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## THE NOMINATION COMMITTEE'S RECOMMENDATION

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To the General Meeting of Orkla ASA

(Reference to agenda items adjusted in accordance with the Notice of Annual General Meeting of 30 March 2017)

### RECOMMENDATION REGARDING THE ELECTION OF SHAREHOLDER-ELECTED MEMBERS AND A DEPUTY MEMBER OF THE BOARD OF DIRECTORS, ELECTION OF THE CHAIR AND DEPUTY CHAIR OF THE BOARD OF DIRECTORS, ELECTION OF A MEMBER OF THE NOMINATION COMMITTEE AND DETERMINATION OF FEES

In 2010, the General Meeting of Orkla ASA adopted special instructions for the Nomination Committee (the Instructions). These Instructions may be found on the company's website [www.orkla.com/investor-relations](http://www.orkla.com/investor-relations). The Nomination Committee has organised its work in accordance with these instructions.

Information on how shareholders can submit suggestions to the Nomination Committee has been posted on the company's website. The Nomination Committee has also contacted major shareholders for suggestions or comments, and has spoken with representatives of several shareholders.

The Nomination Committee has reviewed the Board of Directors' self-evaluation, and has had meetings with Board Chairman Stein Erik Hagen, Deputy Chair Grace Reksten Skaugen and President and CEO Peter A. Ruzicka.

The Nomination Committee has addressed the issues set out below at a number of meetings. The Committee has considered the Instructions' requirements regarding a recommendation on election of members of the Board of Directors, in addition to which it has drawn up a set of assessment criteria which, in its opinion, should be reflected in the overall composition of the Board of Directors. Reference is made to Attachment 1.

On this basis, the Nomination Committee submits the following unanimous recommendation:

#### 1. ITEM 6 OF THE AGENDA - ELECTION OF MEMBERS AND A DEPUTY MEMBER OF THE BOARD OF DIRECTORS

At the Annual General Meeting on 14 April 2016, the following Board members were elected for a term of one year and consequently all of them are up for election in 2017:

Stein Erik Hagen	(member 2004)
Grace Reksten Skaugen	(member 2012)
Ingrid Jonasson Blank	(member 2013)
Lisbeth Valther	(member 2013)
Nils Selte	(member 2014)
Lars Dahlgren	(member 2014)
Caroline Hagen Kjos	(personal deputy member for Mr Hagen and Mr Selte 2016)

The Nomination Committee recommends that all of the shareholder-elected Board members and the deputy member be re-elected. In the Nomination Committee's opinion, the individual

Board members, and the Board of Directors as a collegial body, function well. This has been confirmed by the discussions conducted by the Nomination Committee and by the Board of Directors' evaluation.

For information on the Board members and deputy member proposed for re-election, reference is made to the company's Annual Report, which may be found at [www.orkla.com](http://www.orkla.com).

In addition to proposing the re-election of the shareholder-elected Board members, the Nomination Committee wishes to propose a new shareholder-elected member for the Board. Liselott Kilaas has many years of management experience in Norwegian and international business, and was CEO of Aleris Group until 1 February 2017. She will supplement the Board of Directors' strategic and operational capabilities, and will contribute insight from the service sector, in particular from the health and care sector which is a growing industry.

Ms Kilaas also has broad, diversified experience of Board service.

For further information regarding Ms Kilaas, reference is made to Attachment 2.

Under Article 4, third paragraph, of Orkla's Articles of Association, shareholder-elected Board members and any deputy members are to be elected for a term of up to two years at a time. It has previously been the practice of the General Meeting to elect shareholder-elected members and deputy members to the Board of Directors on an annual basis. It is therefore proposed that the term of office be set at one year for all of them.

#### 2. ITEM 7 OF THE AGENDA – ELECTION OF THE CHAIR AND DEPUTY CHAIR OF THE BOARD OF DIRECTORS

At the Annual General Meeting on 14 April 2016, Stein Erik Hagen was re-elected as Board Chairman and Grace Reksten Skaugen was re-elected as Deputy Chair. In accordance with prior practice, the term of office was set at one year for both persons.

The Nomination Committee recommends that Stein Erik Hagen be re-elected as Board Chairman and that Grace Reksten Skaugen be re-elected as Deputy Chair. It is proposed that both of them be elected for a term of one year.

Vidar Dahl, as representative of the employee-elected Board members, has endorsed this recommendation.

Under the provisions of the Public Limited Liability Companies Act, the Chair of the Board of Orkla ASA is elected by the Board of Directors itself if the Chair is not elected by the General Meeting. The Board of Directors wishes to adhere to section 8 of the Norwegian Code of Practice for Corporate Governance, and has therefore proposed that the Chair and Deputy Chair of the Board be elected by the General Meeting.

### 3. ITEM 8 OF THE AGENDA – ELECTION OF MEMBERS TO THE NOMINATION COMMITTEE

Orkla has a Nomination Committee which, pursuant to Article 13 of the Articles of Association, shall:

*“submit proposals to the General Meeting regarding the latter’s election of members to the Board of Directors. The Nomination Committee shall also submit proposals regarding the election of the Board Chair. In connection with the preparation of proposals for the election of the Board Chair, the Nomination Committee is supplemented by a representative designated by the employee-elected members of the Board.”*

The Nomination Committee consists of Anders Christian Stray Ryssdal, Leiv Askvig, Nils-Henrik Pettersson and Karin Bing Orgland.

Nils-Henrik Pettersson was elected in 2015 for a term of two years, and is up for election this year. Mr Pettersson has been nominated by Canica AS.

Anders Christian Stray Ryssdal, Leiv Askvig and Karin Bing Orgland were elected in 2016 for a term of two years, and are thus not up for election this year.

Under point 4.2 of the Instructions, the recommendation on the election of members to the Nomination Committee must be submitted by a unanimous Nomination Committee.

In its contact with the largest shareholders, the Nomination Committee also requested input in connection with the election of members to the Nomination Committee. Information on how shareholders may make suggestions or comments on the composition of the Nomination Committee has been posted on the company website. The Nomination Committee has received no views regarding its composition.

The Nomination Committee unanimously recommends that Nils-Henrik Pettersson be re-elected as member of the Nomination Committee.

Nils-Henrik Pettersson is a lawyer and partner in the Glittertind law firm and has been a member of the Nomination Committee since 2009 and was a member of the Corporate Assembly in the period 2003 – 2013. Mr Pettersson and related parties own 42,080 shares in Orkla ASA.

In the opinion of the Nomination Committee, the recommendation is in compliance with section 7 of the Norwegian Code of Practice for Corporate Governance, which i.a. reads as follows:

*“The members of the Nomination Committee should be selected so as to take into account the interests of the body of shareholders. The majority of the Nomination Committee should be independent of the Board of Directors and the executive personnel. At least one member should not be a member of the Corporate Assembly, the Committee of Shareholders’ Representatives or the Board of Directors.”*

Reference is also made to points 4.1 and 4.2 of the Instructions.

In accordance with Article 13, first paragraph, of the Articles of Association, and point 1 of the Instructions, it is proposed that the term of office be set at two years – i.e. until the Annual General Meeting in 2019.

### 4. ITEM 9 OF THE AGENDA – DIRECTORS’ FEES

It has been the practice of the company to adjust the fee rates of the Board of Directors annually in accordance with the general wage trend, unless special circumstances dictate otherwise. The Nomination Committee wishes to maintain this general principle.

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”. Section 11 of the Norwegian Code of Practice for Corporate Governance states that consideration should be given to requiring that Board members invest part of their fee in the purchase of shares at market price. The Nomination Committee has received several comments to the effect that part of the remuneration of the shareholder-elected Board members should be linked to shares.

Accordingly, the Nomination Committee proposes to introduce the following arrangement in connection with the nomination of shareholder-elected Board members for election at the Annual General Meeting in 2017:

- The shareholder-elected members of the Board are required to utilise 1/3 of their gross Board fee (excluding any fee for committee work and any additional fee for members residing outside of Norway) to purchase shares in Orkla until they (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 any additional fee for members residing outside of Norway).
- Relevant candidates for Board positions in Orkla are to be informed of this arrangement, and by accepting their nomination are also deemed to have accepted the share purchase arrangement. All of the candidates have confirmed to the Nomination Committee that they will comply with these guidelines.
- Acquisitions must be made in accordance with applicable legislation and the Rules for Primary Insiders at Orkla and Orkla’s Instructions for Handling Inside Information. It is recommended that purchases be made in the first week following the publication of quarterly results. Acquisitions must be made as soon as possible after the Board election has been held, but no later than by the end of the year.
- The Nomination Committee shall verify compliance with the share purchase arrangement. Compliance with the obligation to purchase shares will be part of the Nomination Committee’s assessment of candidates to be nominated for election for the following term.

- The shares must be retained as long as the Board member serves on the Board. However, this does not apply to shareholdings that exceed two times the member's Board fee.
- It is proposed that the Instructions for the Nomination Committee be updated in accordance with this proposal.

The Nomination Committee proposes to increase the Board fees for the shareholder-elected members by NOK 100,000, partly so as to facilitate the implementation of this arrangement.

The Nomination Committee proposes to increase the Board of Directors' fees as follows:

Board Chair	NOK 800 000 per year	(from NOK 700 000)
Board Deputy Chair	NOK 645 000 per year	(from NOK 545 000)
Shareholder-elected		
Board member	NOK 510 000 per year	(from NOK 410 000)
Employee-elected		
Board member	NOK 420 000 per year	(from NOK 410 000)
Deputy member	NOK 27 000 per meeting	(from NOK 26 500)

Furthermore, shareholder-elected Board members residing outside of Norway receive an additional NOK 16,500 for each Board meeting attended. It is proposed that this be adjusted to NOK 17,000 per Board meeting, and that the increase also apply, as at present, to shareholder-elected deputy members.

The Nomination Committee proposes to increase the fees for members of the Compensation Committee as follows:

Committee Chair	NOK 137 000 per year	(from NOK 134 000)
Member	NOK 102 500 per year	(from NOK 100 000)

The Nomination Committee proposes to increase the fees for members of the Audit Committee as follows:

Committee Chair	NOK 172 000 per year	(from NOK 168 000)
Member	NOK 115 000 per year	(from NOK 112 000)

It is proposed that these fee rates are to apply until a new resolution is adopted.

Vidar Dahl, as representative of the employee-elected members of the Board of Directors, has endorsed this recommendation.

## 5. ITEM 10 OF THE AGENDA – THE NOMINATION COMMITTEE'S FEES

The principle governing the determination of fee rates for the Nomination Committee was amended in 2016 from a fee per meeting to a fixed annual fee for meeting attendance. As in the case of Board members' remuneration, the Nomination Committee wishes to propose an annual adjustment of the Nomination Committee's fee rates in line with the general wage trend, unless special circumstances dictate otherwise.

The Nomination Committee proposes to amend the fees for members of the Nomination Committee as follows:

Committee Chair	NOK 61 500 per year	(from NOK 60 000 per year)
Member	NOK 45 000 per year	(from NOK 44 000 per year)
Employee-elected representative	NOK 6 000 per meeting	(from NOK 5 500 per meeting)

It is proposed that these fee rates are to apply until a new resolution is adopted.

Vidar Dahl, as representative of the employee-elected members of the Board of Directors, has endorsed this recommendation.

Oslo, 17 March 2017

Anders Christian Stray Ryssdal

Leiv Askvig

Nils-Henrik Pettersson

Karin Bing Orgland

Vidar Dahl (points 2, 4 and 5)

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## ATTACHMENT 1 TO THE RECOMMENDATION OF THE NOMINATION COMMITTEE

At its meeting on 22 April 2010, the General Meeting of Orkla ASA adopted special Instructions for the Nomination Committee. Point 4.3 of the Instructions reads as follows:

*"The recommendation regarding election of Board members shall be based on the following:*

- The Board of Directors should be composed in such a way as to safeguard the interests of the body of shareholders and Orkla's need for expertise and diversity.*
- Account should be taken of the need to ensure that the Board of Directors can function effectively as a collegial body.*
- The majority of the shareholder-elected members should be independent of executive personnel and material business contacts.*
- At least two of the shareholder-elected members should be independent of the company's main shareholders.*
- Executive personnel should not be members of the Board of Directors."*

As an extension of the above, the Nomination Committee is of the opinion that the overall composition of the Board of Directors of Orkla ASA should reflect the following criteria:

- Ability to make decisions and focus on value creation
- International experience
- Insight into the industries in which Orkla operates
- Experience of management and Board service in large companies
- Strong personal and professional qualifications, high integrity
- Good relationship builders and communicators, ability to work as a team

While the Nomination Committee attaches importance to ensuring continuity in the Board of Directors, it also wishes to facilitate continuous renewal of the Board. It is important to have a strong, active Board that can help to support the implementation of the strategy communicated by the company.

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## ATTACHMENT 2 TO THE RECOMMENDATION OF THE NOMINATION COMMITTEE

### Liselott Kilaas (1959)

#### Experience:

2013–2017	Aleris Group, Chief Executive Officer
2009–2013	Aleris Group, Managing Director Norway and Denmark
2006–2013	Aleris Group, Managing Director Norway
1997–2006	Stentofon-Zenitel, EVP Communications and Security Systems Managing Director, Zenitel ASA
1988–1997	PA Consulting, Partner
1984–1986	Norwegian Petroleum Consultants, Senior Safety Engineer
1982–1983	Shell Internationale Petroleum Maatschappij bv, Reliability Engineer

#### Education:

1983–	M.Sc. Mathematical Statistics, University of Oslo
1987–	Master of Business Administration, IMD

#### Positions of trust:

2016–	DNV-GL (Audit Committee)
2003–2015	Central Bank of Norway (Audit Committee (Chair), Ownership Committee)
2003–2013	Telenor ASA (Ethics and Sustainability Committee (Chair), Remuneration Committee)
2007–2012	I.M. Skaugen
2003–2010	Polaris Media

Ms Kilaas owns 0 shares in Orkla ASA.