

THE BOARD OF DIRECTORS' DECLARATION ON STIPULATION OF SALARY AND OTHER REMUNERATION TO THE 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 normally 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 keep 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.

The description of the CEO's remuneration; fixed compensation, benefits, pension, insurances and the short-term incentive scheme as well as the termination of employment clauses referred to in this declaration, is a summary of his contracted terms valid already prior to the IPO. The remuneration committee will review the total compensation package of the CEO and the corporate management during 2019.

Remuneration includes:

1. **Fixed compensation** - The fixed base salary will be determined based on the following criteria: job level, local conditions in the labor market, performance level, budget and guidelines for annual salary review in line with general salary trends. The fixed compensation shall be reasonable and competitive and represent a significant component in the corporate management compensation.
2. **Benefits, pension and insurances** – The benefits are determined considering market standards and job level and include elements such as mobile phone, access to Wi-Fi, laptop and car allowance / company car. The corporate management participate in the relevant local pension schemes in their countries of residence in line with established market practices. In addition to the general pension schemes, the CEO has the right to retire at the age of 68 with an entitlement to 60% of pensionable salary until the age of 70. 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 both financial, strategic and operational targets. The financial targets are linked to EBITDA and cash flow from operations. The annual bonus is limited to 12 months' salary for the CEO and 6 months' salary for the rest of the corporate management. In 2018 STI, the average of 70 % of the total bonus paid was an IPO success bonus for the CEO, CFO, SVP Business Development and the SVP of Silicones. The CEO and CFO had an obligation to invest one annual net base salary of the IPO bonus in company shares.

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 incl. 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 (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.

The share option program shall be part of the total compensation package of the target group employees to strengthen the commitment and ownership to the value creation and 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 share option program on the following criteria:

Options are 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. No more than eight million options may be granted under the program and the maximum number of options granted to each employee in each category is as follows:

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

The total number of options granted under the program in 2018 is 7,850,000. 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 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 honour 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 realise a total gain on exercise of options which is in excess of two times (four times for the CEO) the employee's base salary.

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 2019.

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 initiates the termination. In addition, the CEO is entitled to a severance pay equal to 18 months' fixed base salary in the event the CEO's employment is terminated unilaterally by Elkem.

Elkem has been compliant with the above during the course of the last financial year. Salary and other remuneration for the CEO and the other members of the corporate management for the year 2018 are described in further details in note 12 to the Elkem ASA's annual accounts for 2018.

The Board of Directors of Elkem ASA
Oslo, 6 March 2019



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Chairman of the Board



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