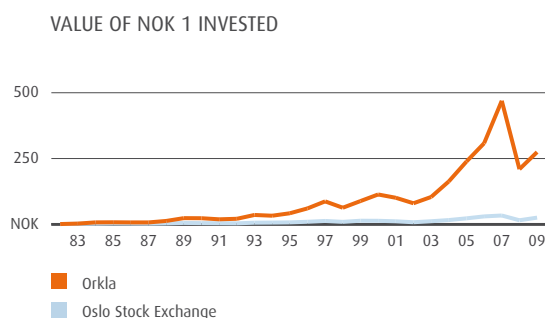
Ownership interests

Orkla's long-term return

Orkla's goal is to achieve a long-term return that is higher than the return from relevant investment alternatives. For shareholders, this is expressed as a combination of the long-term performance of the Orkla share price and the dividend paid out. Orkla makes continuous efforts to improve its underlying operations. In conjunction with structural measures, this results in increased cash flow, and thus in a long-term increase in value for shareholders. For Orkla and investors with a long investment horizon, it will therefore be important to measure value creation in terms of the development of the Group's underlying operations. In the past decade the annual return has averaged 12%, while the average return on the Oslo Stock Exchange was 6%.

Orkla's mission statement

In accordance with its mission statement, Orkla ASA operates in several different areas. Orkla is a leading supplier of branded consumer goods to the Nordic grocery market, and also has strong positions in sectors including aluminium profiles, metals and materials, and renewable energy. Its activities also include financial investments. The company takes a long-term approach, and has generated substantial added value for shareholders. The goals and main strategies of both the Group and the individu-



SHAREHOLDERS

THE 20 LARGEST SHAREHOLDERS AS OF 31.12.2009¹

Shareholder	No. of shares	% of capital
1 Canica-gruppen ²	238,342,000	23.2 %
2 Folketrygdfondet	111,226,810	10.8 %
3 Franklin Templeton	81,298,529	7.9 %
4 Capital Group	55,364,000	5.4 %
5 Taube Hodson Stonex Partners	29,792,263	2.9 %
6 BlackRock	21,885,705	2.1 %
7 DnB NOR Asset Management	16,278,586	1.6 %
8 SAFE Investment Company	15,926,957	1.5 %
9 Storebrand Investments	15,550,070	1.5 %
10 SSGA	12,451,301	1.2 %
11 Vital Forsikring ASA	10,500,215	1.0 %
12 Rasmussengruppen AS	9,804,000	1.0 %
13 Bank of Ireland Asset Management	9,559,906	0.9 %
14 KLP	7,803,720	0.8 %
15 Pareto AS	6,828,800	0.7 %
16 Legal & General Investment Management	6,611,598	0.6 %
17 Artio Global Management	6,264,766	0.6 %
18 AMF Pension	5,155,000	0.5 %
19 Dimensional Fund Advisors	5,096,208	0.5 %
20 Vanguard Group	4,962,959	0.5 %
Total shares	670,703,393	65.2 %
Total all Orkla shares	1,028,930,970	100.0 %
Number of shares outstanding	1,019,073,155	99.0 %

¹ The data is provided by RD:IR and VPS, through the Nominee ID service. The data is 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 accuracy of the analysis. For a list of the 20 largest shareholders as of 31.12.2009 from the official VPS list, see Note 28 on page 111 of the Annual Report.

² The Canica Group: Canica AS, Canica Investor AS, Twist 5 AS, Stein Erik Hagen AS. Total share ownership including related parties amounts to 23.3% (239,942,000 shares).

SHARES BY SIZE OF SHAREHOLDING AS OF 31.12.2009

No. of shares	No. of shareholders	% of capital
1-500	19,969	0.4 %
501-5,000	22,944	3.8 %
5,001-50,000	4,464	5.9 %
50,001-500,000	588	8.5 %
500,001-2,500,000	123	13.3 %
over 2,500,000	49	68.1 %

al business areas are described in Orkla's Annual Report.

Contacts and communication with investors

One of the overarching objectives for Orkla's investor-relations activities is to create confidence by giving all actors equal access to financial information.

Orkla seeks to ensure that its accounts and financial statements are worthy of investor confidence. Orkla's accounting

practices are highly transparent, and since 2005 Orkla has presented its financial statements in accordance with the International Financial Reporting Standards (IFRS). The Board of Directors' Audit Committee monitors the company's reporting on behalf of the Board of Directors. Orkla seeks to communicate actively and openly with the market. Further, all shareholders must be treated equally as regards access to financial information. The Board is regularly briefed on the company's investor-relations activities.

In a 2009 survey by the Swedish analyst agency Regi of 167 analysts in the Nordic region and the UK, Orkla was rated the best Norwegian listed company with regard to market communication. Moreover, Orkla's website was ranked fourth among Norwegian websites by Hallvarsson & Hallvarsson Webranking, the largest European survey of company websites. Orkla has been awarded the Farmand Prize several times for its annual reports, and regularly achieves high scores for its website in international surveys.

Orkla's principles for corporate governance

Orkla's principles for corporate governance are intended to lay the foundation for long-term value creation, to the benefit of shareholders, employees, other stakeholders and society at large.

These principles cannot replace efforts to promote a sound corporate culture in all parts of the Group, but must be viewed in conjunction with them. Openness, transparency, accountability and equal treatment underpin confidence in the Orkla Group, both internally and externally.

Orkla aims at all times to organise its activities and otherwise conduct its affairs in accordance with the Norwegian Code of Practice for Corporate Governance. The Annual Report for 2009 reports on Orkla's principles in accordance with the recommendation of 21 October 2009 (www.nues.no).

The recommendation provides information on, and sets out principles for, matters such as:

- Equal treatment of shareholders
- Transactions with related parties
- Freely negotiable shares
- Governing bodies; composition, independence and activities
- Information and communication
- Risk management and internal control
- External auditor

Orkla has also drawn up its own guidelines for corporate, ethical and social responsibility and behaviour, which may be found on Orkla's website, under "Corporate Responsibility".

Orkla shareholders

As of 31 December 2009, Orkla had 48,137 shareholders, compared to 50,613 the previous year. At year-end, 37 per cent of shares were owned by foreign investors, compared to 35.9 per cent at the beginning of the year. At the end of the year, 17 analysts (12 of which are based in Norway), were tracking the performance of the Orkla share regularly. A list of brokerage houses and analysts that regularly track the Group can be found in the "Share Information" chapter in the Annual Report. An updated list is available at www.orkla.com/investor. Presentations, interim reports, annual reports, financial statements, stock exchange notifications and press releases are published on Orkla's website on an ongoing basis.

The website also contains general information about the Orkla share, share price performance and shareholder matters. Moreover, shareholders and other stakeholders have live access to quarterly presentations on Orkla's website via webstreaming. The website also has a function for submitting questions to

Orkla's management. See also the chapter on "Corporate Governance" in Orkla's Annual Report.

Employee representation in governing bodies

Under Norwegian law, employees must be represented in the company's governing bodies. Accordingly, and in accordance with the current system of corporate democracy, Orkla employees are entitled to elect seven out of a total of 21 members to the Corporate Assembly of Orkla ASA. Similarly, Orkla employees have the right to elect three members and two observers to the Board of Directors of Orkla ASA.

Option programme

The Orkla Group has an option programme for approximately 300 senior managers, under which each manager is entitled in future to buy a number of Orkla shares at a specified exercise price. At year-end, 14,967,000 options were outstanding. The option programme is moderate in scope, since it represents less than one per cent of outstanding shares. Ceilings on the potential annual gain have been set at 1.5 x

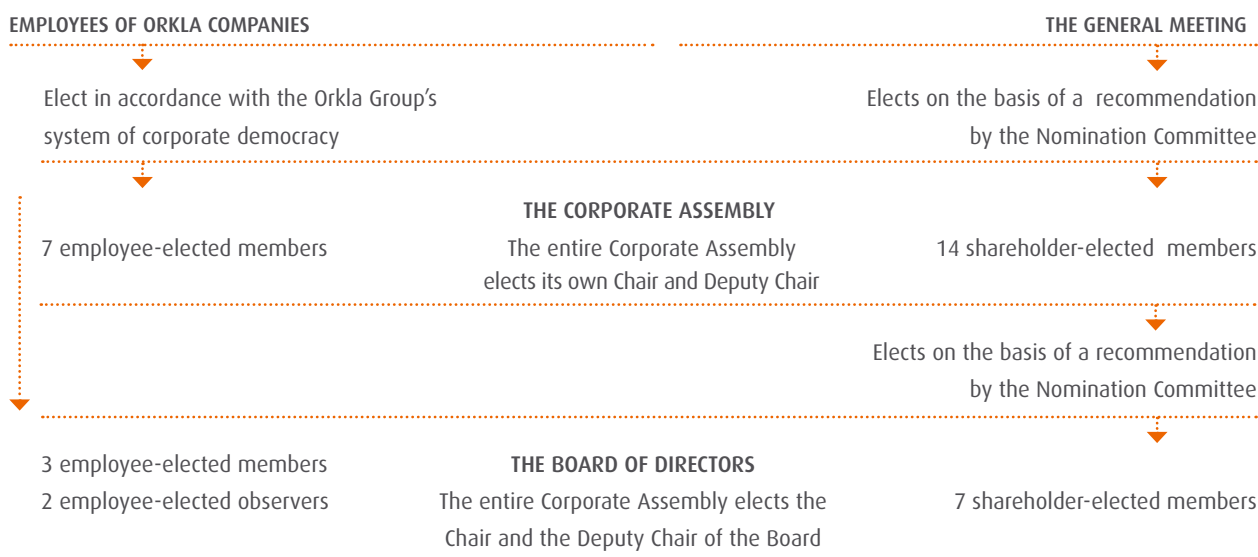
annual salary for members of the Group Executive Board and 1 x annual salary for other participants. Further information on the option programme can be found in the Annual Report, in Note 6 to the financial statements for Orkla ASA, relating to "Pay-roll Expenses".

Orkla's Board of Directors proposes that the option programme for senior managers and key personnel be continued. The proposed framework is 7,000,000 options. This is equivalent to approximately 0.7 per cent of outstanding shares.

Options are awarded by reference to the following criteria:

- Human resource development
- Achievement of financial targets
- Improvements in the employee's sphere of responsibility
- Collaboration
- Application of Orkla's basic values in practice
- Potential for further development
- Market considerations – securing key expertise
- Other factors

HOW ORKLA'S GOVERNING BODIES ARE ELECTED



ORKLA AND SOCIETY



Engagement in areas such as education, research and culture benefits both the companies and society

Photo: Deanna Haslerud

ORKLA AND SOCIETY

Orkla's many companies are dependent upon positive interaction with society, but also generate positive social ripple effects. The most important of these is the economic welfare boost that the companies provide in the form of employment and tax revenues, although engagement in areas such as education, research and culture also benefits both the companies and society.

Positive economic ripple effects

Orkla's activities have a great potential as regards promoting economic growth and prosperity, and the Group's value creation is channelled back into society in a number of areas. Salaries paid to employees, payments to suppliers, dividends paid to shareholders and taxes paid to the State and local authorities are examples of how profitable business management within Orkla generates positive external ripple effects. The part of the added value that is not distributed is reinvested as equity, strengthening the Group's capacity for further development and long-term profitability.

Orkla's companies contribute to significant local value creation. Orkla currently has around 30,000 employees, and creates an estimated 100,000 external jobs via suppliers and within the public administration. Moreover, cooperation with suppliers and external partners supports the transfer of expertise. Orkla's multi-local organisational model ensures a high degree of local employment. Orkla's aim is to be a good employer that offers a safe working environment and attractive training opportunities that build on local expertise.

Engagement in local communities

Over time, many Orkla companies have become cornerstone businesses in their local communities. The companies often have a well-developed interaction with local authorities and other businesses, and make various contributions to the development of a positive local environment. Orkla's corporate responsibility guidelines describe the responsibility of each individual company to deal with problems arising in the company's interaction with the community in which it operates in a positive manner, and to conduct an open dialogue with important stakeholders. The Group's multi-local organisational model gives the companies freedom to assess independently how this responsibility should be met.

Honoured by the local community

Two of Orkla's chocolate manufacturers were awarded local distinctions in 2009. In November 2009, Krupskaya of Russia was named "The Legend of Petersburg" by St. Petersburg's Committee for Eco-

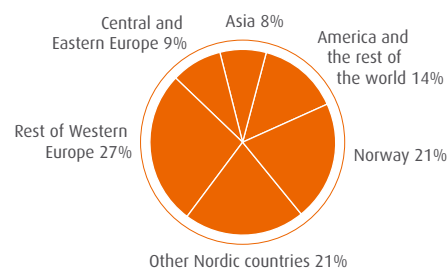
nomic Development, Industrial Policy and Trade, based on nominations submitted by the city's local population. Krupskaya is one of Russia's oldest chocolate-makers, with a broad-based commitment to the development of culture, sports and industry in St. Petersburg, as evidenced by the support provided for a large number of organisations and events in the city.

In September 2009, the Norwegian company Nidar was awarded the title of Trondheim's Business of the Year by a jury composed of Trondheim's mayor and representatives from the city's business sector. Nidar was received the award for its systematic efforts over many years to ensure the company's long-term competitiveness through factory investments, food safety efforts, EHS work, HR development and a focus on company culture. Nidar donated the prize of NOK 35,000 to Trondheim's training office for food and service, to strengthen vocational food industry training in Trondheim.

Food aid for flood victims

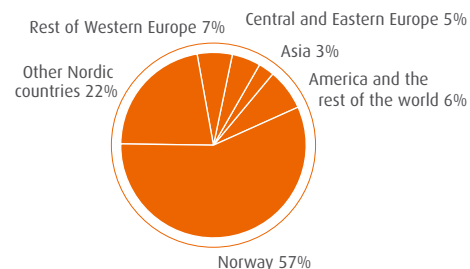
In September 2009, the Indian company MTR Foods provided emergency aid in the form of foodstuffs and financial support to flood victims in the northern part of Karnataka state, where MTR Foods is based. Heavy rain and floods resulted in the deaths of approximately 300 people and around 6,000 domestic animals. Moreover, about 400,000 hectares of arable land and around 400,000 houses were damaged by the floods. MTR Foods employees donated a day's pay to the re-

Net sales by geographical area



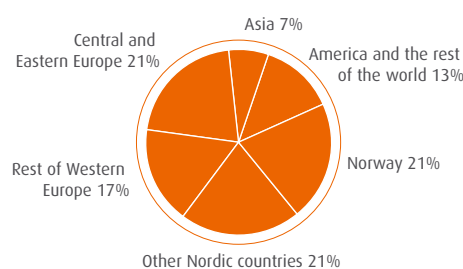
Total net sales NOK 54,324 million

Capital employed by geographical area



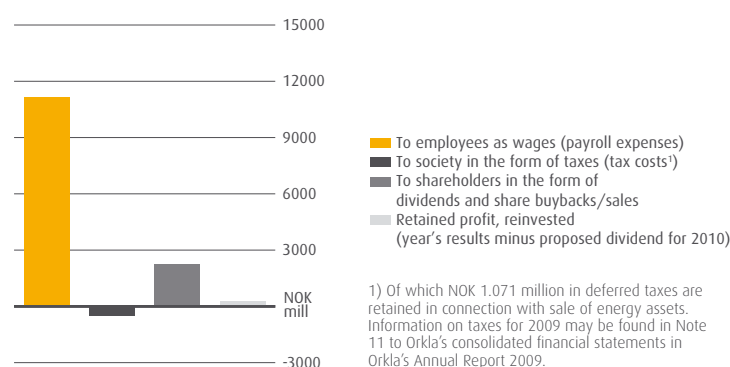
Total capital employed (capitalised) NOK 58,944 million

Employees by geographical area



No. of employees 30,167

VALUE CREATION AT ORKLA



1) Of which NOK 1.071 million in deferred taxes are retained in connection with sale of energy assets. Information on taxes for 2009 may be found in Note 11 to Orkla's consolidated financial statements in Orkla's Annual Report 2009.

ORKLA AND SOCIETY



Elkem Carbon employees are supporting the attitude-forming school project Colorir. Photo: Elkem Carbon.

lief efforts. In addition, 30,000 packages of ready meals were distributed to flood victims through the distribution network of the Deccan Herald newspaper and MTR Foods' own network of distributors.

Awareness-raising school project

In Brazil, Elkem Carbon has run the awareness-raising project Colorir at a number of publicly funded schools in the Espirito Santo province for several years. The initial aim was to reduce violence and the destruction of public buildings. The project's objective is to develop responsible, aware citizens, and the conduct of participating children has improved significantly. Elkem is leading the project itself, and is responsible for the development of materials, standard procedures, the training of school personnel and the holding of events. The project is reliant on the dedicated engagement of Elkem's employees. Since 2002, more than 10,000 primary and lower-secondary pupils have completed the pro-

gramme. "Colorir" means to colour, and is an acronym for cooperate, organise, keep clean, inform, recycle, influence and implement. A training manual has been developed for each of these topics. Schoolyards have been equipped with large signs showing the number of violence-free days. The participating schools are audited annually. Pupils are also invited to visit Elkem's factories in Brazil.

Efforts to promote health

In recent years, several Orkla companies have engaged in efforts to increase knowledge about HIV/AIDS and combat discrimination of affected employees. These measures have positive ripple effects on the employees' families and local communities, as the employees pass on their knowledge.

Borregaard's partly owned subsidiary Ligno Tech South Africa has run an HIV/AIDS programme for several years that offers employees regular tests and an ad-

vice and follow-up service, as well as free medical treatment and medicines to those who are HIV-positive. The HIV infection rate among employees is significantly lower (by about a third), than the rate for the rest of the local population.

In 2009, the Indian food company MTR participated in the CONNECT project, a multi-stakeholder initiative that helps companies to meet the challenges presented by HIV/AIDS and tuberculosis in a positive manner. MTR's aim in participating in the project is to create a work environment in which further infection is prevented and affected employees are given support. In July, the company arranged gatherings for a total of 180 employees, at which an introduction was given to the two illnesses, their associated legal and ethical problems, and MTR's guidelines.

Emergency preparedness

Orkla's injury prevention procedures are described in the chapter on Employees and in Orkla's EHS Report for 2009. In addition to making active efforts to min-

imise health risks and the risk of injury in connection with buildings and operational processes, the Group has adopted common guidelines on dealing with emergency preparedness situations. Among other things, Orkla's management teams regularly participate in emergency preparedness exercises, and annual fire and industrial defence drills are organised for individual factories.

Despite the attention given to preventing occupational accidents, three tragic incidents occurred in 2009. A female employee at Sapa's factory in Slovakia, Sapa Profily, was killed when aluminium profiles fell in connection with a lifting and storing operation. At Sapa Heat Transfer in Shanghai, China, an external mechanic died after falling from a crane beam during maintenance work. At Beauvais' factory in Svinninge, Denmark, a person became lost, entered the factory grounds and drowned in a purification plant. These events show that all parts of the Orkla organisation must give their full attention to risk avoidance efforts.

Põltsamaa Felix – a good neighbour

With roots dating back to 1920, under the ownership of Procordia and later Orkla, Põltsamaa Felix of Estonia has become a leading food company in Estonia. Põltsamaa Felix has strong market positions in dressings and other condiments, pickled vegetables, ready meals and beverages; the company's sales increased six-fold from 1994 to 2008. Põltsamaa Felix has about 170 employees and is a cornerstone enterprise in the little town of Põltsamaa, with 5000 inhabitants. The company maintains a close dialogue with local as well as central authorities and, in September 2009, the president of the Republic of Estonia visited the facility.

Põltsamaa Felix supports various local and national sports and cultural programmes. For example, the company engages in long-term sponsorship cooperation with the Estonian national cross-country skiing community. In 2009, Põltsamaa Felix provided support in the form of food products for the Estonian junior cross-country skiing series and for 130 000 participants at the Estonian song and dance festival. For several years, the company has provided support for Felix Hall, Põltsamaa's largest indoor sports hall.

In 2009, Põltsamaa Felix established research-



Estonia's President visits Põltsamaa Felix in September 2009. Photo: Väino Valdmann

related cooperation with two important institutions of higher education in Estonia: Tallin Tech University and Tartu University. The purpose of these cooperation agreements is to introduce additional expertise into the company's devel-

opment of new foods and in its efforts to enhance the nutritional content of existing products. For the two universities, cooperation with Põltsamaa offers financial support and the opportunity to engage in applied research.

ORKLA AND SOCIETY

From crisis management to long-term research

In 2005 and 2008, Sarpsborg experienced outbreaks of Legionnaires' disease among the town's residents. In total, 100 persons were infected, and 12 of them died as a result of the disease. One of Borregaard's biological treatment plants was identified as the likely source of the outbreaks of Legionnaires' disease. The company implemented extensive damage limitation and prevention measures. The treatment plant was closed, and Borregaard initiated studies to identify alternative treatment technologies. Borregaard's research in this area will have a broad utility for biological treatment plants in general, and the company is working actively to share its experience.

Socially useful research

Orkla engages in different types of research at both group and company level, benefiting both the Group and society at large.

Donation to the Research Council of Norway

In 2005, Orkla and Elkem donated NOK 45 million to the Research Council of Norway to finance socially useful research in the fields of the environment, resource management, nutrition, obesity and materials science. Of these funds, NOK 6.5 million has been allocated to projects launched in 2009. The status of the projects is reported to the Research Council at agreed intervals.

Examples of ongoing projects in 2009:

- Marine omega-3 fatty acids and health. Use of systems biology in controlled diet-intervention studies. (Akershus University College)
- The effect of probiotics and polyunsaturated fatty acids on gut epithelial cells and the immune function (Norwegian University of Life Sciences)
- Identification of Norwegian foods and beverages that reduce oxidative stress, strengthen anti-oxidant defences and reduce inflammation (University of Oslo)
- The development of second-generation biofuels and the effect on the biomass market (Norwegian University of Life Sciences)
- The significance of metals and polycy-

clitic aromatic hydrocarbons in particle-induced pneumonia (Norwegian Institute of Public Health)

Renergi

In 2009, Elkem Solar, together with Teknova and the University of Agder (UiA), was awarded a grant of NOK 2.9 million through the RENERGI programme of the Research Council of Norway. The grant was allocated to the project "Field- and accelerated lab testing qualifying PV modules made of solar grade silicon from a low cost energy efficient metallurgical route", which has a total investment budget of NOK 8.7 million for the period 2010–2013.

The aim of the project is to obtain reliable scientific data on the performance and degradation of solar-cell modules that are exposed to external environmental effects, both through laboratory tests and through tests conducted under different climatic conditions. In the tests, solar-cell modules made of silicon produced by Elkem Solar using its groundbreaking energy-efficient metallurgical process will be compared to reference modules made of polysilicon produced using existing commercial processes.

The project will make an important contribution to the ongoing project of the Research Council of Norway entitled, "End Use of Photovoltaic Technology in Norway". This is also a cooperation project involving Elkem Solar, UiA and Teknova. The promise of support for a new project in the solar-cell technology field will ensure continuity in the further development of expert R&D institutions in the Agder region that focus on solar-cell technology.

Instructive solar-cell research

In 2008, Elkem Solar started researching the efficiency of solar panels in conjunction with the University of Agder, Kvadraturen skolesenter (Kvadraturen school centre) in Kristiansand, Kisumu Polytechnic School in Kenya, the development aid organisation ARC-aid in Kristiansand and the ARO Development Center in Kenya. In 2009, solar-panel test stations were established in both Kristiansand (Kvadraturen skolesenter), and Kenya (ARO Development Center). The



Elkem Solar is testing the effect of solar panels in cooperation with Kvadraturen school center in Kristiansand. Photo: Elkem.

two test stations will enable analysis of how efficiently the product Elkem Solar Silicon® functions in solar panels in Norway and Kenya respectively. At the same time, two doctoral fellows from the University of Agder (Grimstad campus), will investigate which solar-cell technology is most suitable for use in Norway, and whether there are differences in efficiency between solar cells based on metallurgical technology and solar cells based on other technology.

The results of the research will be used in Elkem Solar's ongoing innovation efforts. This school cooperation project is also a part of Elkem's long-term focus on generating interest in science among school pupils and ensuring long-term recruitment to the company. The two solar panels on the roof of Kvadraturen skole-senter provide electricity for one of the classrooms, an environment room in which all activities are powered by alternative energy. A training package on solar energy for use in primary and secondary schools is also being developed, financed by public funds which Elkem

Solar received by virtue of its status as a demonstration business. Elkem Solar was made a demonstration business for the period 2007–2009 in recognition of its systematic efforts to improve the quality of relevant apprentice subjects. The research project also has benefits for Kisumu Polytechnic, the organisation ARC-aid and the ARO Development Center in Kenya. North-South student exchanges are part of the project, and electricity generated by the solar panels is used to light and power the ARO Development Center.

Other research

In 2007–2008, Orkla Brands set up a research cooperation project with the Antidiabetic Food Center (AFC) at Lund University in Sweden. In 2009, a new agreement was signed, committing Orkla Brands for another three years. The objective of the AFC is to improve knowledge and expertise relating to the development of foods that can help to reduce the risk of obesity, type-2 diabetes, and heart and vascular diseases. The results of the research will

ORKLA AND SOCIETY



Orkla is providing financial support for a new SOS Children's Village in Vietnam. Photo: SOS-archive.



Nobel Peace Center
Nobels Fredssenter



OSLOENTERET
for fred og menneskerettigheter

be incorporated into Orkla companies' work on developing healthier foods. In 2008, Orkla also provided support for the GRAINITY project, a research project focusing on wholegrain, run by Norden, the Nordic Innovation Centre. In 2009, the project launched two websites containing information about rye and oats, and held information meetings for Scandinavian and Baltic businesses on the health effects of wholegrain.

Support for culture, sports and charitable work

Many Orkla companies support cultural and sporting events and other positive social initiatives, either as part of wider sponsorship cooperation or due to their desire to be a good neighbour in their local communities. At Group level, Orkla participates in the Forum for Culture

and Business, an arena for dialogue between Norwegian cultural organisations and trade and industry. The Group also has long-term sponsor relationships with the Norwegian National Opera & Ballet, the Nobel Peace Center, the Oslo Center for Peace and Human Rights, and SOS Children's Villages.

Renewed support for the Opera

The Orkla Group is both a cooperation partner of the Norwegian National Opera & Ballet and a box holder in the new opera house. During the past year, Orkla representatives have used the box for 44 meetings and events, in addition to attending productions. Orkla has extended the agreement until 2013, and has an option for a further extension of three years.

The Nobel Peace Center

Orkla is one of the main sponsors of the Nobel Peace Center in Oslo. The Center puts the spotlight on peace and human rights through exciting displays. The Center's 2009 exhibition on the Civil Rights Movement in the US, entitled "From King to Obama", became even more relevant when the Nobel Peace Prize was awarded to Barack Obama in December. The exhibition on the new laureate, "A Call to Action", was inspired by the connection between Alfred Nobel's will and President Obama's vision for and efforts to promote strengthened international diplomacy and cooperation.

Orkla is able to use the Center's premises for its own events outside normal opening hours. All Orkla employees and their guests may visit the Nobel Peace Center free of charge, and almost 300 have taken advantage of this offer. The Group will continue the cooperation agreement in 2010.

The Oslo Center for Peace and Human Rights

Orkla is one of 10 companies that are providing financial support for the operation of the centre in the period 2006–2010. The Center works internationally to promote peace and respect for fundamental human rights through dialogue at government level.



The winners of Krupskaya's essay-writing competition visit the State Russian Museum. Photo: Vyacheslav Viktorov

New SOS Children's Village in Vietnam

Orkla has been the main cooperation partner of SOS Children's Villages since 2000. In the years ahead, the Group will contribute USD 2.4 million to a new SOS Children's Village in the mountain town of Pleiku in Vietnam. When completed, the children's village will provide safe homes for 140 orphans and neglected children. In addition, an SOS day care centre will be built for children in the children's village and the local community. The plans also include a cistern for collecting rainwater for irrigation use during the dry season. The local authorities are contributing land, but the welfare sector in Vietnam is otherwise severely under-resourced. Now gifts of all sizes from Orkla's companies and employees will enable the realisation of the project.

Profitable museum cooperation

For many years, Krupskaya has been a mainstay for the State Russian Museum in St. Petersburg, where the company is located. This cooperation programme allows Krupskaya to use portrayals of works of art from the museum to decorate its chocolate products, thus helping

enhance the company's own role in Russian cultural history.


In 2009, in close cooperation with the Russian State Museum, Krupskaya organised a creative competition among 6000 pupils at a total of 30 upper secondary schools in the northwestern cities of Tikhvin, Petrozavodsk, Chudovo and Kirishi. The pupils wrote essays on the works of art depicted on Krupskaya's chocolates, in the process learning about the painters in question. The winners of the competition won a trip to St. Petersburg, where they were given guided tours of the museum and Krupskaya's factory. The competition and the portrayals of the museum's works of art on Krupskaya's products are helping to make the works of art better known to people outside St. Petersburg.

Ekström's Blåbärssoppa (blueberry soup) at the Vasalopp

Many Orkla companies sponsor sporting events. One example of this is Procordia, which in 2009, for the 51st year in succession, ensured that the participants in the Vasalopp race were served Ekström's

Blåbärssoppa. The Vasalopp is one of the world's largest long-distance ski competitions, and in 2009 about 46,000 litres of soup, or around one litre per competitor, were consumed. The blueberry soup has been a staple of Vasalopp racers since its launch in 1958.

ENVIRONMENT



Orkla prepares energy and climate accounts based on the international GHG Protocol

Photo: Sapa

ENVIRONMENT

Orkla considers it important to help to limit environmental consequences throughout the value chain. Several life-cycle analyses were completed in 2009, and attention was focused on energy efficiency in Orkla's operations.

Orkla operates in many different areas, which impact the environment to differing degrees. It is important to have ambitious, yet realistic, environmental targets that are adapted to the various businesses. Responsibility for environmental efforts, like work on corporate responsibility in general, is decentralised, and rests with the individual companies.

Environmental activities are largely based on the guidelines in the ISO 14000 international environmental standard, under which several Orkla companies are certified. National legislation and local environmental requirements must be complied with, and Orkla companies work hard to meet the growing environmental expectations of customers, consumers, employees and society at large.

In several cities and urban areas, Orkla's factories are major employers that generate a high level of activity. This presents the local community with a number of challenges. The consequences of Orkla's industrial activities include substantial energy consumption and emissions and discharges to the environment, as well as transport activity both inside and outside the factory site. Orkla is focused on minimising the noise and odours generated by production and transport activities.

Emissions to air from Orkla operations, i.e. emissions of the greenhouse gases, SO₂ and NO_x, are caused by the use of fossil materials for energy production and as raw materials in the electro-chemical production of metals.

Active efforts are being made to reduce and control discharges to air, grounds, water and sewage systems, and surveillance programmes have been established to monitor and control pollution.

Efforts to reduce and sort waste have had priority for several years, and most factories have invested in waste management centres or sorting systems (containers) to rationalise these efforts.

Orkla's focus on continuous improvement entails control and reduced emissions, and improvement activities are based on "the best available technology". In other words, emphasis is given to the cor-

AREA	RESULTS 2009	OBJECTIVES 2010/2011
Environment	<ul style="list-style-type: none"> Continued work on situation analysis of products' environmental effects (Orkla Brands) Completed life-cycle analyses for additional products (Orkla Brands, Borregaard and Elkem) 	Further develop Orkla's climate and environmental strategy

rect choice of raw materials, process improvements, and the question of what emission and discharge levels are achievable.

Orkla wants to be open and trustworthy with regard to its environmental efforts, and seeks to conduct an active dialogue with important stakeholders. A number of internal and external activities took place in 2009. These are detailed in the Orkla EHS Report 2009. www.orkla.com/ehs/2009

Energy and climate

One consequence of Orkla's industrial operations is the consumption of substantial amounts of energy and various raw materials as input factors in production processes. This in turn leads to the emission of greenhouse gases. Orkla's greenhouse gas emissions primarily result from Elkem's activities, while other Orkla emissions are linked to the production of thermal energy from fossil energy carriers.

Energy efficiency

All of Orkla's businesses pursue energy-saving and investment projects on an ongoing basis to cut energy consumption

and maximise the use of renewable energy. Energy management is an integral part of EHS work. The emphasis is on reducing oil consumption, either through efficiency improvement measures or by switching to other sources of energy for heat production. Many of Orkla's production plants have initiated and carried out projects aimed both at optimising energy utilisation in their own operations and at exploring the potential use of energy in the local community in the form of district heating.

Improving energy efficiency is perhaps one of the most important ways of reducing greenhouse gas emissions in the short term. In the long term, the development of alternative energy sources and new technologies will probably be crucial to making the required quantum leap forward in reducing greenhouse gas emissions.

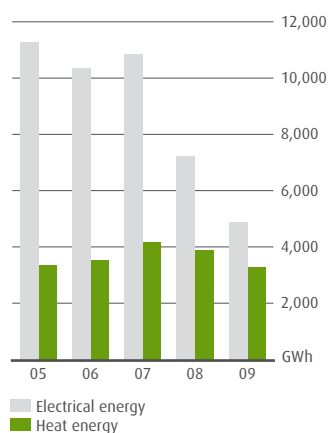
In recent years, Orkla has invested heavily in solar energy, based on the Group's silicon expertise and its extensive research efforts in the field of metallurgy. Some of Orkla's other products, such as



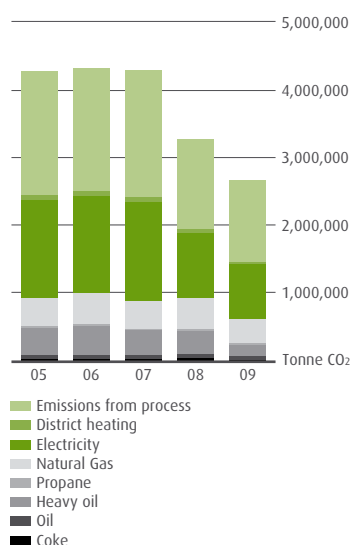
In 2009, Borregaard installed two new, more efficient generators at its power plant at Sarpsfossen. Photo: Kyrre Lien.

ENVIRONMENT

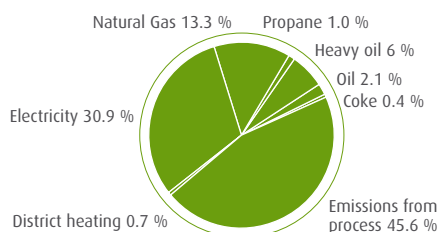
CONSUMPTION OF ENERGY



TOTAL CO₂-EMISSIONS FOR ORKLA 2005-09



ALLOCATION OF CO₂-EMISSIONS FOR ORKLA 2009



aluminium, lignin and Microsilica®, may also be instrumental in lowering energy consumption and thereby reducing greenhouse gas emissions.

Carbon footprint

Orkla wishes to assist in the reduction of greenhouse gas emissions and limitation of environmental consequences throughout the value chain. Climate accounts are prepared to increase awareness of how Orkla's

activities affect the environment and climate. These accounts provide essential background data that can be used as a starting point for developing a climate strategy that highlights important measures in the entire value chain.

In addition, life-cycle analyses are undertaken to document the effects of different products, production processes and the use of resources and input factors on the envi-

Climate accounting

Orkla reports its greenhouse gas (GHG) emissions within scopes 1 and 2 of the Greenhouse Gas Protocol. Separate emissions inventories have been prepared for Orkla ASA, as well as for the business areas and business units.

The inventories are drawn up on the basis of historical data from 2004, which have been updated to include emissions generated by electricity consumption and district heating, and reported as CO₂-equivalents.

Country-specific emissions factors for electricity and district heating have been com-

puted for all the 29 countries in which Orkla operates. In order to calculate these factors, information was collected on the countries' specific power production mix. The following sources were used in this process: International Energy Agency (IEA) Energy Statistics, Nordel (a body for cooperation between the Nordic transmission system operators Statnett (Norway), Svenska Kraftnät (Sweden), Fingrid (Finland) and Energinet.dk (Denmark) and the UK Department of Environment, Food and Rural Affairs (DEFRA).

The factors are calculated on the basis of the actual production mix, taking account of imports and exports.

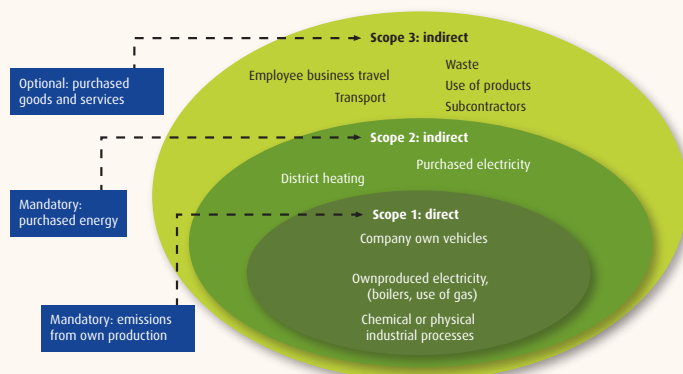
Methodology

Orkla ASA's climate accounts are based on the total energy consumption linked to the operation of the Group's businesses. The accounts contain an overview of CO₂ emissions measured in CO₂ equivalents, and are based on the international Greenhouse Gas Protocol Initiative (GHG Protocol), the most important standard for measuring greenhouse gas-

es. The standard is administered by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

The GHG Protocol comprises two accounting standards that explain how to quantify and report greenhouse gas emissions. In 2006, the Protocol was adopted as the basis for ISO standard

14064-1. The GHG Protocol bases its climate reporting on three "scopes", or categories, of emissions, and distinguishes between direct and indirect emissions. Reports take the following greenhouse gases into account: CO₂, CH₄ (methane), N₂O (laughing gas), SF₆, HFCs and PFCs. All of these are converted into CO₂ equivalents.



ronment and climate. Expertise and knowledge are used to make improvements and ensure progress, so that the burden on the environment is reduced and limited. Orkla's production must be sustainable at all times.

Energy and climate accounting

Orkla's total energy consumption in 2009 was 8,2 TWh, down 26% on 2008. The drop is largely the result of reduced production in parts of Orkla due to the financial crisis. Electricity consumption amounted to 4.9 TWh, and in 2009 accounted for approximately 60% of the total energy consumed. In 2009, Elkem's and Borregaard's hydropower plants produced 3.8 TWh of electricity.

Greenhouse gas emissions from Orkla's own operations totalled 1.85 million tonnes of CO₂ equivalents, representing a drop of 18% on 2008. Reduced production by several operations due to the financial crisis also resulted in reduced emissions. However, Indalex's plant in the US, which became a part of Sapa in 2009, contributed to increased greenhouse gas emissions.

Orkla's climate accounting for 2009 include emissions from purchased energy, resulting in a CO₂-emissions total of 2.7 million tonnes. Purchased energy accounts for around 32% of the emissions.

Investments with positive environmental effects

Solar-grade silicon for the future

Elkem Solar opened a new factory in Kristiansand in the summer of 2009. The factory produces silicon feedstock for the solar panel industry, using just one-quarter of the energy consumed by similar plants based on traditional technology. The world's energy needs are growing rapidly, while climate change is challenging societies to identify green sources of energy. Elkem Solar's ambition is for the sun to become the world's most important energy source as quickly as possible. The new production plant in Kristiansand is the result of Elkem's willingness to invest in advanced technology and long-term development based on the company's core expertise.



Elkem Saudafallene is the largest power-plant development in Norway for many years. Photo: Elkem.

Bioproducts that replace oil-based alternatives

Borregaard's biochemicals and biomaterials are environmentally attractive alternatives to oil-based products. An integrated production concept has been adopted, whereby the same renewable biological raw material (timber) is used. A life-cycle analysis by Ostfold Research has confirmed that the approach has high climate utility, which is now being further increased by the use of better energy solutions. The concept is being improved by means of enhanced processes and research into the use of new raw materials, such as agricultural waste. Biofuels are one product that may be derived through the new processes.

New, renewable hydropower

In 2009, Borregaard completed two new generators at its power plant at Sarpsfossen. The new generators are more efficient than the old ones, and produce more energy from the same flow of water. Moreover, the new generators make better use of increasing flood waters, meaning that total power production will increase by about 55 GWh. The flow rate will be unaffected, and no other interventions in the river will be necessary.

Elkem's Sauda project is the largest power plant development in Norway for many years. The facility was officially opened on 21 April 2009, and comprises five power plants in total: Dalvatn, Storlivatn,



Elkem Solar's factory in Kristiansand produces silicon feedstock for the solar-panel industry. Photo: Elkem.

Svartkulp, Sønnå Høy and Sønnå Lav. Building works began in 2005, when Orkla's Board of Directors approved the investment. When all works are completed, the development will have cost over NOK 2 billion, and will provide 650 GWh of new renewable energy. In total, Elkem Saudafaldene will produce 1,850 GWh.

An important guiding principle has been that the construction work and major operations must come second to the landscape, and must harmonise with the structure of the surrounding terrain. One environmental initiative taken by Elkem Saudafaldene was to construct spawning pools for trout in Nyggjelebeitevatnet, which originally offered few natural spawning grounds.

Further details in Orkla's EHS Report 2009, www.orkla.com/ehs/2009

RESPONSIBLE INVESTMENT



In 2009, share sales helped to finance industrial acquisitions by the Group

Photo: Kyrre Lien

RESPONSIBLE INVESTMENT

Orkla's capital management helps to strengthen the Group through profitable investments, sound property management and access to capital reserves. In a year featuring challenging financial markets, share sales helped to finance industrial acquisitions by the Group. In 2009, Orkla's property business focused on the development of existing projects, and no new investments were made.

Active share management

The Share Portfolio is to generate long-term returns on Orkla's share investments, help to develop the Group's industrial positions, and function as a capital buffer when necessary. In 2009, share sales helped to improve the Group's financial leeway, and facilitated Sapa's acquisition of Indalex, as well as other long-term investments. Orkla Financial Investments reported a positive trend in 2009, due to a strong upturn in stock markets. The Share Portfolio generated a return of 39.0%, while the MSCI Nordic benchmark index increased by 36.1%. At year-end, the Share Portfolio had a market value of NOK 11,037 million.

The bulk of Orkla's shareholdings are linked to Nordic listed companies, but the Group has also invested in some companies in Russia and Asia. The Share Portfolio utilises its expertise to identify and invest in individual companies that create value. In recent years, the Share Portfolio has chosen to apply the thorough assessments prepared by the Government Pension Fund – Global. Orkla does not invest in companies in which the Pension Fund's Council of Ethics decides not to invest. The Share Portfolio is reconciled on a monthly basis with the Pension Fund's list of excluded companies. In 2009, no companies had to be excluded from Orkla's Share Portfolio.

Profitable property development

Orkla Eiendom's mandate is to provide sound management of the Group's real-estate investments, and to advise Group companies on property issues. It uses the expertise it develops in this role to invest in property development projects. The "raw materials" for such projects may also come from outside the Orkla Group. Orkla Eiendom utilises its expertise and networks to identify and invest in property projects with profit potential.

Urban renewal in Oslo

The development of former industrial sites can be positive for the surrounding areas. In 2009, Orkla Eiendom cooperated with Macama AS to complete around 280 new residential units in Ringnes Park, the site of a former Ringnes brewery in Grünerløkka, Oslo. About 200 additional residential units will be completed

MAIN SHAREHOLDINGS 31.12.2009

Security	Share of portfolio	Equity interest	Fair value (NOK million)
Tomra Systems	6 %	15.3 %	637
Rieber & Søn	5 %	16.0 %	503
Amer Sports	4 %	5.7 %	397
Elekta B	3 %	2.8 %	358
Telenor	3 %	0.2 %	294
Enter Select	2 %	1A	270
Kongsberg Gruppen	2 %	2.5 %	265
Schibsted	2 %	1.8 %	253
Network Norway	2 %	26.2 %	246
AstraZeneca SEK	2 %	0.1 %	244
Sum	31 %		3,467

STRUCTURE OF SHARE PORTFOLIO AS OF 31.12

	2009	2008
Percentage Nordic investments	85 %	87 %
Percentage remaining investments	15 %	13 %

ed in 2010. Orkla Eiendom has also prepared for the construction of approximately 200 flats in Idun's former yeast factory at Sandaker in Oslo. Industrial activity on the property has ended, and in 2008/2009 raw material and chemical residues were removed and dealt with in accordance with the applicable regulations. Building works on the site will begin in 2010, and are expected to take about four years. The project will open up previously inaccessible natural areas along the Aker River for the town's residents. The plans for the new residential area include large recreational areas along the river, a new footpath on the river bank, and a path linking the former industrial site to large public parks.

International industrial development

The Group Corporate Development Operations department plays a key role in Orkla's strategic development efforts. It is responsible both for assisting business areas in identifying companies that could strengthen their industrial positions and for facilitating mergers, acquisitions and business sales. Important projects completed in 2009 are Sapa's acquisition of Indalex in the US and

Elkem's sale of its hydropower operations at Salten and Bremanger.

Orkla performs a thorough risk assessment in connection with all acquisitions, in accordance with its risk management procedures. The purpose of the assessment is to identify all relevant risk factors, to assess whether it is possible to reduce any risk factors to an acceptable level, and to identify any risk factors that indicate that the acquisition should not take place. The matters assessed include breaches of human rights, environmental effects, business ethics, management of natural resources and other corporate responsibility topics. In preparing such risk assessments, Orkla uses its international network of cooperating lawyers and accountants to identify suitable local consultants who can conduct the necessary input analyses.

GLOBAL COMPACT

Orkla became a member of the UN Global Compact in 2005, and is now one of more than 5,000 companies and organisations that are promoting the ten core principles of the initiative in connection with human and workers' rights, the environment and anti-corruption. 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.



Efforts in the area of corporate responsibility largely rest on the Global Compact's ten principles, and Orkla is purposefully developing systems and making improvements to ensure that the principles have a tangible effect on the Group's operations. This encompasses both matters internal to the Group and responsibility issues linked to the Group's external stakeholders.

The summary below shows where more information may be found about the Group's efforts relating to the ten principles for sustainable development. See also the GRI Index on page 49 for additional references.

Human rights

Principle 1:

We will support and respect internationally proclaimed human rights.
Page 4, 11, 12, 25-28, 47

Principle 2:

We will ensure that the company is not complicit in human rights abuses.
Page 4, 25-28, 47

Labour standards

Principle 3:

We uphold the freedom of association and the right to collective bargaining.
Page 13

Principle 4:

We work to eliminate all forms of forced and compulsory labour.
Page 25-28

Principle 5:

We work to eliminate all forms of child labour.
Page 25-28

Principle 6:

We will not discriminate in respect of employment and recruitment.
Page 11

Environment

Principle 7:

We will apply the "precautionary" principle in all issues related to the environment.
Page 4, 19, 42-45 of the EHS Report.

Principle 8:

We will promote initiatives to assume greater environmental responsibility.
Page 42-45 of the EHS Report.

Principle 9:

We will encourage the development and diffusion of environmentally friendly technologies.
Page 42-45 of the EHS Report.

Anti-corruption

Principle 10:

We will work against corruption in all its forms, including extortion and bribery.
Page 11, 25

GLOBAL REPORTING INITIATIVE (GRI)



The Global Reporting Initiative (GRI) is a long-term institution run by various stakeholders, who co-operate in the development of global guidelines and standards for sustainability reporting. Both Orkla's corporate responsibility efforts and its Sustainability Report for 2009 are based on recommendations found in the GRI's guidelines (G3). Given the emphasis the GRI gives to the importance of considering which result indicators should be reported, Orkla has chosen to concentrate on the topics that are most relevant from a strategic perspective. The table below shows where information about the matters covered by the GRI may be found in Orkla's reports. A complete GRI Index is provided on Orkla's website.

Information about the matters covered by the GRI may be found in Orkla's reports. A complete GRI Index is provided on Orkla's website.

GRI also defines ten reporting principles. In Orkla's view, the Group's reporting practices largely conform with these principles.

INDICATOR	SUMMARY	REFERENCE
PROFILE		
Strategy and analysis		
1.1	Statement from the CEO	3
1.2	Impacts, risk, opportunities	Several, several, several
Organisational profile		
2.1 – 2.8	Description of the Group/organisational profile	Cover, 30-33, 35, cover, 52-55, 82-83, 88, 111, 124-128
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4.1 – 4.5	Corporate governance	31-33, 88-89, 63-67, 129
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4.7, 4.9 – 4.10	Involvement of senior executives and the Board	3-5, 13, 31, 18-20, 63-67
4.8	Code of ethics, CSR-related policies and guidelines	Several, Code of conduct (1)
4.11	The precautionary principle	48, 51, intro, 13-14
4.12	Commitment voluntary organisations	4, 6-7
4.13	Membership industry and interest groups	6-7, 19-21, (1)
4.14 – 4.17	Stakeholder dialogue	6-7, (1)
ECONOMIC INDICATORS		
Management approach		3-5, 8-21, 63-67, Orkla's mission statement, Goals and Values
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EC2	Consequences, risk and opportunities due to climate change	42-44, several
EC3	Defined benefit plan obligations	13, 89-90
EC4	Assistance received from government	-

GLOBAL REPORTING INITIATIVE (GRI)

INDICATOR	SUMMARY	REFERENCE
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EC7	Procedures for local hiring and proportion of local employees	35
EC8	Investments in infrastructure and services	36-41

ENVIRONMENTAL PERFORMANCE INDICATORS

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EN3 – EN6	Energy	43-44, several (2)
EN8	Water withdrawal	Several (2)
EN11 – EN15	Biodiversity	Several (2)
EN16 – EN21	Emissions and discharges	43-44, several (2)
EN22	Waste: weight by type and disposal method	Several (2)
EN26	Mitigate environmental impacts of products and services	Several, several (2)
EN27	Reclaim percentage	Several (2)
EN28	Fines/sanctions in the event of breach of laws or regulations	Several (2)

LABOUR PRACTICES AND DECENT WORK

Management approach 4-5, 13-14, 48, 17-19, Environmental policy, Code of conduct, Goals and Values

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LA4, LA5	Relations employees/management	13-15, 17, 129
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LA10	Training, implementation and opportunities	8-11
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LA14	Average basic salary, men vs. women	-

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Management approach 48, Code of conduct, Goals and Values,

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HR5 – HR7	Safeguarding ILO core principles	-

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S02 – S04	Corruption analyses	9, 11-12
S05	Orkla's political positions and lobbying activities	6-7
S08	Fines/sanctions in the event of breach of laws or regulations	Several (2)

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Management approach 16-23, Goals and Values

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Green indicates the Sustainability Report, blue the Annual Report, and red the EHS Report.

'-' indicates that the subject either is not covered in the report or that it is not relevant for Orkla.

(1) Complete information is to be found on Orkla's website: www.orkla.com/sustainability

(2) Orkla's EHS Report is composed such that the business areas and their environmental impact are presented individually. This gives the reader a good overview, but it becomes difficult to provide page references to the GRI indicators. Relevant indicators are described for Orkla Brands, Orkla Aluminium Solutions and for Orkla Materials in their respective chapters.

ABOUT THE REPORT

This report presents Orkla's corporate responsibility work conducted in 2009. Orkla's Sustainability Report is published annually, at the same time as Orkla's other reports. In 2010, all reports were published on 25 March. The next report will be published at the same time in 2011. The report relates to the financial year 2009. Unless otherwise specified, key figures are quoted as at 31 December, and for the Orkla Group as whole, including Group companies.

The report should be read in conjunction with other information available in Orkla's Annual Report and EHS Report, and on its 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. 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 profile. Comments on the report and feedback on the Group's work may be sent to 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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In addition to the Sustainability Report
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