

## 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 2018 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, pension and insurance arrangements and other forms of remuneration. 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.

### **Employee Incentive Warrant Program:**

In accordance with the board's proposal, the extraordinary general meeting of 14 December 2016 adopted a subscription right program for leading employees.

The number of subscription rights which may be issued is maximum 1,825,781. Provided, however, that the number of issued and outstanding subscription rights under all of the Company's subscription right programs shall not exceed 5 per cent of the registered number of shares in the Company at any given time. The subscription rights must be subscribed for by latest on 14 December 2017 and expires no later than 14 December 2022.

The Subscription Rights vest with 25 per cent annually, with the first 25 per cent vesting on the date of the General Meetings issuance of these Subscription Rights, and the remaining

Subscription Rights vesting on the annual anniversary of the grant of the subscription rights. The Board may decide upon a longer or shorter vesting period if deemed appropriate.

In the event of a Change of Control, the subscription rights shall accelerate and immediately become one hundred per cent vested as of the date of the consummation of the Change of Control.

On 6 March 2017, the Board of Directors resolved to grant a total of 400,000 warrants to Kim Andre Evensen under the Employee Incentive Warrant Program. On 23 November 2017 the Board of Directors resolved to grant a total of 600,000 warrants to Cecilie Grue in connection with her permanent employment as CEO of Element. Accordingly a total of 1,000,000 warrants were issued under the program. No further issuance is valid under the program.

### **Option Program**

The extraordinary general meeting of the company approved a new option program for employees, boardmembers and consultants on 6 June 2018. The new option program shall not exceed 5% of the issued share capital at the time of approval. The option program was approved with the following main terms:

- each option entitles the holder to subscribe for a share;
- options granted to board members are vested 1/12 per month over 12 months;
- options granted to board members will automatically expire after three years after vesting;
- options granted to employees and consultants are vested in three equal tranches over a period of three years;
- options granted to employees and consultants expire automatically two years after vesting. If the employee is dismissed without notice, all vested options will expire at the same time as the occurrence of the basis for summary dismissal;
- 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 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;
- 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; and
- The Board will also be able to offer shares to persons or companies that are not shareholders in the Company. Existing shareholders' pre-emptive rights can thus be waived.

The Board shall have the right to grant options under the option program, and has been awarded an authorization to increase the share capital in connection with exercise of options.

On 6 June 2018, the following options were granted by the company's extraordinary general meeting:

- Lars Christian Beitnes, chairman: 360,000 options;
- Mona Lynne Eitzen, board member: 360,000 options;
- Frode Aschim, board member: 360,000 options;
- Cecilie Grue, Managing Director: 700,000 options; and
- Kim Andre Evensen, CFO: 500,000 options.

**Post employment benefit schemes:**

There are currently no employees with rights to severance pay at termination

**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 (70% of salary up to 12 times the base amount), a spouse/cohabitant pension agreement (60 % of the disability pension in 10 years) and a child pension arrangement (50% of the disability pension, payment for each child under the age of 21).

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

**Remuneration policies for executive management and board in 2017:**

Remuneration principles for executive management in 2017 were largely as described above, except that the company did not have an option program.

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