

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 note 6 to the financial statements of Element ASA. The guidelines for determining salaries and other compensation for executive management for the financial year 2019 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 in order 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 remuneration. The new 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. The CEO is further entitled to a sign on bonus of NOK 1,000,000, and such amount shall be invested in shares in the Company. Otherwise, there are currently no cash-bonus elements in place, but such arrangements could be implemented if the financial situation of the company allows for it.

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. The corporate management team has free cell phone, compensation of costs related to broadband communication, and one newspaper subscription.

Share Option Schemes

2016 Employee Incentive Warrant Program:

The extraordinary general meeting adopted a subscription right program for leading employees on 14 December 2016 (the "**2016 Option Program**"). There are a total of 37,500 warrants vested under the 2016 Option Program. No further warrants will be issued under the program. All vested warrants under the 2016 Option Program expire 14 December 2021.

2018 Option Program:

The extraordinary general meeting adopted an option program for the board members, employees and consultants on 6 June 2018 ("**2018 Option Program**"). The Company has currently issued 140,000 options under the 2018 Option Program. Of the 140,000 existing share options, 115,000 options are issued to existing and former board members and 25,000 options are issued to the executive management.

2019 Option Program

For 2019, the board of directors proposes that the company may issue options to board members, employees and consultants limited up to 237,100 shares. Together with the existing options in issue under the 2016 Option Program and 2019 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.

In accordance with the above, and as announced on [5] June 2019, the board of directors has offered 50 000 share options to the new CEO Geir Johansen and 50 000share options to the consultant James Haft subject to that the annual general meeting approves the 2019 Option Program. The strike price for the options to Geir Johansen and James Haft will be the lowest of 10 days VWAP prior to signing of their respective agreements with the company on 5 June 2019 and 10 days VWAP prior to the annual general meeting. The options will otherwise be on the same terms and conditions as stated above.

Further, the Nomination Committee is evaluating whether to propose to the ordinary general meeting 2019 to issue options to the board members under the 2019 Option Program.

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 of 12 months from the end of the notice period if notice of terminations is delivered prior to 5 December 2019. If such notice is delivered after 5 December 2019, then the CEO is entitled to a severance pay of 18 months. 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 2018:

The remuneration principles for executive management in 2018 has been complied with by the company

Please refer to note 6, 7 and 8 of to the consolidated accounts for further information regarding salaries and other compensation to executive management.