

# Corporate governance

## *(Statement of policy on corporate governance)*

Orkla's principles for good corporate governance aim to lay the foundation for long-term value creation, for the benefit of shareholders, employees and society at large. These principles cannot replace efforts to foster a sound corporate business culture, but must be viewed in conjunction with them. Openness, transparency, accountability and equal treatment underpin confidence in the Orkla Group, both internally and externally.

### 1. STATEMENT OF POLICY ON CORPORATE GOVERNANCE

Orkla is subject to corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 7 on the continuing obligations of stock exchange listed companies. The Accounting Act may be found (in Norwegian) at [www.lovdata.no](http://www.lovdata.no). The Norwegian Code of Practice for Corporate Governance, which was last revised on 23 October 2012, may be found at [www.nues.no](http://www.nues.no).

This statement of policy will be an item of business at Orkla's Annual General Meeting on 10 April 2014. The company's auditor has assessed whether the information provided in this statement with regard to section 3-3b of the Accounting Act is consistent with the information provided in the annual financial statements. The auditor's statement may be found on page 110.

The Board of Directors at Orkla actively adheres to good corporate governance standards and will at all times ensure that Orkla complies with the requirements of section 3-3b of the Accounting Act and the Norwegian Code of Practice for Corporate Governance. This is done by ensuring that the topic of good governance is an integral part of the decision-making process in matters dealt with by the Board. Moreover, Orkla's corporate governance principles are subject to annual assessment and discussion by the Board, which has also considered this text at a Board meeting.

The following section is structured in the same way as the Code of Practice, covers each point of the Code and describes Orkla's compliance efforts. Orkla is committed to promoting sustainable social development by operating in compliance with responsible business principles, systematically improving its operations in relation to the external environment, climate and energy resources and investing in profitable business projects that can generate positive ripple effects for society. The Group's attitudes towards corporate responsibility have been defined in the Orkla Code of Conduct and the Group directive on corporate responsibility. The documents may be found on Orkla's website under "Sustainability", and are described in further detail in a separate statement on Orkla's Corporate Responsibility (see section 3-3c of the Accounting Act), and in Orkla's Sustainability Report. The statement and the Sustainability Report also give an account of the Group's efforts to address important corporate responsibility issues in 2013.

### 2. ACTIVITIES

Orkla's mission statement reads as follows: "The objectives of the company are to engage in activities comprising industry, commerce, forestry, transport, finance, the acquisition and sale of securities and other investments, the purchase, sale, development and management of real estate, the publication of newspapers, magazines and other media, services and any other activity connected with the aforementioned objectives. The activities are conducted by the company itself or by its subsidiaries in Norway and abroad."

In accordance with its mission statement, Orkla operates in several areas. The Group's main focus is on branded consumer goods, but the Group still operates in the aluminium, energy, real estate and financial investments sectors. In 2011, Orkla announced that the Group will in future focus on and allocate its resources to its branded consumer goods operations. In 2012 and 2013, in line with this strategy, Orkla made substantial acquisitions of businesses within its branded consumer goods area, while gradually phasing out businesses that lie outside the Group's core business area. The Board of Directors will consider whether it is appropriate to propose adjusting the mission statement when the phase-out process has been completed.

In 2013, there was focus on highlighting Orkla's vision

*Account is taken in this statement of information which Orkla is required to provide under section 3-3b of the Norwegian Accounting Act regarding reporting on corporate governance, and the information is structured in accordance with the Code of Practice where it is logical to do so. The following specifies where the items on which information must be disclosed under section 3-3b of the Accounting Act may be found:*

- 1.** *«a statement of the recommendations and regulations concerning corporate governance that the enterprise is subject to or otherwise chooses to comply with»: section 1 of the Code of Practice, Implementation and reporting on corporate governance.*
- 2.** *«information on where the recommendations and regulations mentioned in no. 1 are available to the public»: section 1 of the Code of Practice, Implementation and reporting on Corporate Governance*
- 3.** *«the reason for any non-conformance with recommendations and regulations mentioned in no. 1»: There are two non-conformances with the Code of Practice which are described in further detail in italics under section 6, General Meetings, and section 14, Takeovers.*
- 4.** *«a description of the main elements in the enterprise's, and for entities that prepare consolidated financial statements, if relevant also the Group's, internal control and risk management systems linked to the financial reporting process»: section 10 of the Code of Practice, Risk Management and internal control.*
- 5.** *«Articles of Association which entirely or partly expand on or depart from provisions of Chapter 5 of the Public Limited Liability Companies Act»: section 6 of the Code of Practice, General Meetings.*
- 6.** *«the composition of the Board of Directors, the Corporate Assembly, the Committee of Shareholders' Representatives and the Control Committee and any working committees related to these bodies, as well as a description of the main instructions and guidelines that apply to the work of the bodies and any committees»: section 8 of the Code of Practice, the Corporate Assembly and the Board of Directors, composition and independence, and section 9, The work of the Board of Directors.*
- 7.** *«Articles of Association governing the appointment and replacement of Board Members»: section 8 of the Code of Practice, the Corporate Assembly and the Board of Directors, composition and independence.*
- 8.** *«Articles of Association and authorisations empowering the Board of Directors to decide that the enterprise is to buy back or issue its own shares or equity certificates»: section 3 of the Code of Practice, Equity and dividends.*

and strategic pillars. Orkla's vision is "Improving everyday life with healthier and more enjoyable local brands". In the autumn of 2013, Orkla introduced a new logo and visual identity to underscore its focus on branded consumer goods and the Group's vision. Orkla aims to outperform and create greater value than its competitors and others with whom it is natural to compare the Group. Orkla will achieve this objective through targeted efforts across four strategic pillars: (1) Local Brands and Innovations, (2) Customers and Markets, (3) Operations and Efficiency and (4) People and Management.

### 3. EQUITY AND DIVIDENDS

As at 31 December 2013, Group equity totalled

NOK 30.8 billion. An ordinary dividend of NOK 2.50 per share was paid out in the 2012 accounting year. Orkla has pursued a consistent shareholder and dividend policy for many years.

Over time, Orkla shareholders shall receive a competitive return on their investment through a combination of dividends and an increase in the share price. The Board of Directors has proposed that a dividend of NOK 2.50 per share be paid for the 2013 financial year. The dividend will be paid out on 25 April to shareholders of record on the date of the Annual General Meeting.

The authorisations empowering the Board of Directors to

undertake share buybacks are limited to specific purposes and are granted for a period no longer than until the next general meeting. The General Meeting is given the opportunity to vote on every purpose covered by the authorisation.

At the Annual General Meeting in 2013, the Board of Directors was granted authorisation to buy back up to 100,000,000 Orkla shares so that the company can acquire and hold up to 10% of its share capital. The authorisation is limited to specific purposes, and applies until the Annual General Meeting in 2014. Shares acquired under this authorisation are to be cancelled or used in connection with employee incentive programmes, including the Group's employee share purchase programme. Each purpose was discussed as a separate item of business at the Annual General Meeting. A similar authorisation has been granted each year since 1998. Orkla has not acquired any of its own shares under the current authorisation, but in the past five years has on average bought back 0.3% of outstanding shares each year. As at 31 December 2013, Orkla held 4,972,106 treasury shares.

Up until the Annual General Meeting in 2011, authorisation was regularly granted to the Board of Directors to increase share capital through the subscription of new shares. The purpose has been to simplify procedures if it should prove desirable to further develop the Group's core businesses by acquiring companies in return for consideration in the form of the subscription of new shares or otherwise increasing share capital by means of private placements. The Board of Directors does not wish to propose to the General Meeting that this authorisation be reintroduced in 2014. Questions concerning increases in share capital must be submitted to the General Meeting for decision.

The company's transactions in its own shares are effected on the market at market price, in accordance with good stock exchange practice in Norway. There are otherwise no provisions in Orkla's Articles of Association that regulate the buyback or issue of shares.

#### **4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES**

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

The company's policy is not to dilute the shareholdings of existing shareholders. In accordance with this policy, there have been no real share capital increases in the company in recent years. Should the Board of Directors wish to propose

to the General Meeting that a departure be made from the pre-emptive right of existing shareholders in the event of a capital increase, such a proposal will be justified by the common interests of the company and the shareholders, and the grounds for the proposal will be presented in the notice of the general meeting.

To avoid any detriment to the Group's reputation, the Board considers it important to pursue a policy of transparency and caution in connection with investments that could be perceived as an unfortunately close involvement, or close relationship, between the company and a member of the Board, executive management or parties related thereto. Procedural rules for such transactions have therefore been drawn up in the Rules of Procedure for the Board of Directors, which may be found on Orkla's website under "Investor Relations". According to the Rules of Procedure, the Board Chair must be informed of such transactions and must decide how the matter should be dealt with. If the matter concerns the Board Chair, this duty is incumbent upon the Deputy Chair of the Board. Further information on transactions between related parties is provided in Note 37 to the consolidated financial statements. In the event of non-immaterial transactions between the company and shareholders, a shareholder's parent company, Board members, executive management or parties related thereto, the Board of Directors will ensure that a valuation is carried out by an independent third party. The Board will similarly arrange for a valuation by an independent third party in the event of non-immaterial transactions between companies within the Group where there are minority shareholders.

The Rules of Procedure further establish that a Board member must not take part in the consideration of or a decision on an issue that is of such importance to himself or herself or to any related party that the member must be considered to have an obvious personal or financial interest in the matter. It is incumbent upon each Board member to consider on an ongoing basis whether there are matters which, from an objective point of view, are liable to undermine the general confidence in that Board member's independence and impartiality, or which could give rise to conflicts of interest in connection with the Board of Directors' consideration of the matter. Such matters must be taken up with the Board Chair. According to the Orkla Code of Conduct, employees must on their own initiative inform their superior if they should recuse themselves from dealing with or if they have a conflict of interest in connection with a matter, and consequently should not take part in considering such matters.

## 5. FREELY NEGOTIABLE SHARES

All Orkla shares carry equal rights and are freely negotiable. No special limitations on transactions have been laid down in Orkla's Articles of Association. Article 3, second paragraph, of the Articles of Association states that «The Board of Directors may entirely or partly refuse to approve the transfer of shares if the company pursuant to statute or to regulations laid down pursuant to statute is given the discretionary right to refuse such approval or to apply other restrictions on sales.» In this connection, it should be noted that the provisions of the Industrial Licensing Act requiring Board consent for acquisitions of shares representing more than 20% of all shares in the company are applicable, due to Orkla's ownership interests in waterfalls. Transactions in the Orkla share are described in more detail on Orkla's website under "Investor Relations".

## 6. GENERAL MEETINGS

Orkla seeks to ensure that as many shareholders as possible are able to exercise their rights by participating in general meetings, and that the general meeting is an effective meeting place for shareholders and the Board of Directors. The Annual General Meeting is held every year before the end of May. Notices of general meetings and related documents are made available on Orkla's website at the latest 21 days prior to the date of the meeting. The final date for giving notice of attendance is three working days prior to the general meeting. Shareholders are given the opportunity to vote on the election of every single candidate to an office in the Nomination Committee and on the Board of Directors. The auditor, members of the Board of Directors and Nomination Committee are present at general meetings.

Previously, the general meeting was opened by the Chair of the Corporate Assembly, in accordance with Orkla's Articles of Association. As part of the process of discontinuing the Corporate Assembly, the Articles of Association were amended, and the general meeting is now opened by the Chair of the Board of Directors in accordance with the provisions of the Public Limited Companies Act. The General Meeting then elects the meeting chair.

The voting right for a transferred share may be exercised when the transfer has been recorded by the Norwegian Central Securities Depository (VPS) within the time limit for giving notice of attendance at the general meeting, or if the share acquisition has been notified to the VPS and proof of the acquisition is presented at the general meeting. Under Norwegian law, only shares that are registered in the name of the shareholder may be voted. Shares that are registered in a nominee account must be reregistered in the VPS in order for the shareholder to be able to vote the shares. Further information may be found in the

notice of the general meeting and on Orkla's website.

Shareholders who are unable to attend the general meeting may vote by proxy. Orkla will appoint the Board Chair or meeting chair to vote for shareholders. The proxy form is designed in such a way that voting instructions may be given for each item of business that is to be considered. Shareholders who were unable to attend the Annual General Meeting in 2013 could, in addition to voting by proxy, cast a direct advance vote on the company's website or through VPS Investor Services. The Board of Directors has decided that shareholders may cast advance votes again in 2014. Further information regarding use of proxies, advance voting and shareholders' right to submit items of business for consideration at general meetings is provided in the notice of the general meeting and on Orkla's website.

Under Article 12, second paragraph, of the Articles of Association, the Board of Directors may decide that documents concerning items of business to be considered at the general meeting are not to be sent to shareholders when the documents are made available on the company's website. This also applies to documents which by law must be included in or attached to the notice of the general meeting. A shareholder may nonetheless request that documents pertaining to items of business to be considered at the general meeting be sent to him or her. The provision in the Articles of Association departs from the general rule laid down in Chapter 5 of the Public Limited Liability Companies Act which prescribes that the annual financial statements, the report of the Board of Directors, the auditor's report and the Board of Directors' statement of guidelines for the remuneration of the executive management pursuant to section 6-16a must be sent to all shareholders no later than one week before the general meeting.

As authorised by the Public Limited Liability Companies Act, a resolution was adopted at the 2013 Annual General Meeting to the effect that the Board of Directors may decide to send notice of an extraordinary general meeting at least two weeks prior to the date of the meeting if the Board, in accordance with section 5-8a of the Public Limited Liability Companies Act, has decided that votes at the general meeting may be cast electronically. The decision applies until the Annual General Meeting in 2014. The Board of Directors intends to propose a similar resolution at the 2014 Annual General Meeting.

*Members of the Board of Directors are present at general meetings, but normally not the entire Board has attended. No items of business at general meetings have made this necessary to date. The Board Chair, the general manager and the heads of the various business areas are always*

*present in order to reply to any questions that may be raised.*

## 7. THE NOMINATION COMMITTEE

Under the Articles of Association, Orkla has a Nomination Committee that is elected by the General Meeting. The General Meeting adopted further Rules of Procedure for the Nomination Committee in 2010. These Rules of Procedure were updated by the General Meeting in 2013 as a result of the decision to discontinue Orkla's Corporate Assembly. The Rules of Procedure for the Nomination Committee may be found on Orkla's website under "Investor Relations". The Nomination Committee shall consist of two to five members, who are elected for a term of up to two years. The General Meeting elects the Chair and members of the Nomination Committee and determines its remuneration. The Committee is tasked with submitting the following reasoned recommendations:

### *Recommendation to the General Meeting:*

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

### *Recommendation to the body that elects the Chair of the Board of Directors:*

- Election of the Chair and Deputy Chair of the Board of Directors. (For this purpose, the Nomination Committee is supplemented by a representative appointed by the employee-elected members of the Board of Directors.)

The Rules of Procedure for the Nomination Committee contain further guidelines for the preparation and implementation of elections to the Nomination Committee and the Board of Directors, as well as criteria for eligibility, general requirements regarding recommendations, the number of members in the Committee and their term of service, and detailed procedural rules for the work of the Nomination Committee. Information regarding the composition of the Nomination Committee, which members are up for election and how input and proposals may be submitted to the Committee is posted on Orkla's website under "Investor Relations".

The composition of the Nomination Committee is intended to ensure that the interests of all the shareholders are served, and meets the requirement of the Norwegian Code of Practice for Corporate Governance as regards independence of the company's management and Board of Directors. None of the members of the Nomination

Committee are a member of the Board of Directors of Orkla ASA. Neither the general manager nor other senior executives are members of the Nomination Committee. Information regarding the composition of the Nomination Committee and the number of Orkla ASA shares owned by each Committee member as at 31 December 2013 may be found on page 124.

## 8. THE CORPORATE ASSEMBLY AND THE BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

At the Annual General Meeting in 2013, a resolution was adopted to discontinue Orkla's Corporate Assembly in accordance with the agreement entered into with the employee unions. The Corporate Assembly was discontinued immediately after the election of shareholder-elected members to the Board of Directors and the Board Chair in May 2013. Consequently, the General Meeting will elect shareholder-elected members to the Board directly. It is proposed that the Board Chair should be elected by the General Meeting.

The composition of the Board of Directors is intended to serve the interests of all the shareholders and meet the company's need for competence, capacity and diversity. The Board's composition meets the requirements of the Norwegian Code of Practice for Corporate Governance as regards Board members' independence of the company's executive management, main shareholders and material business relationships. Two of the Board members are defined as non-independent of the company's main shareholders, and all the Board members are defined as independent of the company's executive management or material business relationships. There are few instances in which Board members are disqualified from considering Board matters. Representatives of the executive management are not members of the company's Board of Directors.

Under Article 4 of Orkla's Articles of Association, the Chair, the Deputy Chair and the other shareholder-elected members of the Board may be elected for a term of up to two years. Since 2007, however, the Corporate Assembly has practised a term of one year for shareholder-elected members and deputy members, on the grounds that an annual assessment of the overall composition of the Board will ensure greater flexibility. There are no other provisions in the Articles of Association governing the appointment and replacement of Board members.

Further pursuant to Article 4 of Orkla's Articles of Association, the shareholder-elected members of the Board of Directors are required to own shares in the company with a view to strengthening the shared financial interests of shareholders and Board members. A more detailed description of the



number of Orkla shares owned by each member of the Board, the members' background, qualifications, term of service and independence, how long they have been an Orkla Board member and any material functions in other companies and organisations is provided on page 120. Information regarding each Board member's attendance at Board meetings may be found on page 120.

Under Norwegian law and in accordance with Orkla's current system of corporate democracy, Group employees have the right to elect four members of the Board of Directors of Orkla ASA, and one observer. The composition of the company's governing bodies is described on page 124.

## 9. THE WORK OF THE BOARD OF DIRECTORS

### *Tasks of the Board of Directors*

The tasks of the Board of Directors are laid down in the Rules of Procedure for the Board of Directors, which govern the Board's responsibilities and duties and the administrative procedures of the Board, including which matters are subject to Board consideration and rules for convening and holding meetings.

The Board's Rules of Procedures also contain rules regarding the general manager's duty to inform the Board about important matters, and to ensure that Board decisions are implemented, see to it that company employees and other parties involved are adequately informed of Board decisions, and see to it that the guidelines for preparing matters for Board consideration are followed. The Board's other instructions and clarification of duties, authorisations and responsibilities to the general management are provided through routine communication.

The Board of Directors adopts an annual meeting and activity plan that covers strategic planning, business issues and oversight activities. In 2013, eight meetings were held in accordance with the Board's activity plan, including a two-day meeting to address strategic issues and one extraordinary Board meeting. The Board dealt with a total of 94 items of business. The content of the Board's work is discussed in further detail in the Report of the Board of Directors.

Board matters are prepared by the general manager and the Corporate Secretariat in consultation with the Board Chair. The Rules of Procedure for the Board of Directors contain provisions regarding procedural rules in connection with disqualification, joint investments and parallel investments. This is described in further detail under point 4 "Equal treatment of shareholders and transactions with related parties". The Board of Directors has established two permanent Board Committees, which are described in further detail below. These committees do not make

decisions, but supervise the work of the company management on behalf of the Board and prepare matters for Board consideration within their specialised areas. In this preparatory process, the committees have the opportunity to draw on company resources, and to seek advice and recommendations from sources outside the company.

### *The Compensation Committee*

The Compensation Committee is chaired by the Deputy Chair of the Board of Directors, Grace Reksten Skaugen, and its other members are Stein Erik Hagen and Terje Utstrand. The Group's SVP Corporate HR is the committee secretary. The composition of the committee meets the requirements of the Norwegian Code of Practice for Corporate Governance as regards independence, and all the committee members are considered to be independent of executive management. The mandate of the committee is set out in the Rules of Procedure for the Board of Directors and in brief is as follows:

- prepare for consideration matters relating to the salary and terms of employment of the President and CEO to enable the entire Board, once a year, to participate in the evaluation of the President and CEO and in decisions concerning the latter's terms of employment;
- prepare for consideration matters of principle relating to levels of pay, bonus systems, pension terms, employment contracts and the like for senior Orkla executives.

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

### *The Audit Committee*

The Audit Committee is chaired by Jesper Ovesen, and the other members are Peter A. Ruzicka (up until 10 February 2014) and Gunn Liabø. The Chief Internal Auditor is the secretary of the Audit Committee. The composition of the committee meets the requirements of the Norwegian Code of Practice for Corporate Governance as regards independence and competence. The Nomination Committee's recommendation of candidates for election to the Board also contains information as to which Board members satisfy the requirements as regards independence and competence to sit on the Audit Committee. The committee's mandate is set out in the Board's Rules of Procedure and in brief is as follows:

- ascertain that internal and external accounting reporting processes are organised appropriately and carried out efficiently, and are of high professional quality;

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

#### *The Board of Directors' self-evaluation*

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

### **10. RISK MANAGEMENT AND INTERNAL CONTROL**

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

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

Orkla's risk management system is fundamental to the achievement of these goals. To ensure ongoing risk monitoring in individual companies, all boards of operational subsidiaries are required to carry out a thorough analysis of the company's risk picture and internal control function at least once a year, in addition to the risk analysis that is an integral part of the company's decision-making processes.

Great importance is attached in Orkla's governing documents to defining the standards that apply to

Orkla's businesses, and who is responsible for monitoring compliance with the various standards. Emphasis is also placed on ensuring that the documents are user-friendly and easily accessible. All the governing documents may be found on the web portal The Orkla Way. All employees can access The Orkla Way through the Group intranet, as well as by logging in on the Internet.

#### *Risk management at Orkla*

The Group's risk management is carried out by the financial staffs and is designed to ensure that all risk that is significant for Orkla's goals is identified, analysed, effectively dealt with and exploited across business areas and professional disciplines. This entails, among other things:

- continuously monitoring important risk indicators in order to reassess the Group's level of risk, if necessary
- identifying, communicating and monitoring risk factors critical to the Group in order to ensure that adequate risk mitigation measures are in place
- maintaining instructions and guidelines for risk management, emergency response and continuous operations
- assisting in the implementation of coherent risk management in routine operations and in connection with projects and major decisions
- presenting Orkla's consolidated risk profile to the Group Executive Board, the Board of Directors and the Board's Audit Committee
- facilitating the transfer of best risk management practices throughout the Group
- ensuring that formal risk assessments are uniformly carried out, presented, discussed and concluded by the Boards of the respective Group companies
- carrying out detailed risk analyses in particularly exposed areas
- ensuring that Orkla's risk management is in accordance with relevant regulatory requirements and the wishes of Orkla's stakeholders
- being responsible for selected measures to mitigate risk at Group level.

#### *EHS*

Risk identification is also an important tool in preventive environment, health and safety (EHS) efforts, and the Senior Vice President EHS ensures the systematic, continuous follow-up of this work. All companies and businesses report their ten main EHS risk factors and associated risk-mitigating measures as part of the annual reporting process.

#### *The internal audit function*

As part of the Group's internal control system, Orkla has an Internal Audit Department, which works closely with

the external auditor. The responsibilities of the Group's Internal Audit Department are as follows:

- Verify that internal control procedures which reduce risk have actually been established and are functioning as intended;
- Assist the Board of Directors, the Group Executive Board and the business areas by providing auditing competence and capacity, which includes monitoring and control of selected companies in the Group;
- Be the recipient of and follow up on reports submitted under the Group's whistle-blowing system for breaches of the Group's Code of Conduct. Information on this system may be found on Orkla's website under "Sustainability".
- Coordinate the choice of and monitor external auditors in the Group companies in accordance with the instructions of the Audit Committee
- Act as secretary to the Audit Committee

The Internal Audit Department is independent of "the line", since the Chief Auditor reports to the Board's Audit Committee.

#### ***Business ethics and corporate responsibility***

There is systematic focus on business ethics and corporate responsibility at Orkla. Reference is made to a separate account of Corporate Responsibility at Orkla, and to Orkla's Sustainability Report for 2013.

#### ***The financial reporting process***

The Orkla Group prepares and presents its financial statements in accordance with current IAS/IFRS rules.

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

The process of consolidating and checking financial data takes place at several levels in the business areas.

Training and further development of accounting expertise

within the Group is provided at the central level through the Orkla Finance Seminar, the Orkla Finance Academy, Year-End Reporting Day, HFM courses and the Orkla Accounting Committee. This training is offered in addition to the training provided by the various business areas.

#### **11. REMUNERATION OF THE BOARD OF DIRECTORS**

All remuneration of the Board of Directors is disclosed in Note 6 to Orkla ASA's financial statements. The note shows that remuneration of the Board of Directors is not linked to the Group's performance and that no options have been issued to Board members.

#### **12. REMUNERATION OF THE EXECUTIVE MANAGEMENT**

The Board's Compensation Committee presents a recommendation concerning the compensation and benefits for the President and CEO to the Board of Directors and monitors the general conditions for other senior executives in the Group. The Board assesses the President and CEO and his conditions once a year. A description of the remuneration of the executive management and the Group's compensation and benefits policy, including the scope and design of bonus and share-price-related programmes, is given in the Board of Directors' statement of guidelines for the remuneration of executive management; see Note 6 to Orkla ASA's financial statements. A ceiling has been set for performance-related remuneration. The Board of Directors' statement of guidelines is made available to shareholders together with the notice of the Annual General Meeting.

#### **13. INFORMATION AND COMMUNICATIONS**

Orkla seeks to ensure that its accounting and financial reporting are worthy of the confidence of investors. Orkla's accounting procedures are highly transparent, and since 2005 Orkla has prepared and presented its financial statements in accordance with the International Financial Reporting Standards (IFRS). The Board of Directors' Audit Committee monitors company reporting on behalf of the Board.

Orkla strives to communicate actively and openly with the market. The company's annual and quarterly reports contain extensive information on the various aspects of the company's activities. The company's quarterly presentations are webcast directly and may be found on Orkla's website, along with the quarterly and annual reports, under "Investor Relations". In 2013, the company's Annual General Meeting was webcast and simultaneously interpreted to English. Orkla normally holds a Capital Markets Day every other year, on which occasion the market is given an in-depth review of the Group's strategic direction and operational development. The Capital Markets Day presentations are webcast directly on the company's websites.



In addition, Orkla arranges excursions for analysts and investors to selected Orkla factories so as to better acquaint the market with Orkla's operations. All shareholders and other financial market players are treated equally as regards access to financial information. The Group's Investor Relations Department maintains regular contact with company shareholders, potential investors, analysts and other financial market stakeholders. The Board is regularly informed of the company's investor relations activities. The financial calendar for 2014 may be found on Orkla's website under "Investor Relations".

#### 14. TAKEOVERS

The Board of Directors will not seek to hinder or obstruct any takeover bid for the company's operations or shares. In the event of such a bid as discussed in section 14 of the Norwegian Code of Practice for Corporate Governance, the Board of Directors will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Code of Practice. This includes obtaining a valuation from an independent expert. On this basis, the Board will make a recommendation as to whether or not the shareholders should accept the bid. There are no other written guidelines for procedures to be followed in the event of a takeover bid.

*The Group has not found it appropriate to draw up any explicit basic principles for Orkla's conduct in the event of a takeover bid, other than the actions described above. The Board of Directors otherwise concurs with what is stated in the Code of Practice regarding this issue.*

#### 15. AUDITOR

The Board of Directors has determined the procedure for the external auditor's regular reporting to the Board. Each autumn, the external auditor presents to the Board his assessment of risk, internal control and the quality of financial reporting at Orkla, at the same time presenting his audit plan for the following year. The external auditor also takes part in the Board's discussions on the annual financial statements. On both occasions, the Board of Directors ensures that it is able to discuss relevant matters with the auditor without the presence of the management.

The external auditor and the President and CEO attend all meetings of the Board's Audit Committee. For information regarding the work of the internal auditor, reference is made to the section above on risk management and internal control.

Orkla has established guidelines for the right of the general management to use the external auditor for services other than auditing. Responsibility for monitoring such

use in detail has been delegated to the secretary of the Audit Committee, who is the Chief Internal Auditor. The secretary of the Audit Committee approves all material assignments in advance and receives an annual summary from the external auditor of services other than auditing that have been provided to Orkla. His annual report to the Audit Committee and the Board of Directors includes special comments on these services. Details of the company's use and remuneration of the external auditor are disclosed in Note 6 to the financial statements of Orkla ASA. The General Meeting is informed about the Group's overall remuneration of the auditor, broken down in accordance with statutory requirements into remuneration for statutory auditing and remuneration for other services. In connection with the auditor's participation in the Audit Committee and the Board of Directors' consideration of the annual financial statements, the auditor also confirms his independence.