

The Board's proposed guidelines for remuneration of senior executives

The Board of Directors proposes that the following executive remuneration guidelines be approved by the Annual General Meeting in 2021, and that they shall apply until further notice. The guidelines will be revised in the event of any material changes, and at the latest in connection with the ordinary Annual General Meeting in 2025.

These guidelines apply to remuneration agreed after the Annual General Meeting in 2021 and any subsequent changes in agreed remuneration.

In these guidelines, "executives" means the President and CEO and other members of Group Executive Board. The guidelines also encompass any remuneration to Board members that also are employees in Orkla.

The guidelines promote the company and the Group's business strategy, long-term interests and sustainability

Successful implementation of the company's business strategy and the protection of Orkla's long-term interests – including sustainability – are dependent on the recruitment and retention of highly qualified staff. The business strategy of the company and the Group is focused on long-term growth and profitability in local markets globally. These markets are constantly evolving and developing. Orkla seeks to be a positive force in local communities and is therefore focused on leading the development towards more sustainable and healthier products, people and societies.

For further information on Orkla's business strategy, please see Orkla's Annual Report and the Orkla website, www.orkla.no.

In order to implement its business strategy and the objective of safeguarding Orkla's long-term interests, Orkla needs to recruit, develop and retain managers with relevant experience, advanced expertise and strong leadership abilities. It is therefore vital that Orkla can offer its managers competitive remuneration packages.

This is why the company and the Group are focused on offering executives terms that motivate them and that are competitive in local markets. The terms must also be well-balanced in view of the expertise, responsibilities and performance of each individual.

The remuneration guidelines are intended to provide a clear executive remuneration framework that supports the company's business strategy and long-term interests, including ongoing growth and profitability, and that promotes long-term increases in shareholder value.

Executive remuneration components

Orkla's general approach is to pay fixed cash remuneration (salary and pension) at median market levels, while variable pay linked to performance, share price development, etc. (annual and long-term incentives) may be above the median market level. Remuneration may include the following elements:



- Fixed cash remuneration (salary)
- Variable remuneration (annual bonus and long-term incentives)
- Pension benefits
- Other benefits.

Fixed cash remuneration (salary)

The fixed salary for senior executives shall be in line with the market median in relevant local markets, and shall reflect the requirements of each position in terms of qualifications, responsibilities and complexity, and the extent to which each position supports the achievement of Orkla's overarching business objectives.

Orkla uses internationally recognised job assessment systems to find "the right level" for each position and the fixed salary that should be offered. Positions are assessed by reference to relevant local markets (countries), and a pay interval of +/- 20% relative to the market median is applied. Each executive's responsibilities, achieved results and performance decide his or her position on the pay scale. Individual performance shall be reflected in fixed salary, and pay must therefore be set on an individual and differentiated basis.

The level of fixed cash remuneration (salary) shall be evaluated regularly, and normally annually.

Variable remuneration

Orkla's executives participate in the Group's central annual bonus programme (the Short-Term Incentive Programme or STI), as well as a Long-Term Incentive Programme (LTI).

Variable remuneration must be linked to pre-defined, ambitious and measurable criteria, as well as Orkla's business strategy, commercial objectives and long-term interests.

Within the framework of these guidelines, the Board of Directors makes decisions on:

- Changes to the annual bonus programme (STI)
- Changes to the long-term bonus programme (LTI)
- The structure and details of the bonus programmes
- Cost limits for the bonus programmes
- The financial and commercial objectives of the bonus programmes
- Adjustments to current bonus programmes in extraordinary circumstances
- Authorisation for the Board's Compensation Committee to make decisions on pay and variable remuneration – an authorisation that is revised regularly and includes clear regulations and instructions for this work.

Annual bonus programme (STI)

The programme must be linked to one or more pre-defined and measurable criteria, which may be financial or non-financial. The company has identified the following financial targets as generally being closely associated with the business strategy, long-term interests and continued growth of the company and the Group, and has therefore adopted them as the basis for its STI allocation criteria:

- Profitable organic growth
- Operating profit (EBIT)
- Share price development
- Innovation and growth in market share
- Return on invested capital

The selected financial metrics must be pre-defined and ambitious.

Although non-financial criteria may not account for more than 50% of the annual bonus programme, different weightings of financial and non-financial criteria may be implemented for different business areas and functions.

The range of potential annual bonuses is therefore as follows:

- At least 50% of the total potential bonus must be based on financial targets. These may be assessed both based on Group and/or business area and at business unit level.
- Up to 50% of the total potential bonus may be based on non-financial targets. These must normally relate to business objectives and/or strategies at Group and/or business area level, as well as company level.

Non-financial targets must be defined for the following criteria:

- Specific proposals on how individual participants can contribute to Orkla's development and growth.
- Concrete commercial targets which are not directly covered by the general financial criteria (anticipated growth and outcomes must be specified).
- How each individual can best act in accordance with Orkla's management principles and/or values to develop the organisation, his/her own function and internal and external cooperation.
- Each individual's contribution to cost-savings and synergies.
- Each individual's contribution to the achievement of Orkla's sustainability targets.

Orkla's Board of Directors approves non-financial targets for the President and CEO, while the President and CEO approves non-financial targets for other executives.

The annual bonus scheme for executives is capped at 100% of fixed salary as at 31 December of the relevant year. The programme must be designed so that achievement of ambitious, pre-defined targets can result in a bonus totalling approximately 50% of fixed salary as at 31 December of the relevant year.

Bonus assessment

At the end of the assessment period, financial performance shall be measured against the pre-defined, ambitious targets set at the beginning of the period, and individual performance shall be measured against pre-defined, ambitious, individual targets linked to the company's business strategy.

The bonus linked to financial factors shall be calculated by assigning achievement of a defined target a specified share of the maximum bonus for the relevant financial bonus element. The bonus range will be equal above and below the defined target. The starting point of the bonus range below the defined target is the starting point for bonus achievement, while the end point of the bonus range above the defined target secures the maximum bonus for the relevant financial bonus element.

The bonus linked to non-financial targets shall be assessed on a discretionary basis by the Board of Directors in the case of the President and CEO and by the President and CEO in the case of other executives. Assessments undertaken by the President and CEO shall require subsequent Board approval.

Sums paid under the annual bonus programme shall not be pensionable unless otherwise specified in applicable collective pension plan rules. If the bonus must be pensionable pursuant to such rules, the bonus shall be reduced accordingly.

Payment of the annual bonus shall be contingent on continued employment (which shall exclude completion of a notice period) at the time the bonus is paid. Exceptions may be made to this general rule if an individual's departure from the company is due to factors other than resignation. If a member of the scheme retires during the qualifying period, payment may be permitted as long as the employee participated in the scheme for at least 50% of the qualifying period.

Long-term incentive programme (LTI)

To promote long-term value creation, build strong community of interest among shareholders and executives, and create a powerful staff retention mechanism that allows Orkla to retain the best performing leaders, senior executives will participate in a Long-term incentive programme.

The LTI programme will be a share option programme as this gives a strong commonality of interests between shareholders and senior executives as the programme will be strongly linked to total shareholder return.

Options will be allocated based partly on position (the estimated option value corresponds to a defined percentage of fixed salary), partly on a discretionary assessment of individual performance by reference to the metrics specified in these guidelines (the maximum estimated option value corresponds to a defined percentage of fixed salary) and a discretionary assessment of the achievement of targets linked to sustainability as a growth factor (targets set and evaluated by the Board of Directors). The value of the total number of options allocated per year may not exceed 35% of fixed salary. The option value will be calculated in accordance with recognised international calculation models (such as the Black-Scholes model).

Pre-defined long-term targets shall relate to one or more of the following criteria:

- Profitable organic growth
- Long-term value creation
- Innovation and increased market share
- Sustainability as a growth factor
- Structural growth in prioritised categories and prioritised geographical areas
- Establishment of a cost-effective organisation and achievement of synergies
- Development of staff and working relationships.

Options will be allocated once a year, and the closing price the day after the ordinary Annual General Meeting will be used to calculate the number of options to be allocated to each individual. The Board of Directors will make allocations to Group executives, while allocations to other staff require the approval of the President and CEO. Options allocated to Group executives may not be exercised until three years after the allocation date. The final date for exercising options is five years after the allocation date, and the options expire on this date unless exercised. The strike price will be set as the closing price the day after the ordinary Annual General Meeting in the year of allocation, plus 3% per year during the qualifying period. The strike price will be adjusted to take account of dividends. All unexercised options expire in the event of an employee's resignation.

The gain on options allocated in a given year may not be greater than six times the value of allocated options on the allocation date, calculated in accordance with internationally recognised calculation models (such as the Black-Scholes model).

Group executives must use at least 25% of the gross gain made when exercising options to purchase Orkla shares, and such purchased shares are subject to a three-year lock-in period. Other participants in the scheme are expected to use some of the gross gain to purchase Orkla shares.

Prevention of unintended benefits and potential repayment

If an executive who receives variable remuneration based on his/her position has

- Acted improperly or dishonestly;
- Committed or participated in the commission of financial crimes;
- Materially breached Orkla's Code of Conduct;
- Committed an act which has materially harmed the reputation of Orkla ASA or a subsidiary; or
- Otherwise materially breached his/her obligations under his/her employment contract,

the Board of Directors may decide that the executive shall lose all or some of his/her entitlement to benefits under variable remuneration arrangements. If an executive has received variable remuneration before circumstances as specified above are discovered, the



Board of Directors may decide that all or part of the variable remuneration paid in the preceding three years shall be repaid.

Pension benefits

Pension benefits shall be contribution-based unless an executive has a defined-benefit pension plan pursuant to binding collective agreements or statutory conditions. This may be the case for executives outside Norway, and premiums under such defined contribution pension plans shall be paid in accordance with the terms of the applicable collective pension scheme. The company does not have direct influence on maximum premium levels under collectively agreed pension schemes outside Norway, and therefore no maximum premium is specified in these guidelines.

Premiums under defined-contribution pension schemes shall not exceed 30% of fixed annual salary.

Disability pensions for executives shall be designed to reflect the general collective terms applicable within the company and the Group. In addition, executives may be granted financial coverage in respect of pay elements which exceed any cap imposed by statutory or contractual rules on collective schemes. In Norway, this currently applies to pensions in respect of pay exceeding 12 x G (the national insurance basic amount).

The company does not have direct influence on the maximum premium levels under disability pension schemes, and therefore no maximum premium is specified in these guidelines.

General staff share purchase programme

For a number of years, Orkla has run a programme giving staff the opportunity to purchase a limited number of shares in the company at a discount to the market price. Norwegian tax rules encourage employee share ownership by means of a tax exemption for such discounts, subject to specified limits. In recent years, Orkla has chosen to open up the programme to its global workforce, even though the tax benefits primarily apply to employees in Norway. The Board of Directors and the administration will continuously evaluate whether the programme should be offered in all of Orkla's operational markets. The programme will therefore remain open to all staff until further notice, and unless and until the Board decides otherwise. Executives may participate in the programme on the same basis as other employees.

While the programme offers several purchase options, the maximum purchase may not total more than NOK 50,000 (pre-discount), and the discount may not exceed 30% of the market price. Purchased shares must be subject to a minimum lock-in period of two years.

Other payments and benefits

Other benefits – which may include a company car or car allowance, travel allowance, staff and health insurance and medical services – shall be granted on market terms and shall only

constitute a limited part of the total remuneration package. Premiums and other costs linked to such benefits may not total more than 15% of fixed annual salary. Such costs may only total more than 15% in special circumstances approved by the Board.

Remuneration in extraordinary circumstances

Additional remuneration may be paid in extraordinary circumstances, provided that such extraordinary payments are only made on an individual basis and for the purpose of either recruiting or retaining an executive, or as compensation for extraordinary work done in addition to the individual's ordinary tasks. Such remuneration may not exceed 50% of an individual executive's fixed annual salary. Decisions to approve such remuneration shall be made by the Board of Directors based on a proposal prepared by the Compensation Committee.

Termination

A mutual notice period of six months shall apply to executives. In the event of dismissal by the company, or agreed resignation at the company's request, an employee may receive severance pay/termination pay totalling no more than one year's fixed salary. If an employment contract includes a clause on termination pay, this clause shall – if legally permitted – provide that the executive has waived job protection in the employment contract. As a general rule, at least 75% of income from any new employment started during the notice period shall be deducted from such termination pay. Adjustments may be made based on local laws and regulations outside Norway.

Remuneration may be paid for restrictions imposed with regard to competing businesses during any period for which no termination pay is paid. Such remuneration is intended to compensate the executive for loss of earnings, and shall not exceed 60% of fixed salary at the time of termination. Severance pay/termination pay and compensation paid during a non-compete period shall not constitute pensionable income.

Fees linked to Board appointments

Executives who hold Board appointments with internal or external companies by virtue of their position at Orkla shall not receive fees in connection with these appointments. If such fees are paid nevertheless, the funds shall accrue to Orkla. The Board of Directors may approve exceptions to this rule.

Members of the company's Board elected by and from among the company's employees are entitled to receive the fees decided by the general meeting in addition to their ordinary remuneration linked to their employment by the company.

Decision process for establishment, approval and implementation of the guidelines

Orkla's Board of Directors has appointed a remuneration committee. The committee's responsibilities include preparing executive remuneration principles and preparing Board

resolutions on draft executive remuneration guidelines. In the event of material changes, the Board of Directors shall prepare draft guidelines for approval by the general meeting. The Board must in any event prepare draft guidelines at least every four years and submit its proposal to an ordinary general meeting for approval. Approved guidelines shall remain in force until the general meeting approves new guidelines.

The remuneration arrangements of the President and CEO shall be decided by the Board of Directors in accordance with the approved executive remuneration guidelines. The Board shall make its decision based on a recommendation prepared by the Compensation Committee. The remuneration packages of other executives shall be decided by the President and CEO in accordance with the approved guidelines and following consultation with the Compensation Committee. The members of the Compensation Committee are independent of Group management. The President and CEO shall not participate in the Board's discussions and decisions on matters concerning his/her remuneration.

Consideration of the remuneration and employment conditions of other employees

In preparing the draft guidelines, the Board of Directors has considered the pay and employment conditions of other Orkla employees. In assessing the reasonableness of the guidelines and the restrictions they impose, the Board's Compensation Committee and the Board itself have considered other employees' total remuneration, remuneration components and frequency and size of remuneration increases over time. The Board of Directors will regularly assess differences between executive remuneration and the remuneration of other employees.

Deviation from the guidelines

The Board of Directors may authorise temporary deviation from all or parts of these guidelines if there are special grounds for doing so in an individual case and such deviation is necessary to safeguard the long-term interests and sustainability of the company or to ensure the financial viability of the company and the Group.

As stated above, the Compensation Committee's tasks include the preparation of Board resolutions on remuneration issues. This includes any decisions to deviate from the guidelines. If the Board of Directors approves a deviation from the guidelines, the decision must be reported in the remuneration report submitted to the next general meeting. The first remuneration report based on these guidelines will be prepared for the general meeting in 2022. Thereafter, remuneration reports shall be prepared annually based on the guidelines applicable at any given time.