

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



**ORKLA ASA**

**PROGRESS REPORT SUBMITTED ON 29<sup>TH</sup> APRIL 2022**

Orkla is a leading branded goods company 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 2014), 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 business areas and 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. We have also committed to setting a net-zero emissions target in accordance with a new framework developed by SBTi.

### 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	Climate neutral by 2050, Science-based targets for climate gas reduction (baseline 2014) <sup>1</sup> : <ul style="list-style-type: none"> <li>65% reduction in greenhouse gas emissions from own operations (80% reduction by 2040)</li> <li>30% reduction in greenhouse gas emissions in the value chain, outside own operations (75% reduction by 2040)</li> </ul>	<ul style="list-style-type: none"> <li>GHG emissions scope 1 and 2<sup>2</sup> per revenues (tCO<sub>2</sub>e/NOK million)</li> <li>Estimated GHG emissions from raw materials and packaging, 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> </ul>	<ul style="list-style-type: none"> <li>Total energy usage, own operations (GWh)</li> <li>Total water withdrawal, own operations (Mill. m<sup>3</sup>)</li> </ul>

	<ul style="list-style-type: none"> <li>• 100% recyclable packaging materials by 2025</li> <li>• 75% recycled and/or renewable packaging materials</li> </ul>	<ul style="list-style-type: none"> <li>• Share of total packaging materials that is recyclable (%)</li> <li>• Share of total packaging materials with recycled content (%)</li> <li>• Share of total packaging material made 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

<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 2021

In 2021, the Orkla companies continued to focus on sustainable innovation and improvements. We achieved good results within the scope of all the five main topics of our sustainability strategy: environmental engagement, sustainable sourcing, nutrition and wellness, safe products and care for people and society. For example, plant-based foods produced by Orkla had an aggregate turnover of NOK 1,047 million in 2021 and growth of 23 per cent compared with 2020. 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. In 2021, more systematic efforts to reduce greenhouse gas emissions in our supply chain were also introduced. 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 2021 Annual Report (sustainability report included): <https://www.orkla.com/annualreport/>

## Progress on KPIs and goals in 2021

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 2021
1. Healthy, balanced and sustainable diets for all European consumers	<ul style="list-style-type: none"> <li>In 2021, revenues from plant-based food produced by Orkla were NOK 1 047 million, an increase of 23% from 2020</li> <li>The estimated share of revenues from vegan products was 26% in 2021, a slight decrease from 28% in 2020<sup>4</sup></li> <li>The total consumption of salt and sugar has been reduced by 10<sup>5</sup>% and 4.7<sup>5</sup>% from baseline year 2015. The consumption of salt per revenue was 321 kg/mill. NOK in 2021, and the consumption of sugar per revenue was 2 713 kg/mill. NOK</li> </ul>
2. Prevention and reduction of food loss and waste	<ul style="list-style-type: none"> <li>In 2021, 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 2021, greenhouse gas emissions (scope 1 and 2 market-based) per revenue was 2.4 tCO<sub>2</sub>e/NOK million, compared to 6.9 tCO<sub>2</sub>e/ NOK million in baseline year 2014. This represents a 65% reduction in greenhouse gas emissions from own operations relative to revenue in the period 2014-2021</li> <li>The greenhouse gas emissions from raw materials, packaging and waste management (scope 3) in 2021 was 1 816 700 tCO<sub>2</sub>e, compared to 1 900 400 tCO<sub>2</sub>e in baseline year 2014</li> </ul>
4. An optimised circular and resource efficient food chain in Europe	<ul style="list-style-type: none"> <li>In 2021, total energy usage, own operations in absolute figures was 1 090 GWh, compared to 1 050 GWh in baseline year 2014. Adjusted for acquisitions, disposals, and increase of turnover, Orkla has reduced its energy use by 19% since baseline year 2014</li> <li>In 2021, the total water withdrawal, own operations was 7.7 Mill. m<sup>3</sup>, compared to 10.4 Mill. m<sup>3</sup> in baseline year 2014. Overall, Orkla's water consumption has been reduced by 28% since 2014</li> <li>The percentage of total recyclable packaging materials in 2021 was 96%, compared to 95% in 2020</li> <li>The share of total packaging materials with recycled content was 54%, compared to 47 % in 2020</li> <li>The share of total packaging materials from renewable sources was 36% in 2021, compared to 35% in 2020</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 2021, 64 Orkla business units (91%) 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 2021, 100% of our new suppliers were screened using social criteria. Furthermore, 52 suppliers with social non-compliances were identified. Improvements were agreed with all of the suppliers with identified social non-compliance<sup>6</sup></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 16%, compared to 15% in 2020</li> </ul>
7. Sustainable sourcing in food supply chains	<p>In 2021, the share of certified raw materials for prioritized raw material categories were:</p> <ul style="list-style-type: none"> <li>81% certified cocoa (Rainforest Alliance/UTZ Certified or Fairtrade) of total volume purchased</li> </ul>

	<ul style="list-style-type: none"> <li>• 52% certified marine raw materials (MSC or ASC) of total volume purchased</li> <li>• 96% certified palm oil and palm kernel oil (RSPO) of total volume purchased</li> <li>• 15% certified soya (RTRS – Roundtable on Responsible Soy, Pro Terra) of total purchased volume</li> <li>• 54% certified hazelnuts (Rainforest Alliance) of total purchased volume</li> <li>• 96% 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>: We are currently working on the reporting routines related to screening of direct suppliers. We expect to improve our reporting on this indicator in the future