

## **Guidelines for determining salaries and other compensation for executive management in Element ASA**

In accordance with the provisions of section 6-16a of the Norwegian Public Limited Companies Act, the board of directors has prepared a statement regarding the guidelines for determining salaries and other compensation for executive management. Salaries and other compensation to executive management for the preceding financial year are explained in notes to the financial statements of Element ASA. The guidelines for determining salaries and other compensation for executive management for the financial year 2020 are given below.

### **General principles:**

The purpose of the remuneration policy of the company is to attract qualified and competent employees, and to develop and retain key competences and motivate to long-term progress to achieve the business purposes of the company.

Remuneration of executive management consists of an annual base salary, an option element, a bonus element, pension and insurance arrangements and other forms of immaterial remuneration. The CEO is entitled to an annual bonus of at least NOK 200,000, and the board may define criteria for bonus achievement and size of bonus at a later date.

It is the board of directors' opinion that the total compensation shall be competitive, but not a pacesetter in wage settlements.

### **Salaries and benefits in kind:**

The base salary is mainly determined based on the employee's role, the relevant market and performance. The base salary is to be assessed annually.

Remuneration of the CEO is determined by the board of directors, while remuneration of executive management is determined by the CEO in cooperation with the board of directors. Currently, the Company only has one employee, i.e. the CEO. The corporate management team has free cell phone, compensation of costs related to broadband communication, and one newspaper subscription.

### **Share Option Schemes**

Share options which have been allotted, vested or forfeited under previous years share option program can be found in the most recent annual report for Element ASA.

### **2020 Option Program**

For 2020, the board of directors proposes that the company may issue options to board members, employees and consultants limited up to 547.342 shares. Together with the existing options in issue under previous years' program and 2020 Option Program, this may amount to approx. 5% of the current share capital of the Company.

As a general rule the share options shall be subject to following main terms:

- options granted to board members and consultants are vested 1/12 per month over 12 months;
- options granted to employees are vested with 1/36 per month over a period of three years;
- options granted will automatically expire after four years after the grant date;

- options that are not vested at the time of the option holder's engagement with the Company terminates (regardless of cause) will expire without compensation;
- if a shareholder becomes owner of more than 90% of the shares in the Company, the option holder has the right to exercise all of the options within a period of 3 months, regardless of whether they are vested or not;
- the strike price shall generally be the volume weighted average of the price of the Company's shares during the 10 trading days prior to the option grant;
- the Board may set as a condition for allocation and vesting of options that the option holder continues to provide the services / work for the Company for a certain period in the future; and
- The Company has the right to settle the option either partially or in full in cash based on the volume weighted average of the price of the Company's shares during the 10 trading days prior to exercise of the options.

#### **Post employment benefit schemes:**

The agreed notice period for the new CEO is 3 months. In the event of a dismissal by the Company, the CEO is entitled to a severance pay 18 months' salary. In the event that one or more parties acquire or otherwise directly or indirectly acquire or otherwise control more than 50% of the Company, then the CEO shall be entitled to retire with a severance pay of 12 months from the end of the notice period.

#### **Pensions and insurance:**

All members of executive management participate in the ordinary pension scheme for the company, which is a defined contribution pension scheme. Annual contributions are calculated as 5% of salary up to 7.1 times the base amount (G) in the Norwegian Social Security Act and 11% of the salary between 7.1 and 12 times the base amount.

In addition, the company has set up a disability insurance arrangement.

All members of executive management are covered by the insurance scheme of Element ASA.

#### **Compliance with remuneration policies for executive management in 2019:**

The remuneration principles for executive management in 2019 has been complied with by the company.

Please refer to the consolidated accounts including notes for further information regarding salaries and other compensation to executive management.