Remuneration of executive personnel

The Board of Directors determines the remuneration of the President and CEO based on a proposal from the HR Committee and approves the general terms of the company's incentive plans for Executive Management and other key employees. The President and CEO determines the compensation to other members of Yara's Executive Management.

Statement on remuneration to members of Executive Management

In accordance with the Norwegian Public Limited Companies Act § 6-16 a, the Board of Directors prepares a separate statement related to the determination of salary and other benefits for the Executive Management. The statement will be presented to the Annual General Meeting for voting. The Ministry of Trade, Industry and Fisheries disclosed amended Guidelines for Remuneration of Executives in State Owned Companies with effect from 13 February 2015. Yara's remuneration principles applying to the Executive Management comply with these guidelines. Consequently the rules applying for membership in the company pension plan for salaries above 12G has been amended accordingly and the plan was closed for new members from 3 December 2015.

General Principle

Yara's policy concerning remuneration of the CEO and other members of Yara's Executive Management is to provide remuneration opportunities which:

- Are responsible as well as competitive and attractive to recruit and retain executives
- Reward the executives' performance, measured as their contribution to the overall success of Yara
- Support the creation of sustainable shareholder value

Yara's remuneration of the Executive Management consists of the following elements: Base pay, an annual incentive bonus, a Long Term Incentive plan, a pension plans, death and disability coverage and other components such as car, phone expenses, etc. In addition, executives on expatriate contracts have various other costs covered by the company. The annual salary adjustment for employees in Yara International ASA and Norwegian subsidiaries forms the basis for the Executive Management salary development. Members of Executive Management do not receive separate remuneration for board membership in Yara subsidiaries.

To increase the alignment between executive and shareholder interests, to ensure retention of key talent in the company and to reward good performance, the Board has established a Long Term Incentive plan ("LTIP") and Short Term Incentive plan ("STIP"). In designing the these incentive plans, the Board has sought to achieve a balance between the following key objectives:

- Create an alignment between executive and shareholder interests
- Reward good performance
- Recognize that Yara's earnings and valuation are significantly exposed to fluctuations in non-controllable parameters such as commodity fertilizer prices, energy prices and currency exchange rates

The LTIP aims primarily to address the first objective above, by requiring executives to use a portion of their salary to purchase and hold Yara shares, subject to the company having had an overall satisfactory financial performance over the past 3 years. Share price performance is not considered, due to the non-controllable parameters mentioned above. On the other hand, the STIP aims to recognize performance at both company, team and individual level, focusing on performance measures with minimal exposure to non-controllable parameters. The LTIP and STIP schemes are described in more detail below.

From 2018 the STIP bonus scheme applicable for managers and executives has been amended to align with best market practice. For the scheme applicable until then bonus pay was conditional on Yara's CROGI excluding special items reaching 7%, with progressively higher payout levels up to a maximum level when CROGI exceeded an upper limit (13% for 2017). From 2018 payment of STIP Bonus is conditional on Yara's Net Income excluding special items exceeding zero. Bonus pay increases within a range of Yara's EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization). The reason for changing the bonus plan threshold and funding element from CROGI to respectively Net Income and EBITDA is that these financial targets are more intuitive and in line with market practice. Total cost for the new STIP bonus scheme is expected to remain at the same level as for the previous scheme.

For executives employed by Yara companies in other countries remuneration can deviate from the guidelines depending on local market conditions.

Short-Term Incentive bonus

The annual incentive bonus represents performance-driven variable compensation components based on financial and non-financial performance at company and/or segment level. The specific performance components vary by unit and position and are set individually on an annual basis. The annual incentive bonus is not linked to the Yara share price, but is conditional on Yara Net Income excluding special items exceeding zero. Bonus pay increases with increase of Yara EBITDA within a range. Forecasted EBITDA gives 100% of Target Bonus. A sliding scale +/- 30% of forecasted EBITDA gives minimum 75% of target bonus, provided that Yara Net Income exceeding zero and maximum 125% of target bonus.

The previous scheme gave maximum 130% of Target Bonus when CROGI exceeded an upper limit. In the new scheme maximum payout on the EBITDA element has been reduced to 125% The reason for this is that the new breaking point at zero Net Income is lower than the previous breaking point at CROGI below 7%.

For executives on Norwegian employment contracts, the maximum pay-out shall not exceed 50% of annual base salary. For executives employed by Yara companies in other countries the bonus pay-out can exceed 50% depending on local market conditions.

The annual incentive bonus pay-out is calculated according to the formula shown below.

Yara EBITDA multiplier x Individual relative performance multiplier x Target bonus = Bonus payout

Individual Relative Performance

The Individual Relative Performance is determined based on achievements of operational and organizational key performance indicators (KPIs) and an overall performance evaluation. The KPIs are established based on quantified targets set up in the business plan for the actual year and reflect the role and responsibility of each position covering the following areas:

- Safety & Compliance
- Achievement of production and sales volumes
- Cost efficiency and Profitability
- Achievement on specific projects

Promotion of Yara's Mission, Vision and Values and contribution to Yara overall are subject to discretionary evaluation.

Target Bonus

The Target Bonus is a percentage of base salary. The percentage is set according to position level and content and comparison with the market. The target bonuses for executives on Norwegian employment contract are between 28% and 40% with maximum bonus pay capped at 50% of annual base salary according to what is explained above. For executives employed by Yara companies in other countries the target bonus can deviate from the above depending on local market conditions.

Long-Term Incentive plan

This program provides a cash amount to eligible executives, who are required to invest the net amount after tax in Yara shares within a period of one month after grant. The acquired shares are locked in for a period of three years after the purchase. After this period executives are free to keep or sell the shares at their discretion. Executives who resign from Yara have to reimburse to the company at the time of resignation the net proceeds of the selling of the shares that are still within the lock-in period. The annual grant is jointly conditional on Yara's CROGI (Cash Return on Gross Investment) excluding special items reaching an average of 7% over the past three years and Yara's Net Result excluding currency gain/loss being positive for the last three years as a whole. Yara's CEO can in any case decide that LTIP shall not be granted in a given year and Yara's Board of Directors can decide that LTIP shall not be granted to the CEO. The amount granted is linked to the individual position and shall not exceed 30% of annual base salary.

Benefit Plans

All new pension plans in Yara should be defined contribution ("DC") plans. For all new hires and internal recruits to the Executive Management on Norwegian employment contracts, future contributions to the pension plan is limited to a salary of 12 times Norwegian Social Security Base Amount (12G).

Yara has a DC pension plan covering salary in excess of 12G applicable for employees on Norwegian employment contracts. From December 2015 the membership rules of this plan were changed. The plan was closed for new members. For internal recruits to the Executive Management who are members of the plan at commencement, future contribution to the plan stops and they become deferred members of the plan. Current members of the Executive Management at 3 December 2015 remain active members of the plan with future contributions.

For executives on Norwegian employment contracts, Yara has a company set upper limit for retirement at age 70 from 1 July 2016 with the possibility for flexible retirement from age 62 in the company paid DC plans. Yara has a defined benefit early retirement plan for executives on Norwegian employment contracts covering the period from age 65 to 67 with a defined benefit equal to 65% of final salary limited to 12G. From 1 January 2015, the plan was closed for new members and ceased for employees below age 50. A DC pension plan was established to compensate members for the shortfall.

The executives are members of the personal insurance schemes applicable to all Yara employees. These are Group Life Insurance, Disability Pension, lump-sum payment in the event of disability, occupational diseases, occupational and non-occupational accident and Health Insurance. In addition they are provided with a Travel Insurance covering both the executive and family.

Others

Executive Management members employed in Norway can take part in the annual offer to all permanent Yara employees in Norway where they can buy Yara shares to a value of NOK 7,500 alternatively NOK 15,000 with a tax-exempt discount of NOK 1,500 in the first alternative and NOK 3,000 in the latter. Yara offers the employees an interest-free loan with repayment of one year for the purchase of the shares. This plan comes in addition to the LTIP.

New members of Yara executives on Norwegian contracts entered into after March 2015, are entitled to a severance pay equal to six months basic salary on certain conditions. The severance pay is calculated from the end of the notice period. Other income the executive receives during the severance pay period will be deducted from the severance pay.