

THE BOARD OF DIRECTORS' DECLARATION ON STIPULATION OF SALARY AND OTHER REMUNERATION FOR CORPORATE MANAGEMENT.

In accordance with the Norwegian Public Limited Companies Act § 6-16a, the board of directors prepares a separate statement related to the determination of salary and other benefits for the corporate management. The statement shall be subject to an advisory vote by the annual general meeting.

The board of directors has appointed a dedicated Remuneration Committee as a preparatory and advisory committee in questions relating to the company's compensation of the corporate management. The purpose of the remuneration committee is to ensure thorough and independent preparation of matters relating to the corporate management compensation as well as the overall principles for compensation in Elkem. In addition, the committee advises the board of directors and the CEO in the work on the philosophy, principles and strategy for the compensation. The members of the remuneration committee are elected by and amongst the members of the board of directors and are independent of the company's corporate management. The Senior Vice President of Human Resources participates in the committee meetings. The board of directors has issued instructions for the work of the remuneration committee.

Key principles for determination of remuneration

The main purpose of the company's remuneration policy is to encourage a strong, sustainable and performance-based culture, aimed at continuous improvement. The remuneration policy should also ensure that Elkem has a strong ability to attract, retain and develop qualified people with adequate leadership and professional competencies and skills, in order to support and contribute to profitable growth and creation of long-term shareholder value.

The fundamental principle in the company's determination of remuneration for its corporate management is that the terms are to be competitive. Determination of remuneration also takes into account the breadth and complexity of the company's worldwide operations and reflects the company's objections for sustainability and growth. The company shall seek to offer a remuneration level on market terms satisfying the company's need to recruit and retain highly qualified personnel in the corporate management.

More specifically, this implies that the total compensation of the corporate management consists of a fixed compensation and other remuneration at a level reflecting the principles mentioned above.

Remuneration includes

1. **Fixed compensation** - The fixed base salary will be determined based on the level of the position in the organization, local labor market conditions, individual performance, budget and guidelines for annual salary review in line with general salary trends. The fixed compensation shall be reasonable and competitive and represent the significant component in the corporate management compensation.

2. **Benefits, pension and insurances** – The benefits are determined considering market standards and the level of the position, including elements such as private use of mobile phone, private access to Wi-Fi, private use of laptop and a car allowance. The corporate management participate in the relevant local pension schemes in their countries of residence in line with established market practices. The corporate management are covered by insurance arrangements applicable to Elkem employees in their respective countries of residence.
3. **Variable compensation – short term incentive scheme (STI)** - The corporate management participate in an annual bonus scheme (STI) linked to achievements of financial, strategic and operational targets. The financial targets are linked to EBITDA, net profit and working capital. The annual bonus is limited to 12 months' salary for the CEO and 6 months' salary for the rest of the corporate management.

The CEO is also entitled to a supplementary bonus limited to 6 months' salary, linked to special target achievements, including financial, strategic, people/organizational and personal objectives subject to the Elkem Remuneration Committee approval.

The corporate management and other key employees involved in major strategic projects, such as major mergers and acquisitions, may also receive specific project related bonuses. Such bonuses for members of the corporate management, including the criteria and target group, will normally be proposed and approved by the board of directors. Other employees may also participate in individual bonus schemes in line with the corporate guidelines – and the maximum bonus is normally limited to one to three months' salary.

4. **Long-term incentives (LTI)** –The annual general meeting of Elkem ASA resolved in March 2018 to establish a long-term share incentive scheme (the 2018 Share Option Program) for the corporate management and selected other key employees of Elkem. The annual general meeting authorized the board of directors to approve the size and the terms and conditions of such scheme at its discretion. In 2019 the annual general meeting resolved to continue the LTI-program by implementing a 2019 share option program at similar terms and conditions as the 2018 program.

The share option program shall be part of the total compensation package of the target group employees to strengthen their commitment and ownership to the business value creation and to contribute to the retention of the corporate management and the key employees. The share option program will also ensure alignment of the financial interests of the senior management and key employees with the financial interest of the shareholders.

In September 2018, the board of directors resolved to implement the 2018 share option program on the following criteria:

Options were granted on an individual basis to Elkem corporate management and certain other key employees of Elkem ASA and its subsidiaries, in total 40 individuals located world-wide. In total 7,850,000 options were granted under the program and the maximum number of options granted to each employee in each category was as follows:

- CEO: 500,000 options;
- Other members of the corporate management: 300,000 options; and
- Other key employees: 150,000 options.

Each option gives the holder the right to subscribe or purchase one share in Elkem ASA at an exercise price of NOK 38.52 per share – which is equal to the share price (trading price) at closing on 13 September 2018. The options will vest over a period of three years from the grant date, with one-third vesting each year and the first one-third vesting on 18 September 2019. The options will expire two years after vesting, i.e. on 18 September 2021, 2022 and 2023, respectively.

Vested options may be exercised at any time in the period starting on the day following the day of the company's release of its annual and quarterly results and for 15 Norwegian business days thereafter. Should the employment with an option holder be terminated, unvested options shall lapse and vested options must be exercised within certain deadlines. The company may honor options when exercised by the delivery of either new shares, treasury shares or settlement in cash, at the discretion of the company. The exercise price shall be adjusted for dividends and other factors relevant to the share capital of the company (changes in capitalization, rights issues etc.). Participants may not in any calendar year realize a total gain on exercise of options which is in excess of two times (four times for the CEO) the employee's base salary.

The total number of options granted under the 2019 program is 8,000,000. Each option gives the holder the right to subscribe or purchase one share in Elkem ASA at an exercise price of NOK 23.53 per share – which is equal to the average share price (trading price) at closing of the first 20 working days in July 2019. The options will vest over a period of three years from the grant date, with one-third vesting each year and the first one-third vesting on 29 July 2020. The options will expire two years after vesting, i.e. on 29 July 2022, 2023 and 2024, respectively.

Continuation of the long-term incentive scheme:

The board of directors wishes to continue the long-term incentive scheme, so that the board of directors may grant up to eight million new share options under the long-term incentive scheme in 2020.

5. **Loan and guarantees** - There are no loans or guarantees to the corporate management.

Termination of employment

The employment agreements for corporate management have a 6-month period of notice from last day of the month in which the written notice is given, and a termination payment equal to 12 months' fixed base salary if the Company initiate the termination.

The CEO has a 3-month period of notice from last day of the month in which the notice is given, and a severance pay equal to 12 months' fixed base salary. The CEO is only entitled to the severance pay in the event the CEO's employment is terminated unilaterally by Elkem. The Company can only terminate the employment due to prolonged serious sickness or prolonged lack of performance against payment of the severance pay. Furthermore, in case of change of control, the CEO has the right to resign from the Company without further justification and receive the severance pay.

The Board of Directors of Elkem ASA
Oslo, 3 March 2020



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Chair of the Board



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