

NOTE 5 REMUNERATION AND CONTRACTUAL ARRANGEMENTS – THE BOARD OF DIRECTORS’ STATEMENT OF GUIDELINES

1. The Board of Directors’ statement of guidelines for the pay and other remuneration of the executive management

Pursuant to section 6-16a of the Public Limited Liability Companies Act, the Board of Directors must draw up a special statement of guidelines for the pay and other remuneration of senior executives (“Board’s statement of guidelines”). The elements in the Board’s statement of guidelines are set out in (i)–(vi) below. Under section 5-6 (3) of the same Act, an advisory vote must be held at the General Meeting on the Board of Directors’ guidelines for the remuneration of the executive management for the coming financial year (see (ii) below). Insofar as the guidelines concern share-related incentive programmes, these must also be approved by the General Meeting (see (iii) below).

(i) Pay, other remuneration of and other conditions relating to the executive management

The Board of Directors decides the terms and conditions of the President and CEO and makes decisions on fundamental issues relating to the Group’s compensation and benefits policy and compensation arrangements for other employees. The Board of Directors has a special Compensation Committee that prepares matters relating to compensation for decision by the Board. The Committee consists of three Board members, one of whom is elected by the employees, and was chaired by the Deputy Chair of the Board in 2019. The administration prepares matters for the Compensation Committee and the Board.

The Group Executive Board participates in the Group’s annual bonus programme and long-term incentive programme.

Fixed salaries and fees for the Group Executive Board and accrued bonuses are presented on the next page. The table also shows accruals and the balance in the bonus bank as at 31 December 2019, based on the Orkla share price as at 31 December 2019 (NOK 88.96).

Remuneration paid in 2019 to members of the Group Executive Board as at 31 December 2019

Amounts in 1,000 NOK	Fixed salary 31.12.2019	Paid salary and holiday pay (A)	Paid bonus (accrued in 2018)	Paid from bonus bank (LTI)	Benefits in kind (B)	Total paid salary and allowance 2019
Jaan Ivar Semlitsch ¹	8 000	3 032	0	0	73	3 105
Jens Bjørn Staff ²	3 094	3 330	403	966	238	4 937
Christer Grönberg ³	2 823	3 024	375	955	263	4 617
Terje Andersen ^{4,5}	3 031	4 233	676	1 401	245	6 555
Atle Vidar Nagel Johansen	3 834	4 138	660	1 609	270	6 677
Ann-Beth Freuchen	3 417	3 775	809	1 567	189	6 340
Johan Wilhelmsson ³	2 711	3 196	1 339	1 274	22	5 831
Sverre Prytz ⁶	2 950	245	0	0	16	261
Jeanette Hauan Fladby	2 878	2 979	583	680	195	4 437
Johan Clarin ³	3 058	3 384	543	1 053	272	5 252

¹Took up the post of President and CEO on 15 August 2019.

²Also receives NOK 15,000 as a member of Jotun's Corporate Assembly.

³The annual salary agreed in SEK but translated to NOK based on the yearly average exchange rate.

⁴Interim President and CEO from 8 May – 14 August 2019

⁵Also receives a Board fee of NOK 300,000 from Jotun.

⁶Employee and member of the Group Executive Board since 1 December 2019.

Peter A. Ruzicka resigned as President and CEO on 7 May 2019 and terminated his employment at Orkla on 30 November 2019. In accordance with his employment agreement, Mr Ruzicka will receive post-termination salary payments for 12 months as from December 2019. If Mr Ruzicka takes up another position, or accepts other assignments, outside the Orkla Group during the post-termination salary period, 75% of his employment income will be deducted from Orkla's salary payments. Income from advisory or consultancy services or new Board positions will be equated with employment income.

In 2019, Mr Ruzicka was paid total remuneration of NOK 16,456,000, of which his salary and post-termination salary amounted to NOK 7,835,000, the annual bonus paid out amounted to NOK 1,218,000, the bonus paid out from the bonus bank (LTI) amounted to NOK 7,115,000, and benefits in kind amounted to NOK 287,000. Mr Ruzicka is not entitled to an annual bonus for

2019 and his bonus bank balance was paid out in its entirety in May 2019. Accrued pension costs for Mr Ruzicka totalled NOK 2,524,000 in 2019. His pension ceased to accrue as at 30 November 2019.

Karl Otto Tveter stepped down from the Group Executive Board on 30 November 2019 and received remuneration totalling NOK 5,260,000 in 2019.

Jens Bjørn Staff resigned from his position as Executive Vice President for Finance and IT on 29 February 2020.

Accrued remuneration, not paid in 2019

Amounts in 1,000 NOK	Accrued bonus in 2019 ¹	Award long-term incentive program (LTI)	Accrued pension costs	Total accrued/awarded (C)	Balance bonus bank (LTI) 31 Dec. 2019
Jaan Ivar Semlitsch ²	1 823	0	717	2 540	0
Jens Bjørn Staff	1 213	928	792	2 933	2 832
Christer Grönberg	1 508	866	845	3 219	2 784
Terje Andersen	1 408	909	881	3 198	3 506
Atle Vidar Nagel Johansen ³	1 810	1 150	1 060	4 020	3 358
Ann-Beth Freuchen	1 336	1 025	746	3 107	4 080
Johan Wilhelmsson	1 054	832	671	2 557	2 940
Sverre Prytz	96	0	46	142	0
Jeanette Hauan Fladby	1 525	863	609	2 997	2 458
Johan Clarin	1 405	939	792	3 136	2 812

¹Accrued annual bonuses for 2019 are paid in 2020.

²The accrued salary and remuneration of the President and CEO in 2019 (five months) totalled NOK 5,645,000; see also the table on the previous page (A+B+C).

³Has also earned an extraordinary bonus of NOK 767,000 as CEO of Orkla Care in addition to heading Supply Chain.

The Group Executive Board participates in the Group's general employee share purchase programme. No guarantees have been provided for members of the Group Executive Board.

The President and CEO's period of notice is six months, with a period of pay of 12 months after termination of employment if the President and CEO is dismissed by the company.

The other members of the Group Executive Board have a period of notice of six months. Terje Andersen has an agreement whereby he will receive a pension from Orkla from the age of 62, while other Group Executive Board members who were appointed before 1 January 2019 have an agreement on payment of a pension from Orkla from the age of 65. During the period from the agreed start of pension payments until they reach the age of 67, Orkla will pay them 66% of their salary at retirement, after which their pension will be paid from Orkla's general pension plans.

(ii) Guidelines for pay and other remuneration of the executive management

With regard to the determination of pay and other remuneration of the executive management in the coming financial year, the Board of Directors will submit the following guidelines to the General Meeting in 2020 for an advisory vote, and for matters described in point (iii) for the approval of the General Meeting.

The purpose of Orkla's compensation and benefits policy is to attract personnel with the competence that the Group requires, develop and retain employees with key expertise and promote a long-term perspective and continuous improvement supporting achievement of Orkla's business goals. The general approach adopted in Orkla's policy is to pay fixed salaries and pensions in line with market median level while offering variable pay linked to results, share price performance, etc. (short- and long-term incentives) above market median level. Compensation may consist of the following elements:

a) Fixed elements

Orkla uses internationally recognised job assessment systems to find the "right" level for the job and the fixed salary. Jobs are assessed in relation to their local market (country) and a pay range of the median +/- 20% is applied. The executive's responsibilities, results and performance determine where he or she is placed on the salary scale.

(b) Variable elements – annual bonus

Senior executives in Orkla participate in the Group's central annual bonus programme. The programme has a maximum ceiling of 100% of the executive's fixed salary as at 31 December in the year of accrual. Under this programme, up until 2019 a "good performance" could result in an annual bonus of approximately 30% of an executive's fixed salary as at 31 December in the accrual year. A "good performance" has been defined as the achievement of results in line with externally communicated financial targets. As from 2020, the programme will be designed in such a way that achievement of ambitious, pre-defined targets can result in a bonus of approximately 50% of an executive's fixed salary as at 31 December in the year of accrual.

In addition, the Group has share-based incentive programmes described in (iii) below.

(iii) Special comments on share-based incentive programmes

(a) Annual bonus programme

It is proposed that the annual bonus programme for 2020 for Group Functions (including the President and CEO) contain an element related to the return on the Orkla share as follows:

An element tied to the return on the Orkla share (25% weighting) which is calculated by adding a basic amount equivalent to 5% of the executive's annual salary to the return on the Orkla share for the year, computed on the basis of the average share price in the fourth quarter measured against the average share price in the fourth quarter of the previous year, plus any dividend paid out. The return on the Orkla share is multiplied by a factor of 1 for Group Executive Board members and a factor of 0.5 for other Group Functions staff. The bonus payout for this element as a percentage of annual salary will thus be 5% plus the return (positive or negative) multiplied by the aforementioned factor. This bonus element may not exceed 25% of the executive's annual salary.

(b) Long-term incentive programme

Orkla has for several years had a cash-based long-term incentive (LTI) programme. The LTI is normally awarded in May of each year. LTI awards are determined on the basis of assessments of individual performances in relation to predefined long-term criteria set the year prior to the award. The aim is for the award to be equivalent to 30% of the employee's annual salary for a "good performance", according to the predefined criteria. The award may not exceed 50% of the employee's annual salary, nor may the aggregate value of an award under the annual bonus programme and the LTI bonus awarded in a year exceed one year's salary. The amount awarded is adjusted in accordance with the Orkla share price performance until the award is paid out. Under the LTI programme, the employee may request, at the earliest, that one third of an LTI award be paid out after 24 months, one third after 36 months and one third after 48 months. After a maximum of 60 months, the LTI award will be paid out in its entirety.

The Board of Directors proposes to replace the present cash-based LTI programme with a programme based on share options, effective as from the option award date in 2021. The reason for this proposal is a desire to strengthen the commonality of interests between shareholders and senior executives as the current programme is not sufficiently linked to total shareholder return.

Participants will be nominated to participate in the share option programme in 2020 subject to the approval of the President and CEO, and the number of nominees will be approximately the same as in 2019, i.e. around 90 central management staff and key personnel. It is also proposed that the group be expanded by 10 – 15 younger talents. Nomination will not be automatic, so being nominated one year does not necessarily mean that the person will be nominated in subsequent years.

Options will be awarded partly on the basis of position (estimated option value equivalent to 15% of basic salary), partly on the basis of a discretionary assessment of performance in relation to predefined long-term targets (estimated option value equivalent to a maximum of 15% of basic

salary), and a discretionary assessment of achievement of sustainability-related targets (estimated option value equivalent to a maximum of 5% of basic salary). Sustainability-related targets will be set and evaluated by the Board of Directors. On this basis, the outcome for participants will be an option value in the range 15 – to 35% of salary depending on performance. The option value will be calculated according to the Black-Scholes model.

Predefined long-term targets shall ideally be linked to:

- Profitable organic growth
- Innovation and increased market shares
- Sustainability as a growth factor
- Structural growth in priority categories and geographies
- Establishment of a cost-effective organisation and realisation of synergies
- Development of human resources and collaborative relationships

Options will be awarded once a year, based on the share price on the day after the Annual General Meeting. The Board of Directors will recommend candidates for awards in the Group Executive Board, while awards to other employees must be approved by the President and CEO. 20% of the options awarded for the year may be exercised after one year, another 20% after two years, and the remaining 60% after three years. In the case of the Group Executive Board, however, no options may be exercised until three years after they were awarded. The last date on which they may be exercised is five years after the award date, after which the options expire. The redemption price will be set at the market price at the award date with an increase of 3% per year in the vesting period. The redemption price will be adjusted for dividends. In the event of the employee's resignation, all options that have not been exercised will expire.

Based on an average estimate where the value of the option is equal to 30% of the participants' annual salary, approximately 5,000,000 share options will be required for the awards in 2021. In addition, it is proposed that this number be increased by around 10 % in order to include young talents as mentioned above. Consequently, it is proposed that the Board of Directors and the President and CEO be given a total limit of 5,500,000 options and that the General Meeting approves this limit. The number of options is equivalent to around 0.55 % of shares outstanding.

The gain on one year's awarded options may not exceed six times the value of awarded options at the award date, calculated in accordance with the Black-Scholes model. If a participant is awarded options with an estimated option value equivalent to 30% of his or her basic salary, the gain in this case may not exceed 180% of the basic salary.

The Group Executive Board must use 25% of their gross gain from the exercise of options to purchase Orkla shares, and purchased shares will be subject to a lock-in period of three years. Other participants are expected to use a percentage of their gross gain to purchase Orkla shares.

(c) Discounted shares for employees

For several years the Group has had a programme offering employees an opportunity to buy a limited number of shares at a discount on the market price. For 2019, employees were offered three different purchase options: NOK 28,000, NOK 15,000 and NOK 8,000 (amounts after discount). The discount was 25% on the market price. The lock-in period for shares purchased is two years. The costs of the employee share purchase programme in 2019 totalled NOK 18 million.

The Board of Directors recommends to the General Meeting that the employee share purchase programme be maintained for 2020, but that the purchase options be adjusted to NOK 30,000, NOK 15,000 and NOK 10,000 (amount before discount). The discount will be maintained at 25%, but the lock-in period will be increased from two to three years.

(iv) Company pension plan

Orkla has a defined contribution pension plan in Norway. The contribution rates are 5% for salaries between 1G and 7.1G and 23.1% for salaries over 7.1G (as of 1 May 2019 1G is NOK 99,858). For persons appointed to the Group Executive Board before 1 September 2014, the rate for salaries over 12G is 27%. Johan Wilhelmsson has a service pension in Sweden in accordance with the ITP2 rules. This is a defined benefit pension plan limited to a maximum salary equivalent to 30 income base amounts (IBA). For salaries over 30 IBB, a pension in Norway is ensured by a contribution equal to 15% of the excess amount.

(v) Other benefits

The Group provides benefits such as a company car and company telephone and other limited benefits in kind.

(vi) Executive pay policy

The guidelines for pay and other remuneration for senior executives disclosed in (ii), which were considered at the 2019 Annual General Meeting, have served as guidance in determining pay and other remuneration for senior executives in 2019.

For detailed descriptions of Orkla's reward policy and the various components of the overall remuneration, reference is made to the disclosures in Note 11 to the consolidated financial statements.

2. Remuneration of the Board of Directors and Board members' shareholdings

As from 25 April 2019, the Board of Directors is remunerated at the following rates:

Board Chair	NOK	843 000	per year
Board Deputy Chair	NOK	679 000	per year
Shareholder-elected Board member	NOK	537 000	per year
Employee-elected Board member	NOK	442 000	per year
Deputy member	NOK	27 500	per meeting

Under Article 4 of Orkla's Articles of Association, shareholder-elected "members and deputy members of the Board of Directors must be shareholders in the company". Accordingly, Orkla requires that 1/3 of the members' gross Board fees (excluding any fee for committee work and supplement for members residing outside Norway) be used to purchase shares in Orkla until the Board members (including their related parties) own shares in Orkla with a value equivalent to two times their gross Board fee (excluding any fee for committee work and supplement for members residing outside Norway). An overview of the Board members' shareholdings is disclosed in separate tables in this note.

Compensation Committee

Committee Chair	NOK	144 000	per year
Member	NOK	108 000	per year

Audit Committee

Committee Chair	NOK	181 000	per year
Member	NOK	121 000	per year

In addition, shareholder-elected Board members residing outside Norway receive a supplement of NOK 18,000 per meeting attended.

Payments actually received by members of the Board of Directors are as follows:

Amounts in NOK	Director's fee incl. committee work	Number of shares ¹
<i>Shareholder-elected Board members</i>		
Stein Erik Hagen ¹	912 333	250 100 000
Grace Reksten Skaugen	815 333	18 100
Ingrid Jonasson Blank	840 500	9 000
Peter Agnefjäll	671 500	14 000
Nils K. Selte	828 667	27 000
Lars Dahlgren	705 000	10 000
Liselott Kilaas	532 000	7 800
Caroline Hagen Kjos (deputy) ²	-	-

¹Total share ownership including related parties.

²Receives no fees.

Amounts in NOK	Fixed salary	Director's fee	Benefits in kind	Pension costs	Number of shares ¹
<i>Employee-elected Board members</i>					
Terje Utstrand	610 805	545 000	10 840	26 874	7 138
Roger Vangen	549 040	438 000	10 855	22 880	8 912
Sverre Josvanger	547 212	558 000	10 840	23 967	19 951
Karin Hansson	371 484	438 000	-	21 175	1 657

¹Total share ownership including related parties.

No loans have been granted to or guarantees provided for members of the Board of Directors.

3. Remuneration of the Nomination Committee

As of 25 April 2019, the Nomination Committee is remunerated according to the following rates:

Committee Chair NOK 65,000 per year, members NOK 47,000 per year and employee-elected representatives NOK 6,500 per meeting.

4. Fees to Group external auditor

Amounts in NOK million (excl. VAT)	2019	2018
<i>Parent company</i>		
Statutory audit	3.4	3.4
Other attest services	-	0.1
Tax consultancy services	0.9	1.2
Other non-audit services	3.4	5.5
<i>Group</i>		
Statutory audit	31.6	30.9
Other attest services	0.4	0.6
Tax consultancy services	2.9	2.6
Other non-audit services	3.5	6.1
Total fees to EY	38.4	40.2
Statutory audit fee to other auditors	2.3	2.6