

# **EU CODE OF CONDUCT ON RESPONSIBLE FOOD BUSINESS AND MARKETING PRACTICES**



**ORKLA ASA**

**PROGRESS REPORT SUBMITTED ON 3<sup>RD</sup> MAY 2023**

Orkla ASA is a leading industrial investment company. Our scope of activity is brands and consumer-oriented companies. At present, Orkla has 12 portfolio companies with operations in the Nordics, Baltics, Central Europe, India and other selected markets. Orkla ASA is listed on the Oslo Stock Exchange and our headquarter is in Oslo.

## **Orkla's commitment to the EU Code of Conduct**

Orkla signed the EU Code of Conduct on Responsible Food Business and Marketing Practices in July 2021. By signing the EU Code of Conduct, we want to show our commitment to promoting sustainable value creation within the food sector. We believe that companies in the food value chain have an important role to play in reducing climate gas emissions and achieving the UN Sustainable Development Goals towards 2030. The objectives described in the EU Code of Conduct cover areas which we have been working with for a long time and where we have the possibility to make direct, positive impact. Therefore, we have prepared commitments for all of the seven aspirational goals.

## **Orkla's sustainability goals and strategy**

At Orkla we want to play an active role in driving the transition to sustainable production and consumption. We mobilize across companies and countries to develop products and solutions which contribute to a more sustainable consumption, and which are based on responsible business practices. This is both part of our corporate responsibility and pivotal to our success as a company. Our ambition is to become a sustainability leader in our home markets, and sustainable innovations grounded in our unique local customer and consumer insight is one of our primary growth drivers. Growth in plant-based products is a key objective of our focus on sustainability.

Orkla's overarching sustainability targets for 2025 were launched in 2018 to guide our efforts to solve environmental and social challenges within our value chains and

contribute to a sustainable development. In connection with our Capital Markets Day in 2021, we emphasized three of these targets: a 65 per cent reduction in greenhouse gas emissions from own activities (scope 1 and 2, base year 2016), a 30 per cent reduction in greenhouse gas emissions from our value chain (scope 3) and 100 per cent recyclable packaging materials. The three targets have special priority in our sustainability efforts across all our portfolio companies. As a group, we have come a long way in integrating sustainability work into our business plans, decision-making processes and day-to-day activities. All our business areas have stepped up their efforts in the past few years, and the work is generating positive results.

Orkla has been affiliated with the UN Global Compact since 2005 and supports its ten principles in the areas of human and workers' rights, the environment and anti-corruption. Moreover, through our sustainability work we contribute actively to attaining a number of the 2030 Sustainable Development Goals, which were launched by the UN in 2015. We have also been a member of Ethical Trade Norway since 2012 and have committed to the principles for responsible business practices described in their code of conduct. Our targets for reducing greenhouse gas emissions have been validated by the Science Based Targets initiative. In 2022, Orkla committed to net zero emissions of greenhouse gases by 2045. The updated targets have been approved by the Science Based Targets initiative (SBTi) based on its revised framework, which was launched in November 2021. As part of this process, we also changed the baseline year from 2014 to 2016. Moreover, Orkla's climate targets for 2025 and 2030 were revalidated in 2022.

### Our commitments to the EU Code of Conduct aspirational objectives

EU Code of Conduct - Aspirational objectives	Orkla's commitments with baseline year	KPIs
1. Healthy, balanced and sustainable diets for all European consumers	<ul style="list-style-type: none"> <li>Grow the plant-based food brand portfolio from 1 to 3 billion NOK by 2025 (baseline 2020)</li> <li>15% reduction in the contribution of salt and sugar to people's diet from Orkla's products by 2025 (baseline 2015)</li> </ul>	<ul style="list-style-type: none"> <li>Revenues from plant-based food brands (NOK)</li> <li>Share of revenues from vegan products (%)</li> <li>Consumption of salt and sugar (own production) per revenues (kg/mill. NOK)</li> </ul>
2. Prevention and reduction of food loss and waste	<ul style="list-style-type: none"> <li>50% reduction in food waste by 2025 (baseline 2014)</li> </ul>	<ul style="list-style-type: none"> <li>Organic waste from own operations per revenue (tonnes per mill. NOK)</li> </ul>
3. A climate neutral food chain in Europe by 2050	<p>Net zero emissions of greenhouse gases (GHG) by 2045. Science-based targets for GHG emissions reduction (baseline 2016)<sup>1</sup>:</p> <ul style="list-style-type: none"> <li>65% reduction in GHG emissions from own operations (70% reduction by 2030)</li> <li>30% reduction in GHG emissions in the value chain, outside own operations (50% reduction by 2030)</li> </ul>	<ul style="list-style-type: none"> <li>GHG emissions reduction scope 1 and 2, absolute (tCO<sub>2</sub>e)</li> <li>GHG emissions reduction scope 1 and 2<sup>2</sup> per revenues (tCO<sub>2</sub>e/NOK million)</li> <li>Estimated GHG emissions reduction from raw materials, packaging and waste generated in own operations, scope 3 (tCO<sub>2</sub>e)</li> </ul>

4. An optimized circular and resource efficient food chain in Europe	<ul style="list-style-type: none"> <li>• 30% reduction in energy and water consumption in own operations by 2025 (baseline 2014)</li> <li>• 100% recyclable packaging materials by 2025</li> <li>• 75% packaging made of recycled materials</li> <li>• 50% plastic packaging made of recycled or renewable materials</li> </ul>	<ul style="list-style-type: none"> <li>• Total energy usage, own operations (GWh)</li> <li>• Total energy usage per revenues (GWh/NOK million)</li> <li>• Total water withdrawal, own operations (Mill. m3)</li> <li>• Share of total packaging materials that is recyclable (%)</li> <li>• Share of total packaging materials with recycled content and/or from renewable sources (%)</li> </ul>
5. Sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> <li>• Human rights due diligence process implemented for own operations and supply chains by 2025</li> </ul>	<ul style="list-style-type: none"> <li>• Total number and share of business units that have carried out human rights risk assessment, incl. updated action plans</li> <li>• Total number and share of suppliers linked to significant inherent risk for incidents of child labor, forced or compulsory labor</li> </ul>
6. Sustainable value creation in the European food supply chain through partnership	<ul style="list-style-type: none"> <li>• Be a local champion for sustainability in all our key markets</li> </ul>	<ul style="list-style-type: none"> <li>• Share of revenues from products classified as "most sustainable"<sup>3</sup> (%)</li> </ul>
7. Sustainable sourcing in food supply chains	<ul style="list-style-type: none"> <li>• Verified, sustainable production of key raw materials by 2025</li> </ul>	<ul style="list-style-type: none"> <li>• Share of certified raw materials for prioritized raw material categories (%)</li> </ul>

<sup>1</sup> Orkla's targets for greenhouse gas reductions have been validated by the Science-based Targets initiative (SBTi)

<sup>2</sup> Market-based calculation

<sup>3</sup> Internal classifications. To be considered one of Orkla's most sustainable products, the product must satisfy the criteria in at least two of the following three categories: sustainable raw materials, sustainable packaging and products that promote a healthy lifestyle

## Developments in 2022

In 2022, the Orkla companies continued to focus on sustainable innovation and improvements. We have made considerable headway in integrating a focus on the environment and social responsibility in business plans, decision-making processes and day-to-day operations. Nonetheless, we made less progress in 2022 than targeted. Still, plant-based foods produced by Orkla had an aggregate turnover of NOK 1,240 million in 2022 and growth of 18 per cent compared to 2021. Orkla's turnover from food and other products that contribute to a healthier lifestyle amounted to NOK 8.6 billion in 2022, an increase of 91% from 2017. Our companies also launched a number of products with new packaging solutions that help to increase recycling of packaging waste, products with a smaller climate footprint and healthier food products, snacks and bakery goods.

Several improvements were implemented to reduce energy usage, water consumption and food waste in our factories. Moreover, we are making good headway in our efforts to monitor suppliers to ensure that the raw materials they use are sustainably produced. More information about Orkla's sustainability goals, approach to sustainability

management and the results of our work is shared in our 2022 Annual Report (sustainability report included): <https://www.orkla.com/annualreport/>

## Progress on KPIs and goals in 2022

The table below describes the progress on the KPIs defined for each of the commitments we have made linked to the aspirational objectives of the EU Code of Conduct.

EU Code of Conduct - Aspirational objectives	Progress on KPIs and goals in 2022
1. Healthy, balanced and sustainable diets for all European consumers	<ul style="list-style-type: none"> <li>In 2022, revenues from plant-based food produced by Orkla were NOK 1 240 million, an increase of 18% from 2021</li> <li>The estimated share of revenues from vegan products was 27% in 2022, on a par with the previous two years<sup>4</sup></li> <li>The total consumption of salt and sugar has been reduced by 10<sup>5</sup>% and 5<sup>5</sup>% from baseline year 2015.</li> </ul>
2. Prevention and reduction of food loss and waste	<ul style="list-style-type: none"> <li>In 2022, organic waste per revenue was 1.4 tonnes/NOK. Mill, compared to 3.0 tonnes/NOK. Mill in baseline year 2014</li> </ul>
3.A climate neutral food chain in Europe by 2050	<ul style="list-style-type: none"> <li>In 2022, greenhouse gas emissions (scope 1 and 2 market-based) per revenue was 3 tCO<sub>2</sub>e/NOK million, compared to 5.2 tCO<sub>2</sub>e/ NOK million in baseline year 2016. This represents a 41% reduction in greenhouse gas emissions from own operations relative to revenue since 2016.</li> <li>The greenhouse gas emissions from raw materials, packaging and waste management (scope 3) in 2022 was 2 019 995 tCO<sub>2</sub>e, compared to 2 010 521 tCO<sub>2</sub>e in baseline year 2016<sup>6</sup></li> </ul>
4. An optimised circular and resource efficient food chain in Europe	<ul style="list-style-type: none"> <li>In 2022, total energy usage, own operations in absolute figures was 1 068 GWh, the same as in baseline year 2014. Adjusted for acquisitions, disposals, and increase of turnover, Orkla has reduced its energy use by 37% since baseline year 2014</li> <li>In 2022, the total water withdrawal, own operations was 7.6 Mill. m<sup>3</sup>, compared to 10.2 Mill. m<sup>3</sup> in baseline year 2014. Overall, Orkla's water consumption has been reduced by 26% since 2014</li> <li>The percentage of total recyclable packaging materials in 2022 was 96%, the same as in 2021</li> <li>The share of total packaging materials with recycled content was 55%, compared to 54 % in 2021. The share of packaging materials with recycled content and/or from renewable sources was 70%, up from 67% the year before.</li> <li>The share of total packaging materials from renewable sources was 42% in 2022, compared to 36% in 2021</li> </ul>
5. Sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> <li>In 2022, 95% of Orkla business units carried out human rights risk assessments during the year. In connection with the risk assessment, the companies identified improvement measures relevant to the goal of being a responsible employer</li> <li>In 2022, 100% of our new suppliers were screened using social criteria. Furthermore, 48 suppliers with social non-compliances were identified. Improvements were agreed with all of the suppliers with identified social non-compliance</li> </ul>
6. Sustainable value creation in the European food supply chain through partnership	<ul style="list-style-type: none"> <li>In 2021, the estimated share of revenues from products classified as "most sustainable" was 11%, compared to 16% in 2021. The criteria were made stricter in 2021 and 2022 and the underlying development is more positive than indicated by the figures.</li> </ul>
7. Sustainable sourcing in food supply chains	<p>In 2022, the share of certified raw materials for prioritized raw material categories were:</p>

	<ul style="list-style-type: none"> <li>• 92% certified cocoa (Rainforest Alliance/UTZ Certified or Fairtrade) of total volume purchased (37% Segregated and 55% Mass Balance)</li> <li>• 27% certified marine raw materials (MSC or ASC) of total volume purchased</li> <li>• 98% certified palm oil and palm kernel oil (RSPO) of total volume purchased (43% Segregated, 28% Mass Balance, 28% RSPO Credits)</li> <li>• 64% certified soy (RTRS – Roundtable on Responsible Soy, Pro Terra) of total purchased volume</li> <li>• 59% certified hazelnuts (Rainforest Alliance) of total purchased volume</li> <li>• 97% certified organic cotton (GOTS, OCS) of total purchased volume</li> </ul>
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<sup>4</sup> Applies to total revenues in Orkla Foods, Orkla Confectionery & Snacks and Orkla Food Ingredients.

<sup>5</sup> Applies to the Orkla Foods, Orkla Confectionery & Snacks and Orkla Food Ingredients business areas. The figures are associated with uncertainty due to variations in the calculation method

<sup>6</sup> The increase in scope 3 emissions is explained by improved data coverage in 2022 compared to 2016.