

Norske Skog ASA

Remuneration Report 2021

Introduction

Pursuant to section 6-16 (b) in the Norwegian Public Limited Liability Companies Act, and associated regulations, Norske Skog ASA publishes this management remuneration report, disclosing detailed information on remuneration to the CEO, other members of the corporate management, and the board of directors.

The report has been prepared by the board of directors' remuneration committee and approved by the board of directors for presentation and advisory vote at the Annual General Meeting in 2022.

Norske Skog's "Guidelines on salary and other remuneration to leading personnel" was approved by the Annual General Meeting on 15 April 2021. The guidelines shall be reviewed and approved by the general meeting if there has been any significant alteration, and at least every fourth year.

The company's statutory auditor has verified that information required by section 6-16 (b) in the Norwegian Public Limited Liability Companies Act, and associated regulations, has been provided in this remuneration report.

The remuneration of the CEO and other members of the corporate management during the financial year 2021 was made in accordance with the adopted guidelines. There have been no temporary deviations from the guidelines.

Norske Skog 2021 – strategy and financial performance

Like the previous year, 2021 was heavily impacted by the covid-19 pandemic. The demand for our products improved somewhat compared to 2020, but operations were challenging and there were extraordinary price increases for many input factors, especially for energy. Further price increases for our paper grades were implemented in the fourth quarter improving the profitability towards the end of the year.

Due to demand declines in the Australasian region, Norske Skog Tasman in New Zealand ceased the newsprint production in June 2021, leaving Norske Skog Boyer in Australia the only producer of publication paper in the region.

Norske Skog's transformation from a pure publication paper business to a diversified paper, packaging and bio-based company is progressing according to our plans. The final investment decisions for machine conversions at Norske Skog Bruck and Norske Skog Golbey being made with financing at attractive terms. Further, through the construction of two new energy plants at these industrial sites, we will have access to green energy making us able to significantly reduce our carbon footprint. New fibre-based products like CEBINA and CEBICO developed at Norske Skog Saugbrugs, have successfully entered new markets, replacing high carbon footprint products.

In the first quarter of 2021, Norske Skog ASA issued new shares raising approximately NOK 400 million in new equity and issued a EUR 150 million senior secured bond with maturity in 2026 to refinance the outstanding EUR 125 million secured bond.

The company's leading personnel

Norske Skog defines the company's leading personnel to comprise of its corporate management team. In accordance with the code of conduct for corporate governance recommended by the Oslo Stock Exchange; salary, benefits in kind, pension contributions and bonus are specified below.

2021 (in NOK 1 000)	BASE SALARY 31.12.	SALARY PAID	BENIFITS IN KIND ETC. ¹⁾	BONUS EARNED ²⁾	CONTRIBUTION TO DEFINED CONTRIBUTION SCHEMES	RELATIVE PROPORTION FIXED/ VARIABLE
Sven Ombudstvedt (CEO)	4 750	4 778	137	1 544	781	79% / 21%
Lars P. S. Sperre (SVP)	3 500	3 590	221	1 138	531	79% / 21%
Rune Sollie (CFO)	2 170	2 193	201	705	265	79% / 21%
Amund Saxrud (COO)	2 150	2 166	270	753	261	78% / 22%
Tore Hansesætre (SVP)	2 100	2 138	196	735	251	78% / 22%
Robert A. Wood (SVP) ³⁾	2 028	1 913	18	761	242	74% / 26%

The comparable remuneration for 2020 is presented below.

2020 (in NOK 1 000)	BASE SALARY 31.12.	SALARY PAID	BENIFITS IN KIND ETC. ¹⁾	BONUS EARNED ⁴⁾	CONTRIBUTION TO DEFINED CONTRIBUTION SCHEMES	RELATIVE PROPORTION FIXED/ VARIABLE
Sven Ombudstvedt (CEO)	4 750	4 798	112	770	786	88% / 12%
Lars P. S. Sperre (SVP)	3 500	3 733	206	613	536	88% / 12%
Rune Sollie (CFO)	2 170	2 269	189	326	270	89% / 11%
Amund Saxrud (COO)	2 150	2 180	260	430	266	86% / 14%
Tore Hansesætre (SVP)	2 100	2 207	191	420	256	86% / 14%
Robert A. Wood (SVP)	2 028	1 979	36	238	237	90% / 10%

Total remuneration for corporate management 2017* – 2021

(in NOK 1 000)	2017	2018	2019	2020	2021
Sven Ombudstvedt (CEO) ⁵⁾	6 490		10 419	6 466	7 240
Lars P. S. Sperre (SVP)	4 463	10 175	8 901	5 088	5 480
Rune Sollie (CFO)	2 709	4 061	5 856	3 054	3 364
Amund Saxrud (COO) ⁶⁾			655	3 137	3 450
Tore Hansesætre (SVP)		3 893	4 730	3 074	3 320
Robert A. Wood (SVP) ^{3) 7)}			2 901	2 490	2 934
Roar Ødelien ⁸⁾	2 658	3 430			
Niels Petter Wright ⁹⁾		431	7 549		

(in NOK 1 000)	2017	2018	2019	2020	2021
Norske Skog group average remuneration other employees	706	751	806	747	814
Norske Skog ASA average remuneration other employees	1 524	1 815	1 396	1 765	1 920
EBITDA (NOK million)	702	1 032	1 938	736	662
EBITDA margin (%)	6.1	8.2	15.0	7.7	6.4

* There were no employees in Norske Skog ASA before 1 January 2018. Corporate management and other head office staff were employed in Norske Skogindustrier ASA in 2017 until the bankruptcy of the company on 19 December 2017.

¹⁾ Includes car allowance, insurance, free telephone, etc.

²⁾ Based on performance in the financial year 2021, paid in the first quarter of 2022.

³⁾ Robert A. Wood is employed by Norske Skog (UK) Ltd. but works fully for Norske Skog ASA as SVP Commercial.

⁴⁾ Based on performance the financial year 2020, paid in the first quarter of 2021.

⁵⁾ Sven Ombudstvedt resigned as CEO 6 May 2017; was reappointed CEO from 1 July 2019. Served as interim CEO from 28 March 2019 to 30 June 2019.

⁶⁾ Amund Saxrud appointed COO from 15 October 2019.

⁷⁾ Robert A. Wood appointed SVP Commercial from 1 February 2018.

⁸⁾ Roar Ødelien was COO until 1 February 2018.

⁹⁾ Niels Petter Wright was CEO from 1 December 2018 till 28 March 2019

For 2021 and previous years, the total remuneration for the CEO and corporate management has been determined according to the company's guidelines on salary and other remuneration to leading personnel. The base salaries are considered as competitive, but they are not on market leading terms. Any increases in fixed remuneration have been reviewed considering the business environment and the financial performance of Norske Skog.

The annual variable remuneration reflects the financial performance and sustainability of the company and underpins the strategic direction and the execution of key projects that will transform Norske Skog to a diversified business. This, together with the long-term incentive program, is securing the strong focus on development of shareholder value

Remuneration to member of the board of directors and committee members

2021 (in NOK 1 000)	SALARY	DIRECTOR'S FEE	REMUNERATION FOR COMMITTEE WORK
John Chiang ^{1) 2)}	0	0	0
Idunn Gangaune Finnanger	0	88	0
Arvid Grundekjøn ^{1) 2)}	0	300	80
Trine-Marie Hagen ¹⁾	0	300	30
Paul Kristiansen	694	88	0
Anneli Finsrud Nesteng	0	88	0
Svein Erik Veie	605	88	0

2020 (in NOK 1 000)	SALARY	DIRECTOR'S FEE	REMUNERATION FOR COMMITTEE WORK
John Chiang	0	0	0
Idunn Gangaune Finnanger	0	300	0
Arvid Grundekjøn	0	300	80
Trine-Marie Hagen	0	300	30
Paul Kristiansen	638	300	0
Anneli Finsrud Nesteng	0	300	0
Svein Erik Veie	571	300	0

¹⁾ Arvid Grundekjøn (chair), John Chiang, and Trine-Marie Hagen are members of the audit committee.

²⁾ John Chiang (chair) and Arvid Grundekjøn are members of the remuneration committee.

Total remuneration to member of the board of directors 2018 – 2021

(in NOK 1 000)	2018	2019	2020	2021	SHARE OWNERSHIP 2021
John Chiang		0	0	0	76 315
Idunn Gangaune Finnanger		61	300	88	
Arvid Grundekjøn	120	466	380	380	11 617
Trine-Marie Hagen		69	330	330	
Nils Ingemund Hoff	3 769				
Paul Kristiansen		61	300	88	
Anneli Finsrud Nesteng		61	300	88	
Sven Ombudstvedt	4 927	600			52 631
Svein Erik Veie		61	300	88	

Fixed remuneration

The board of directors has not established upper or lower limits to the fixed salary for the company's leading personnel. The fixed salaries for the CEO and other members of the corporate management are subject to annual evaluation and are determined by, among other parameters, remuneration levels for comparable positions in relevant labour markets.

Due to the covid pandemic and its impact on the company's financial performance, the CEO and the corporate management refrained from salary increases in 2020 and in 2021. Further, the company's leading personnel and other HQ staff took a ten percent salary reduction during the first six months of 2021.

The company may grant other customary fixed payments and near-cash allowances to the CEO and the corporate management. Currently, and according to internal standards, these comprise fixed car allowance, life insurance, free use of mobile phone and coverage of costs for broadband communication at home.

Pension plans

The CEO and the corporate management are included in the company's collective defined contribution plans. There are no early retirement plans, no individual plans or any other pension arrangement that are exclusive to leading personnel in Norske Skog.

The company's Norwegian defined contribution plan provides for a general contribution of 4% for earnings up to 12G and an additional contribution of 6% for earnings between 7.1G and 12G. A supplementary collective pension scheme covers the part of the salaries exceeding 12G.

G ("Grunnbeløpet") is the base amount in the Norwegian national insurance scheme, which was set at NOK 104 716 for 2021.

Variable remuneration

SHORT-TERM INCENTIVE PLANS

Norske Skog has operated short-term incentive plans for executives and other employees for more than two decades, to ensure that financial, commercial and operational targets receive adequate priority and are aligned with the company's business strategy.

The short-term incentive plans are operationalized through annual performance contracts. For the CEO and corporate management, the annual performance contracts provide for a maximum bonus opportunity corresponding to 50% of annual base salary. The performance targets pursuant to which bonus achievement is measured are based on a combination of financial, operational and individual criteria.

The financial targets shall amount to minimum half of the maximum bonus opportunity and are set based on the operating plan for the financial year. For 2021 and previous years, the financial targets have comprised the group's EBITDA and cash flow.

The operational and individual targets are set to reflect the company's priorities for the financial year and typically include strategic positioning and projects, commercial targets, improvement programs; as well as ESG-related targets, in particular safety and environmental performance.

For 2021, the final investment decisions for machine conversions at Norske Skog Bruck and Norske Skog Golbey have constituted a common KPI for CEO and corporate management.

For certain key projects, major financial transactions and other strategically important goals for the group, the company may award project specific bonuses reflecting the criticality of the projects, the level of success achieved, the increased workload during the project period and the exposure of project team members. The board of directors must approve any project bonus payment to the CEO and corporate management, and such payments may not exceed the annual base salary.

There have been no such projects bonuses paid in 2021 or 2020.

In 2018 and 2019 the CEO and corporate management were awarded project bonuses totalling 18.8 million NOK. These bonuses were related to the financial restructuring and sale of Norske Skog following the enforcement of the SSN notes in 2017, the normalisation of the capital structure – including refinancing – of Norske Skog, and the reintroduction of the company at Oslo Børs.

Performance assessment for 2021

Sven Ombudstvedt, CEO Performance criteria 2021		
Common KPIs including financial targets Health & safety and environmental performance ESG and strategic positioning of Norske Skog Cost of capital optimisation Develop Norske Skog's organisation and leadership		
Performance evaluation	Award outcome 65.0%	Annual bonus in NOK 1 544 000

Lars P. S. Sperre, SVP Corporate Strategy Performance criteria 2021		
Common KPIs including financial targets Long-term portfolio optimisation		
Performance evaluation	Award outcome 65.0%	Annual bonus in NOK 1 138 000

Rune Sollie, CFO Performance criteria 2021		
Common KPIs including financial targets Review of IT operating and competence model Implementation of new reporting systems		
Performance evaluation	Award outcome 65.0%	Annual bonus in NOK 705 000

Amund Saxrud, COO Performance criteria 2021		
Common KPIs including financial targets Health & safety and environmental performance Continuous improvement programs		
Performance evaluation	Award outcome 70.0%	Annual bonus in NOK 753 000

Tore Hansesætre, SVP Strategic projects Performance criteria 2021		
Common KPIs including financial targets Machine conversion projects Energy boilers		
Performance evaluation	Award outcome 70.0%	Annual bonus in NOK 735 000

Robert A. Wood Performance criteria 2021		
Common KPIs including financial targets Sales performance targets		
Performance evaluation	Award outcome 75.0%	Annual bonus in NOK 761 000

LONG-TERM INCENTIVE PROGRAMME

The purpose of the company's long-term incentive programme is to secure a continued strong focus on the development of shareholder value. The current long-term incentive programme was launched in October 2019 and is based on a scheme with award of synthetic options targeting a positive share price development over a three to five years period from the date of award of the relevant synthetic options. Within the frames of the programme, the board may grant synthetic options to the corporate management and other key employees.

In 2019, 4 125 000 synthetic options were issued under the programme, and were awarded on 31 October 2019. Each option carries the right to be paid an amount in cash equal to (a) the fair market value less (b) the exercise price.

The options do not entitle the holder to acquire or subscribe for shares. The initial exercise price (strike price) for the synthetic options awarded in 2019 was NOK 38.00.

Pursuant to the terms of the long-term incentive programme, the exercise price shall in the event of distributions of dividend be reduced on a NOK-by-NOK basis by an amount equal to the amount of dividend distributed per share. In 2020, two dividend payments were made for the financial year 2019, resulting in a total dividend of NOK 6.25. The strike price was accordingly adjusted with dividends paid in 2020 to NOK 31.75.

As part of the private placement conducted in January 2021, 11 764 705 new shares were issued by the company. According to the terms of the long-term incentive programme, the exercise price shall in such event be adjusted. The exercise price adjustment following from this issue of new shares is NOK 0.30 and the adjusted and current strike price is NOK 31.45.

Following the issue of new shares in 2021, an increased number of synthetic options were available for the long-terms incentive programme. In total, 588 000 new synthetic options were issued under the programme and awarded on 7 May 2021 with an initial exercise price of NOK 35.20.

The remaining contractual life of the 2019 and the 2021 awards at year-end are approximately one year and three years, respectively.

Norske Skog has made a fair value measurement of the liability using a Black & Scholes model for European call options with no dividends. Total expensed on the long-term incentive programme in 2021 was NOK 15.3 million in total, including NOK 8.1 million for the members of corporate management. Total liability as of 31 December 2021 related to the long-term incentive program is NOK 35.7 million. Share price of NOK 38.20 and volatility of 40.2% is used in the Black & Scholes calculation on 31 December 2021.

Name	Specification of plan	Performance period	Award date	Vesting date	Strike price	Options awarded	Options awarded and unvested 31.12.2021
Sven Ombudstvedt	Plan 2019	31/10/19 – 31/12/22	31/10/19	09/02/23	31.45	546 000	546 000
	Plan 2021	07/05/21 – 30/06/24	07/05/21	12/07/24	35.20	36 000	36 000
Lars P. S. Sperre	Plan 2019	31/10/19 – 31/12/22	31/10/19	09/02/23	31.45	292 000	292 000
	Plan 2021	07/05/21 – 30/06/24	07/05/21	12/07/24	35.20	19 000	19 000
Rune Sollie	Plan 2019	31/10/19 – 31/12/22	31/10/19	09/02/23	31.45	292 000	292 000
	Plan 2021	07/05/21 – 30/06/24	07/05/21	12/07/24	35.20	19 000	19 000
Amund Saxrud	Plan 2019	31/10/19 – 31/12/22	31/10/19	09/02/23	31.45	292 000	292 000
	Plan 2021	07/05/21 – 30/06/24	07/05/21	12/07/24	35.20	19 000	19 000
Tore Hansesætre	Plan 2019	31/10/19 – 31/12/22	31/10/19	09/02/23	31.45	292 000	292 000
	Plan 2021	07/05/21 – 30/06/24	07/05/21	12/07/24	35.20	19 000	19 000
Robert A. Wood	Plan 2019	31/10/19 – 31/12/22	31/10/19	09/02/23	31.45	292 000	292 000
	Plan 2021	07/05/21 – 30/06/24	07/05/21	12/07/24	35.20	19 000	19 000

To the General Meeting of Norske Skog ASA

Independent auditor's assurance report on report on salary and other remuneration to directors

Opinion

We have performed an assurance engagement to obtain reasonable assurance that Norske Skog ASA's report on salary and other remuneration to directors (the remuneration report) for the financial year ended 31. December 2021 has been prepared in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

In our opinion, the remuneration report has been prepared, in all material respects, in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

Board of directors' responsibilities

The board of directors is responsible for the preparation of the remuneration report and that it contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and for such internal control as the board of directors determines is necessary for the preparation of a remuneration report that is free from material misstatements, whether due to fraud or error.

Our independence and quality control

We are independent of the company as required by laws and regulations and the International Ethics Standards Board for Accountants' Code of International Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. Our firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibilities

Our responsibility is to express an opinion on whether the remuneration report contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and that the information in the remuneration report is free from material misstatements. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 - "Assurance engagements other than audits or reviews of historical financial information".



We obtained an understanding of the remuneration policy approved by the general meeting. Our procedures included obtaining an understanding of the internal control relevant to the preparation of the remuneration report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Further we performed procedures to ensure completeness and accuracy of the information provided in the remuneration report, including whether it contains the information required by the law and accompanying regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 30.03.2022

Bdo AS

Terje Tvedt

State Authorised Public Accountant

(This document is signed electronically)

Penneo document key: EBTEP-DFIHL-PYWOU-YZZPT-1450B-7UE8G