

Norske Skog ASA

Remuneration Report 2022

Introduction

Pursuant to section 6-16 (b) in the Norwegian Public Limited Liability Companies Act, and associated regulations, Norske Skog ASA publishes this report on executive remuneration, 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 2023.

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. There are no significant changes proposed, and the company does not propose to the Annual General Meeting to update the guidelines in 2023.

On 21 April 2022, the Annual General Meeting endorsed the board of directors' report on salary and other remuneration of leading personnel in Norske Skog ASA for 2021. The resolution was passed with a requisite majority of 85.69 percent of the votes.

The remuneration of the CEO and other members of the corporate management during the financial year 2022 was made in accordance with the adopted guidelines. There have been no temporary deviations from the guidelines.

Norske Skog in 2022 – strategy execution and financial performance

2022 turned out to be another eventful year for Norske Skog and the world in general. The covid pandemic impacted less than previous years but was replaced by the war in Ukraine that created unprecedented uncertainty and volatility in the markets, energy markets in Europe in particular.

While European publication paper operations experienced a very challenging operating environment during 2021, things changed significantly in 2022. The price increases experienced in the latter part of 2021 continued into 2022 and increased further throughout the year. The price increases were driven by a combination of positive supply demand balance following the many closures of capacity in the industry and the underlying increase in variable costs. Prices for energy, the most important cost factor, increased to record high levels and with additional cost pressure from increases in cost for recovered paper and other raw materials.

During 2022, Norske Skog continued the strategic machine conversions at Norske Skog Bruck and Norske Skog Golbey. Norske Skog Bruck PM3 was stopped in July and Norske Skog Golbey PM1 was stopped in November to facilitate the final steps of the conversions. The conversions will add 760 000 tonnes of cost-competitive and low-emission recycled containerboard capacity. The containerboard production will be fully based on recycled fibre and will utilise green

energy generated from the new waste-to-energy facility at the Bruck industrial site and a new biomass plant at the Golbey industrial site. The projects have progressed during 2022 and Norske Skog Bruck will start production of recycled containerboard in the first quarter of 2023 and Norske Skog Golbey in the fourth quarter of 2023.

In a turbulent year, Norske Skog benefitted from a strong cost position and competitive business units and delivered an EBITDA of NOK 3 105 million and a corresponding EBITDA margin of 20.4 %. Our energy exposure was actively managed, allowing sale of excess energy after closure of Norske Skog Golbey PM1.

Remuneration of members of the Corporate Management

In 2022, the CEO received a total remuneration of NOK 23 956 thousand. A significant part originates from the long-term incentive program and has not been paid in 2022. The LTI earned is based on the expensed change in accrual of the corresponding liability. For the CEO, fixed remuneration (paid salary, payment of other benefits and pension contributions) accounted for 25 percent of total remuneration, while variable remuneration (earned bonus from short-term and long-term incentive plans) accounted for 75 percent.

For other members of corporate management, fixed remuneration accounted for 24 percent on average of total remuneration, while variable remuneration accounted for 76 percent.

In 2022, the base salaries of the CEO and members of the corporate management were increased by five percent, which was in line with general salary increases for other employees in Norske Skog. This was the first salary adjustment for the corporate management since 2019.

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 increasing shareholder value.

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.

2022 (in NOK 1 000)	BASE SALARY 31.12.	SALARY PAID	BENIFITS IN KIND ETC. ¹⁾	CONTRIBUTION TO PENSION SCHEMES	STI EARNED ²⁾	LTI EARNED ³⁾	TOTAL REMUNERATION	RELATIVE PROPORTION FIXED/ VARIABLE
Sven Ombudstvedt (CEO)	4 975	4 985	212	794	2 240	15 725	23 956	25% / 75%
Lars P. S. Sperre (SVP)	3 670	3 706	215	539	1 560	8 405	14 425	31% / 69%
Rune Sollie (CFO)	2 280	2 277	206	266	929	8 405	12 084	23% / 77%
Amund Saxrud (COO)	2 280	2 287	323	265	1 026	8 405	12 306	23% / 77%
Tore Hansesætre (SVP)	2 205	2 216	212	252	937	8 405	12 023	22% / 78%
Robert A. Wood (SVP) ⁴⁾	2 135	2 077	42	249	801	8 405	11 575	21% / 79%

2021 (in NOK 1 000)	BASE SALARY 31.12.	SALARY PAID	BENIFITS IN KIND ETC. ¹⁾	CONTRIBUTION TO PENSION SCHEMES	STI EARNED ²⁾	LTI EARNED ³⁾	TOTAL REMUNERATION	RELATIVE PROPORTION FIXED/ VARIABLE
Sven Ombudstvedt (CEO)	4 750	4 778	137	781	1 544	1 927	9 167	62% / 38%
Lars P. S. Sperre (SVP)	3 500	3 590	221	531	1 138	1 030	6 510	67% / 33%
Rune Sollie (CFO)	2 170	2 193	201	265	705	1 030	4 394	61% / 39%
Amund Saxrud (COO)	2 150	2 166	270	261	753	1 030	4 479	60% / 40%
Tore Hansesætre (SVP)	2 100	2 138	196	251	735	1 030	4 350	59% / 41%
Robert A. Wood (SVP) ⁴⁾	2 028	1 913	18	242	761	1 030	3 964	55% / 45%

Annualised total remuneration for corporate management 2018 – 2022

Sven Ombudstvedt, Chief Executive Officer ⁵⁾		2022	2021	2020	2019	2018
Total remuneration	NOK 1 000	23 956	9 167	8 480	10 767	-
	% change	161 %	8 %	-21 %		
Base salary	NOK 1 000	4 975	4 750	4 750	4 750	-
	% change	5 %	0 %	0 %		
STI	NOK 1 000	2 240	1 544	770	7 560	-
	% change	45 %	101 %	-90 %		
LTI	NOK 1 000	15 725	1 927	2 014	349	-
	% change	716 %	-4 %	477 %		
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Lars Peder S. Sperre, SVP Strategy		2022	2021	2020	2019	2018
Total remuneration	NOK 1 000	14 425	6 510	6 166	9 087	10 175
	% change	122 %	6 %	-32 %	-11 %	
Base salary	NOK 1 000	3 670	3 500	3 500	3 500	4 300
	% change	5 %	0 %	0 %	-19 %	
STI	NOK 1 000	1 560	1 138	613	4 485	5 299
	% change	37 %	86 %	-86 %	-15 %	
LTI	NOK 1 000	8 405	1 030	1 077	186	-
	% change	716 %	-4 %	479 %		
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Rune Sollie, Chief Financial Officer		2022	2021	2020	2019	2018
Total remuneration	NOK 1 000	12 084	4 394	4 132	6 042	4 061
	% change	175 %	6 %	-32 %	49 %	
Base salary	NOK 1 000	2 280	2 170	2 170	2 170	2 100
	% change	5 %	0 %	0 %	3 %	
STI	NOK 1 000	929	705	326	3 237	1 704
	% change	32 %	116 %	-90 %	90 %	
LTI	NOK 1 000	8 405	1 030	1 077	186	-
	% change	716 %	-4 %	479 %		

Amund Saxrud, Chief Operating Officer ⁶⁾		2022	2021	2020	2019	2018
Total remuneration	NOK 1 000	12 306	4 479	4 214	3 721	-
	% change	175 %	6 %	13 %		
Base salary	NOK 1 000	2 280	2 150	2 150	2 150	-
	% change	6 %	0 %	0 %		
STI	NOK 1 000	1 026	753	430	1 250	-
	% change	36 %	75 %	-66 %		
LTI	NOK 1 000	8 405	1 030	1 077	186	-
	% change	716 %	-4 %	479 %		
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Tore Hanesætre, SVP Strategic Projects		2022	2021	2020	2019	2018
Total remuneration	NOK 1 000	12 023	4 350	4 152	4 916	3 893
	% change	176 %	5 %	-16 %	26 %	
Base salary	NOK 1 000	2 205	2 100	2 100	2 100	2 100
	% change	5 %	0 %	0 %	0 %	
STI	NOK 1 000	937	735	420	2 174	1 855
	% change	27 %	75 %	-81 %	17 %	
LTI	NOK 1 000	8 405	1 030	1 077	186	-
	% change	716 %	-4 %	479 %		
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Robert Wood, SVP Commercial ⁷⁾		2022	2021	2020	2019	2018
Total remuneration	NOK 1 000	11 575	3 964	3 567	3 087	2 634
	% change	192 %	11 %	16 %	17 %	
Base salary	NOK 1 000	2 135	2 028	2 028	1 754	1 754
	% change	5 %	0 %	16 %	0 %	
STI	NOK 1 000	801	761	238	750	622
	% change	5 %	220 %	-68 %	21 %	
LTI	NOK 1 000	8 405	1 030	1 077	186	-
	% change	716 %	-4 %	479 %		

Roar Ødelien, Chief Operating Officer ⁸⁾		2022	2021	2020	2019	2018
Total remuneration	NOK 1 000	-	-	-	-	3 606
	% change					
Base salary	NOK 1 000	-	-	-	-	2 100
	% change					
STI	NOK 1 000	-	-	-	-	550
	% change					
LTI	NOK 1 000	-	-	-	-	-
	% change					
Niels Petter Wright, President and Chief Executive Officer ⁹⁾		2022	2021	2020	2019	2018
Total remuneration	NOK 1 000	-	-	-	7 549	6 521
	% change				16 %	
Base salary	NOK 1 000	-	-	-	4 300	4 300
	% change					
STI	NOK 1 000	-	-	-	-	550
	% change					
LTI	NOK 1 000	-	-	-	-	-
	% change					
Average employee remuneration		2022	2021	2020	2019	2018
Total remuneration, Norske Skog group	NOK 1 000	908	810	743	805	748
	% change	12 %	9 %	-8 %	8 %	
Total remuneration, Norske Skog ASA	NOK 1 000	3 032	1 625	1 518	1 253	1 485
	% change	87 %	7 %	21 %	-16 %	
Company performance		2022	2021	2020	2019	2018
EBITDA	NOK million	3 105	662	736	1 938	1 032
	% change	369 %	-10 %	-62 %	88 %	
EBITDA margin	%	20.4	6.4	7.7	15.0	8.2

Remuneration to member of the board of directors and committee members

2022 (n NOK 1 000)	DIRECTOR'S FEE	REMUNERATION FOR COMMITTEE WORK
John Chiang (Chair) ¹⁰⁾ ¹¹⁾ ¹²⁾	0	0
Arvid Grundekjøn ¹⁰⁾ ¹¹⁾	300	270
Trine-Marie Hagen ¹⁰⁾	300	83
Nikolai Johns	208	0
Johanna Lindén	208	0

2021 (n NOK 1 000)	DIRECTOR'S FEE	REMUNERATION FOR COMMITTEE WORK
John Chiang (Chair) ¹⁰⁾ ¹¹⁾	0	0
Idunn Gangaune Finnanger	88	0
Arvid Grundekjøn ¹⁰⁾ ¹¹⁾	300	80
Trine-Marie Hagen ¹⁰⁾	300	30
Anneli Finsrud Nesteng	88	0

Total remuneration to members of the board of directors 2019 – 2022

Board remuneration - annualised fixed fees		2022	2021	2020	2019	Share ownership 31.12.2022
John Chiang, Chair of the Board	NOK 1 000	-	-	-	-	116 839
	% change					
Arvid Grundekjøn, Board member	NOK 1 000	450	450	450	466	21 617
	% change			-3 %		
Trine-Marie Hagen, Board member	NOK 1 000	350	350	350	330	
	% change			6 %		
Nicolai Johnsen, Board member	NOK 1 000	300	-	-	-	2 500
	% change					
Johanna Lindén, Board member	NOK 1 000	300	-	-	-	2 500
	% change					
Idunn Gangaune Finnanger, Board member	NOK 1 000	-	300	300	300	
	% change					
Anneli Finsrud Nesteng, Board member	NOK 1 000	-	300	300	300	
	% change					
Sven Ombudstvedt	NOK 1 000	-	-	-	600	62 631
	% change					

The remuneration trend for members of the board of directors covers the four years' period from 2019, from when the company was listed at Oslo Stock Exchange and introduced the current board structure.

On 9 March 2023, Geir Drangslund was elected Chair. As per 31 December 2022, he owned and/or controlled 20 746 579 shares of Norske Skog ASA.

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.

As of 1 January 2023, the company's Norwegian defined contribution plan provides for a general contribution of 5 percent for earnings up to 12G and an additional contribution of 12 percent for earnings between 7.1G and 12G. For 2022 and previous years, the corresponding contribution rates were 4 and 6 percent. 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 111 477 as of 1 May 2022.

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 percent 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 2022 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 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 2022 or 2021.

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 2022

Sven Ombudstvedt, CEO Performance criteria 2022		
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 90.0%	Annual bonus in NOK 2 240 000

Lars P. S. Sperre, SVP Corporate Strategy Performance criteria 2022		
Common KPIs including financial targets Long-term portfolio optimisation Industrialisation of CEBICO and CEBINA New energy initiatives Property development and sales		
Performance evaluation	Award outcome 85.0%	Annual bonus in NOK 1 560 000

Rune Sollie, CFO Performance criteria 2022		
Common KPIs including financial targets Execution of IT operating and competence model Implementation of new reporting systems and structures for compliance and governance		
Performance evaluation	Award outcome 90.0%	Annual bonus in NOK 929 000

Amund Saxrud, COO Performance criteria 2022		
Common KPIs including financial targets Health & safety and environmental performance Continuous improvement programs Strategic projects		
Performance evaluation	Award outcome 90.0%	Annual bonus in NOK 1 026 000

Tore Hansesætre, SVP Strategic projects Performance criteria 2022		
Common KPIs including financial targets Machine conversion projects Energy boiler projects		
Performance evaluation	Award outcome 85.0%	Annual bonus in NOK 937 000

Robert A. Wood, SVP Commercial Performance criteria 2022		
Common KPIs including financial targets Sales performance targets Preparation for entering the packaging market		
Performance evaluation	Award outcome 75.0%	Annual bonus in NOK 801 000

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-term 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.

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 for corporate management on the long-term incentive programme in 2022 was NOK 68 million. The corresponding liability on 31 December 2022 related to the long-term incentive program was NOK 88 million. A share price of NOK 66,57 and a volatility of 47.6% is used in the Black & Scholes calculation on 31 December 2022.

Name	Specification of plan	Performance period	Award date	Vesting date	Exercise price	Options awarded	Options awarded and unvested 31.12.2022
Sven Ombudstvedt, CEO	Plan 2019	31/10/19 – 31/12/22	31/10/19	27/01/23	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, SVP Corporate Strategy	Plan 2019	31/10/19 – 31/12/22	31/10/19	27/01/23	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, CFO	Plan 2019	31/10/19 – 31/12/22	31/10/19	27/01/23	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, COO	Plan 2019	31/10/19 – 31/12/22	31/10/19	27/01/23	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, SVP Strategic Projects	Plan 2019	31/10/19 – 31/12/22	31/10/19	27/01/23	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, SVP Commercial	Plan 2019	31/10/19 – 31/12/22	31/10/19	27/01/23	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

On 30 January 2023, the CEO and all members of the corporate management exercised their 2 006 000 synthetic share options which were awarded in October 2019. The synthetic options are settled by way of cash payment, for each option comprising the difference between the exercise price and the fair market value, calculated as the volume weighted average trading price over five trading days. All synthetic options exercised had an exercise price of NOK 31.45 and the fair market value was NOK 72.92.

On the same date, the CEO was awarded 527 000 new synthetic options. Other members of corporate management were awarded 272 000 new options each. The exercise price of the new synthetic options awarded is equal to the fair market value of the synthetic options exercised.

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

²⁾ Based on performance in the financial year, paid in the first quarter of the next financial

³⁾ LTI earned is based on the expensed change in accrual of the corresponding liability.

⁴⁾ Robert A. Wood is employed by Norske Skog (UK) Ltd. but works fully for Norske Skog ASA as SVP Commercial.

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. During the interim period, Ombudstvedt did not receive any fixed remuneration. The compensation was included in the annual bonus.

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

¹⁰⁾ Arvid Grundekjøn (chair), John Chiang, and Trine-Marie Hagen are members of the audit committee.

¹¹⁾ John Chiang (chair) and Arvid Grundekjøn are members of the remuneration committee.

¹²⁾ The chair of the board, John Chiang, is a partner of Oceanwood Capital Management LLP, which is an entity managing one of the company's largest shareholder, NS Norway Holding AS. Due to internal guidelines within Oceanwood Capital Management LLP, John Chiang has advised that he does not wish to receive remuneration for his role as chair of the board of directors and other roles in board committees.