

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 2018. 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 2018, based on the Orkla share price as at 31 December 2018 (NOK 68.04).

Remuneration paid in 2018 to members of the Group Executive Board as at 31 December 2018

| Amounts in 1,000 NOK | Fixed salary 31 Dec. 2018 | Paid salary and holiday pay (A) | Paid bonus (accrued in 2017) | Paid from bonus bank (LTI) | Benefits in kind (B) | Total paid salary and allowance 2018 | Total paid salary and allowance 2017 |
|------------------------------------|------------------------------|------------------------------------|---------------------------------|-------------------------------|-------------------------|--|--|
| Peter A. Ruzicka | 6 205 | 6 711 | 2 710 | 3 605 | 335 | 13 361 | 10 605 |
| Jens Bjørn Staff ¹ | 3 010 | 3 167 | 762 | 970 | 282 | 5 181 | |
| Christer Grönberg ^{3,4} | 2 765 | 2 903 | 774 | 979 | 238 | 4 894 | |
| Karl Otto Tveter ² | 3 115 | 3 318 | 826 | 1 391 | 343 | 5 878 | |
| Atle Vidar Nagel Johansen | 3 740 | 4 046 | 745 | 1 485 | 373 | 6 649 | |
| Ann-Beth Freuchen | 3 350 | 3 423 | 1 230 | 1 664 | 212 | 6 529 | |
| Johan Wilhelmsson ^{3,4} | 2 667 | 2 627 | 803 | 861 | 294 | 4 585 | |
| Stig Ebert Nilssen | 3 320 | 3 578 | 974 | 1 079 | 384 | 6 015 | |
| Jeanette Hauan Fladby ⁴ | 2 800 | 2 391 | 519 | 611 | 211 | 3 732 | |
| Johan Clarin ³ | 2 995 | 3 207 | 735 | 1 397 | 415 | 5 754 | |

¹Also receives NOK 15,000 as a member of Jotun's Corporate Assembly.

²Also receives a Board fee of NOK 300,000 from Jotun.

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

⁴Member of the Group Executive Board since 1 October 2018, all payments are for the full year 2018.

Pål Eikeland and Terje Andersen stepped down from the Group Executive Board on 3 April 2018 and 30 September 2018, respectively. In 2018 Pål Eikeland received remuneration totalling NOK 5,689,000, while Terje Andersen received NOK 6,420,000 for 2018.

Stig Ebert Nilssen resigned from his position as Orkla Executive Vice President and CEO of Orkla Care on 1 February 2019.

Accrued remuneration, not paid in 2018

| Amounts in 1,000 NOK | Accrued bonus in 2018 ¹ | Award long-term incentive programme (LTI) | Accrued pension costs | Total accrued/ awarded (C) | Balance bonus bank (LTI) 31 Dec. 2018 |
|-------------------------------|--|---|-----------------------------|----------------------------------|---|
| Peter A. Ruzicka ² | 1 365 | 3 035 | 2 231 | 6 631 | 7 835 |
| Jens Bjørn Staff | 452 | 853 | 766 | 2 071 | 2 230 |
| Christer Grönberg | 427 | 867 | 825 | 2 119 | 2 278 |
| Karl Otto Tveter | 467 | 925 | 776 | 2 168 | 2 442 |
| Atle Vidar Nagel Johansen | 740 | 834 | 1 028 | 2 602 | 3 110 |
| Ann-Beth Freuchen | 907 | 1 378 | 725 | 3 010 | 3 710 |
| Johan Wilhelmsson | 1 347 | 803 | 641 | 2 791 | 2 626 |
| Stig Ebert Nilssen | 395 | 1 091 | 860 | 2 346 | 2 396 |
| Jeanette Hauan Fladby | 653 | 581 | 586 | 1 820 | 1 707 |
| Johan Clarin | 618 | 811 | 771 | 2 200 | 2 339 |

¹Accrued annual bonuses for 2018 are paid in 2019.

²The accrued salary and remuneration of the President and CEO totalled NOK 13,677,000 (A+B+C) in 2018.

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 retirement age of the President and CEO is 62, and the period of notice is six months, with a period of pay of 12 months after termination of employment. From the age of 62 until he reaches the age of 67, he will be paid 24.3% (reduced by any pensionable service from the start of his employment to the date he reaches the age of 62) of his salary upon retirement.

The members of the Group Executive Board have a period of notice of six months, and their retirement age of persons other than the President and CEO is 65. From the age of 65 until they reach the age of 67, Orkla will pay them 66% of their salary upon 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 guidelines for 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 2019 for an advisory vote:

The purpose of Orkla's reward 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 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 employee'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 employee's fixed salary as at 31 December in the year of accrual. Under this programme, a "good performance" can result in an annual

bonus of approximately 30% of an employee's fixed salary as at 31 December in the accrual year. A "good performance" is defined as the achievement of results in line with externally communicated financial targets.

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

(iii) Special comments on share-based incentive programmes

(a) 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. The amount awarded in 2018 was equal to the amount accrued in the annual bonus programme the previous year. The award is adjusted according to the performance of the Orkla share until it is paid out, and is thus share-related. The adjustment is based on the share price recorded on the day after the Annual General Meeting in the year the award is made, adjusted for dividends in the period. 50% of the entitlement will be paid out after two years and the remainder after three years, provided that the employee has not given notice of resignation at the time of payment. The annual amount paid out from the LTI programme must not exceed one year's pay at the time of payment. Any excess amount will be added to the bank deposit to be paid out the following year.

In 2018 certain adjustments were adopted in the programme that will affect awards in 2019.

As from 2019, LTI awards will be determined on the basis of assessments of individual performances in relation to predefined long-term criteria set in 2018. 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.

(b) 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 2018, 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 2018 totalled approx. NOK 16 million.

The Board of Directors recommends to the General Meeting that the employee share purchase programme be continued, with the same purchase options and conditions as in 2018.

(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 2018 1G is NOK 96,883). 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 IBA, 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 2018 Annual General Meeting, have served as guidance in determining pay and other remuneration for senior executives in 2018.

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 12 April 2018, the Board of Directors is remunerated at the following rates:

| | | | |
|----------------------------------|-----|---------|-------------|
| Board Chair | NOK | 820 000 | per year |
| Board Deputy Chair | NOK | 660 000 | per year |
| Shareholder-elected Board member | NOK | 522 000 | per year |
| Employee-elected Board member | NOK | 430 000 | 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 this note.

Compensation Committee

| | | | |
|-----------------|-----|---------|----------|
| Committee Chair | NOK | 140 000 | per year |
| Member | NOK | 105 000 | per year |

Audit Committee

| | | | |
|-----------------|-----|---------|----------|
| Committee Chair | NOK | 176 000 | per year |
| Member | NOK | 118 000 | per year |

In addition, shareholder-elected Board members residing outside Norway receive a supplement of NOK 17,500 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 | 917 500 | 250 100 000 |
| Grace Reksten Skaugen | 794 000 | 8 500 |
| Ingrid Jonasson Blank | 635 000 | 6 250 |
| Peter Agnefjäll | 348 000 ² | 10 000 |
| Nils K. Selte | 692 666 | 27 000 |
| Lars Dahlgren | 518 000 | 6 500 |
| Liselott Kilaas | 518 000 | 5 200 |
| Caroline Hagen Kjos (deputy) ³ | - | - |

¹Total share ownership including related parties.

²The Board fee will be paid in 2019.

³Receives no fees.

| Amounts in NOK | Fixed salary | Director's fee | Benefits in kind | Pension costs | Number of shares |
|---------------------------------------|-----------------|-------------------|---------------------|------------------|---------------------|
| <i>Employee-elected Board members</i> | | | | | |
| Terje Utstrand | 578 780 | 470 833 | 58 548 | 25 426 | 6 644 |
| Roger Vangen | 579 620 | 366 666 | 32 812 | 23 284 | 8 418 |
| Sverre Josvanger | 533 438 | 483 666 | 167 040 | 23 169 | 19 457 |
| Karin Hansson (salary in SEK) | 404 585 | 366 666 | - | 21 848 | 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 from 12 April 2018, the Nomination Committee is remunerated according to the following rates:

Committee Chair NOK 63,000 per year, members NOK 46,000 per year and employee-elected representatives NOK 6,200 per meeting.

4. Fees to Group external auditor

| Amounts in NOK million (excl. VAT) | 2018 | 2017 |
|---------------------------------------|------|------|
| <i>Parent company</i> | | |
| Statutory audit | 3.4 | 3.4 |
| Other attest services | 0.1 | 0.1 |
| Tax consultancy services | 1.2 | 2.1 |
| Other non-audit services | 5.5 | 2.5 |
| <i>Group</i> | | |
| Statutory audit | 30.9 | 28.8 |
| Other attest services | 0.6 | 1.5 |
| Tax consultancy services | 2.6 | 4.4 |
| Other non-audit services | 6.1 | 4.9 |
| Total fees to EY | 40.2 | 39.6 |
| Statutory audit fee to other auditors | 2.6 | 2.4 |