

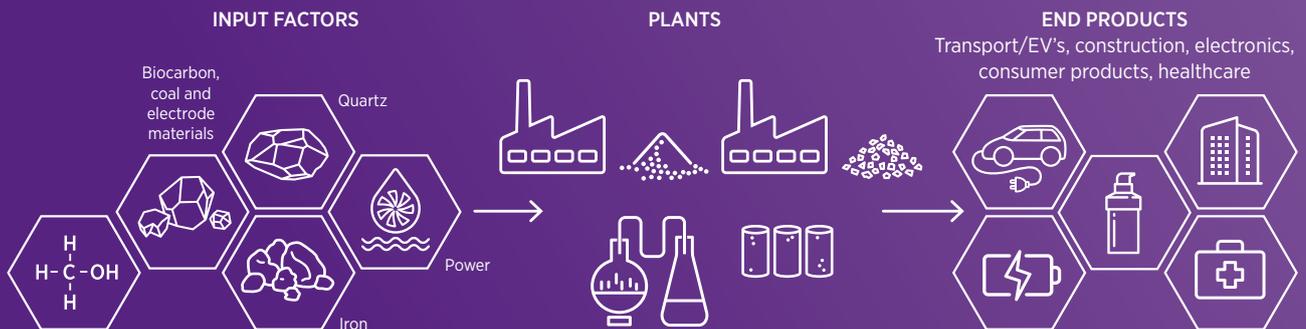
DELIVERING
YOUR POTENTIAL



ESG report **2020**



Elkem in brief





Who we are and what we do

Elkem is one of the world’s leading suppliers of silicon-based advanced materials with operations throughout the value chain from quartz to specialty silicones, and attractive market positions in specialty ferrosilicon alloys and carbon materials. In addition to our divisions Silicones, Silicon Products and Carbon Solutions, Elkem established the business initiatives Digital Office, Battery Materials and Biocarbon in 2020.

Elkem’s global business combines the strengths of three unique market platforms. The metallurgical business in Norway was founded in 1904 and represents strong industrial traditions and continuous improvement. The chemical business in France adds a strong culture for specialisation, innovation and R&D, while Elkem’s substantial presence in China facilitates strong growth opportunities and a dynamic and agile business perspective.

Elkem is a publicly listed company on the Oslo Stock Exchange (ticker code: ELK) and is headquartered in Oslo, Norway. The company has more than 6,800 employees with 29 production sites and an extensive network of sales offices worldwide.

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ESG – a top priority and key strength



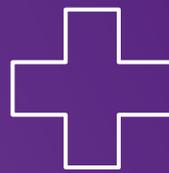
83%

Share of total gross electricity consumption that is based on renewable energy production.



25%

Female share in the company. Our ambition is to increase the share of women across the company and in management positions.



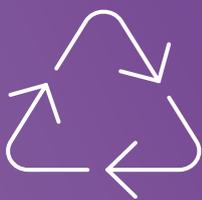
77%

Share of sites without injuries. Our target is zero recordable injuries for all plants.



64%

Employees that are covered by collective bargaining agreements. All employees are informed about and supported in their ability to organise and collectively bargain with management.



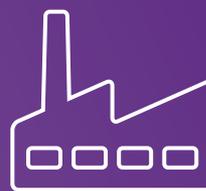
67%

Share of waste that was reused and recycled. Utilisation of by-product and side streams is key to eliminate waste.



20%

Share of direct CO₂ emissions based on renewable biogenic sources in Norway. The nature of the sources makes these emissions carbon neutral.



24%

Reduction in NO_x emission at Norwegian smelters since baseline year of 2015.



CDP A list

Recognised for transparency and actions on climate change mitigation, ranking at top 5% of all companies rated.



ESG – highlights 2020

E

ENVIRONMENTAL

- Strong profile based on 83% renewable energy.
- Ambitious biocarbon strategy – target of 20% biocarbon share for 2020 reached.
- Announcement of investment decision of industrial pilot plant for biocarbon production in Chicoutimi, Quebec, Canada.
- Increased focus on scope 3 emissions, with ambition to report in 2021.
- Substantial reduction in NO_x, SO₂ and dust over the past years.
- Announcement of battery materials plant location at Herøya, Telemark, Norway.

S

SOCIAL

- High focus on health and safety with zero injury target. Total recordable injury rate for 2020 was at 2.3.
- Diversity based on global presence.
- Updated stakeholder materiality analysis in 2020, to ensure dialogue and engagement with key stakeholders.
- Global grievance channel established in 2020 to secure input from local communities and other stakeholders.

G

GOVERNANCE

- Strong focus on good corporate governance.
- New employee training programme for anti-bribery and -corruption in 2020.
- Whistle-blower programme in all main languages rolled out
- Heightened focus on ESG throughout the group
- A global supply chain management system, including supplier pre-qualification has been developed and will be rolled out in 2021.
- Decision to implement the TCFD framework as a part of the risk management process, with reporting set for 2021.

Letter from the CEO

Meeting the challenges while positioning for growth

The world experienced a public health crisis and an economic crisis in 2020. Elkem has met these challenges well, by focusing on three priorities: Putting health and safety first, maintaining high and stable production while positioning for profitable growth. We remain optimistic regarding the longer-term global trends that will drive demand for our products.

The coronavirus pandemic (Covid-19) has dominated the year 2020. The disease was first identified in China in December 2019 and was declared a pandemic in March 2020. With more than 3,000 employees in China, Elkem was exposed early on to the potential spread of the disease. However, it was at our head office in Oslo, Norway, where we faced our first confirmed case on 6 March.

Elkem established a corporate task force to coordinate our global coronavirus response. Our primary focus remained on health and safety, in line with Elkem's zero-harm philosophy. By the end of the year, Elkem has registered 110 confirmed cases among our more than 6,800 employees. We are pleased that all have recovered and are doing well.

Covid-19 also dominated the macroeconomic conditions in 2020. While China has seen an economic slowdown in the first quarter of 2020 the rest of the world was hard hit in Q2 and Q3. Because of our diversified global footprint and decentralised operating model Elkem has dealt with these challenges remarkably well. We have been able to maintain our production mainly in line with normal capacity.

Our financial results have been negatively impacted. The impact was most significant in the first three quarters, starting in China and then in Europe and the Americas as the pandemic continued its spread. The fourth quarter results were less impacted, as we saw a clear recovery in China and improvements also in Europe and the Americas. Towards the end of the year, we continued to experience good demand for Elkem's solutions – even though uncertainty remained high.

However, Elkem has done much more than dealing with the coronavirus crisis. We have used 2020 to lay a solid foundation for profitable growth and increased market share in the years to come. There will come a stage after the pandemic, where focus

turns to rebuilding societies and build the post-coronavirus economy, better and more sustainable for all. We are set up to benefit from this.

We believe that long-term megatrends – like sustainability, energy demand, urbanisation, increased standard of living, ageing and growing population, and digitalisation – will continue. This will drive growth in demand for advanced materials, including silicones, silicon and carbon solutions.

Our vision remains to provide advanced material solutions shaping the future. And we have a clear corporate strategy to strengthen our competitive positions through specialisation and growth.

Continued productivity improvement is key to enable profitable growth. Even before the impact of Covid-19, we had started preparing a new productivity improvement programme to improve the company's cost position and streamline the organisation. As announced in March, Elkem has identified a potential of more than NOK 350 million in annual improvements.

In May, we streamlined our corporate structure from four to three business divisions, to accelerate specialisation and further improve operational excellence. This also enables further cost reductions.

Silicones is Elkem's largest business division, but a challenger in most of its segments worldwide. It is focusing on profitable growth and increased market shares, particularly in China, while also improving underlying profitability through operational excellence and specialisation. In April, Elkem completed the acquisition of Polysil, a leading Chinese silicone elastomer and resins material manufacturer. In December, we completed and opened a new production workshop in Shanghai, China, dedicated to specialised silicones for hybrid and electric vehicles.



The Silicon Products division represents Elkem's strong heritage. It has solid market positions globally and defended its positions well in 2020, while running at high capacity. It will continue focusing on improved profitability through operational excellence, while selectively pursuing growth.

The Carbon Solutions division is a strong and highly profitable market leader in its segments. It has managed to maintain strong profitability in 2020 despite a difficult market. It will focus on maintaining its strong positions through operational excellence, while selectively pursuing growth.

This corporate strategy is supported by three initiatives:

- We established a Digital Office in 2020 to drive a digital transformation across the company. We believe that digital technologies can disrupt industries, and we aim to be one of the winners.
- ESG is increasingly important among our stakeholders – and Elkem needs a strong ESG profile and performance in order to meet expectations as we position for the future. In November, Elkem received a Gold sustainability rating from EcoVadis. In December, we received an A rating from CDP, ranking among the world's leading companies on climate transparency and action.
- Finally, we are focusing even more on our people: Optimising our organisation, developing good leadership and improving our performance on diversity.

Elkem is also actively using its competence to develop new sustainable business areas. Elkem will search for partners to these projects, but they clearly demonstrate Elkem's capability to drive development of new green technologies:

- Battery Materials is a unique growth opportunity based on graphite and silicon. Elkem is developing a pilot plant for battery graphite to be opened in early 2021. In August, Elkem selected Herøya Industrial Park in Norway as the site for a potential large-scale plant.
- Biocarbon is a potential breakthrough technology for carbon neutral metals. In September, Elkem decided to invest in a new biocarbon pilot plant in Canada.
- Energy recovery represents circular solutions for lower emissions and higher efficiency. Elkem expects to open a new energy recovery plant at Salten in Norway in 2021.

In short, we have used a difficult year well, meeting the challenges while positioning for growth. This goes hand in hand with Elkem's mission: To contribute to a sustainable future by providing advanced silicon, silicones and carbon solutions, adding value to our stakeholders.

In 2020 the Elkem team has demonstrated its strength in very difficult times and I am very proud to be part of it!

Thank you for your strong efforts throughout the year and for performing in a very challenging environment. We have all the ingredients in place to make 2021 a successful year for Elkem, while remaining mindful of the unusually high uncertainty in our external environment.

Michael Koenig,
CEO, Elkem ASA

Introduction:

Sustainability in Elkem 2020

2020 marked several important milestones for Elkem, but was also dominated by the extraordinary situation of the global pandemic, affecting all parts of society. The long-term implications of Covid-19 are yet to be fully understood, but Elkem's ambitions for a sustainable development has not changed. We now have 10 years to fulfil the commitments in the 2030 Agenda of the United Nations Sustainable Development Goals.



MISSION

Elkem's mission is to contribute to a sustainable future by providing advanced silicon, silicones and carbon solutions, adding value to stakeholders globally. It is our belief that companies that act responsibly and create value by securing sustainable economic growth with a limited environmental footprint will be successful in the long term.

COMMITMENTS

Elkem is committed to conduct business in support of the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement ambitions. As a member of the United Nations Global Compact, Elkem aims to ensure that our business is aligned with the ten UN Global Compact principles. Elkem is committed to following the United Nations Guiding Principles on Business and Human Rights and have made available an updated UK Modern Slavery Act statement.

Elkem adheres to the principles of "the Norwegian Code of Practice for Corporate Governance" issued by the Norwegian Corporate Governance Board ("NUES" or the "Code"). The objective of this Code is that companies listed on regulated markets in Norway will practice corporate governance that regulates the division of roles between shareholders, the board of directors and executive management more comprehensively than is required by legislation.

Elkem is a signatory to the Responsible Care Global Charter, the chemical industry's global initiative to drive continuous improvement in environment, health, safety and security performance. Membership entails a commitment to managing chemicals safely throughout their life cycle.

Elkem is committed to comply with international regulatory requirements and provides safety data sheets (SDS) for all its products in accordance with the UN Globally Harmonized System of Classification and Labelling of Chemicals (GHS) or its national implementations.

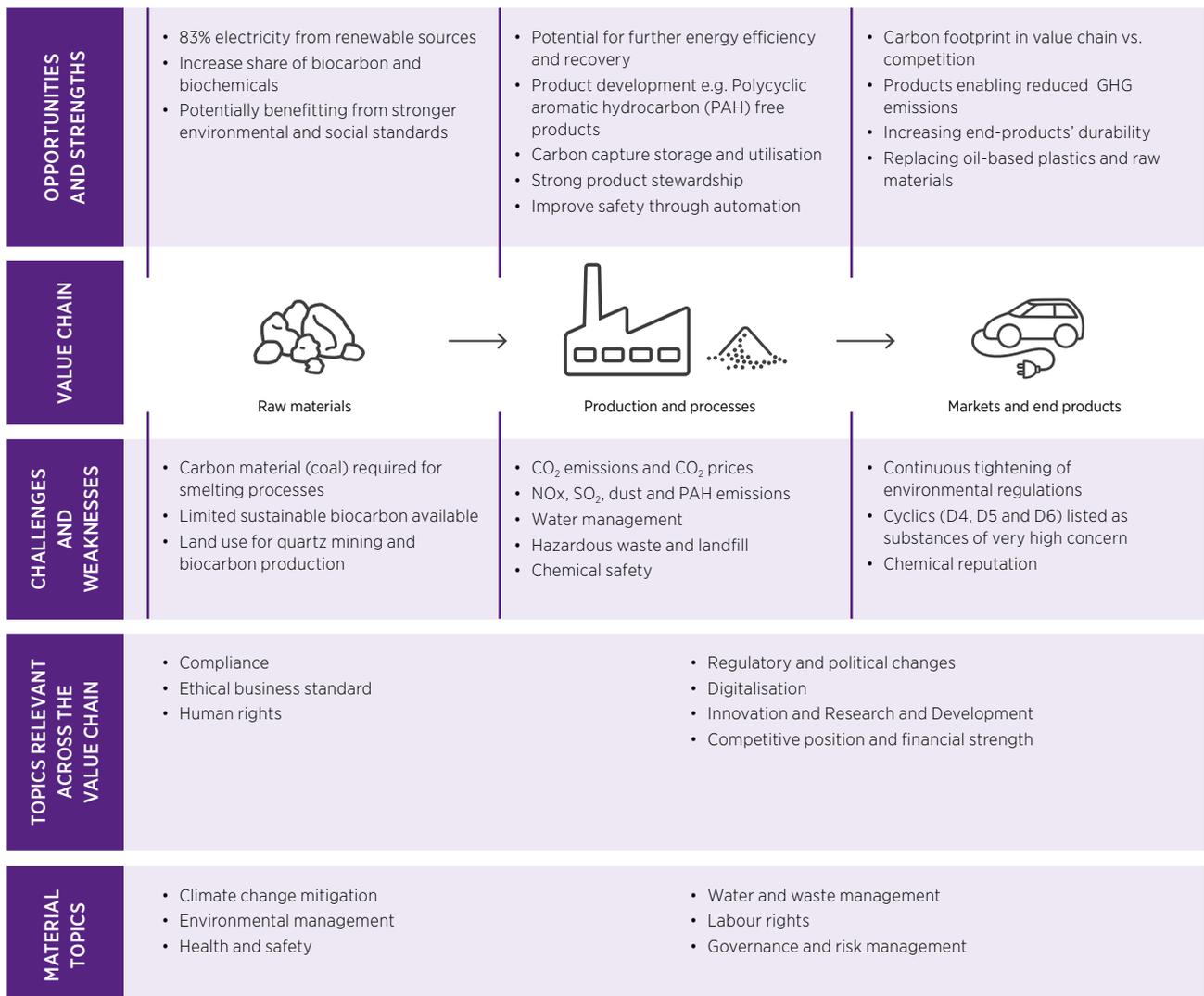


Opportunities and challenges – Elkem value chain

For Elkem, increased attention on sustainability in society is a great opportunity. Elkem’s products are critical input factors to a vast number of applications that are necessary in sustainable solutions such as renewable energy, energy storage, mobility solutions, infrastructure improvements, digitalisation and health care. The increasing demand for low-carbon technologies and products such as solar panels, batteries and electrical vehicles will therefore increase demand for several of Elkem’s product segment within silicones, silicon and ferro-alloys.

We are simultaneously engaging actively to reduce the environmental impact from our own production processes to create the materials necessary to enable a sustainable future.

The financial sector is, together with other stakeholders, putting more emphasis on the financial risks related to insufficient sustainability initiatives and the expectations for non-financial disclosure are increasing. The accelerating need to understand the risks, opportunities and challenges, in non-financial reporting has influenced Elkem’s sustainability work and reporting in 2020. Environmental, Social and Governance (ESG) related factors are becoming increasingly important for investment decisions and has become an important acronym in 2020. Elkem’s ESG report underlines the efforts of the company to coordinate, manage and report on ESG. The report highlights the way sustainability is integrated in the company and has been prepared in the chapters Environmental, Social and Governance, and according to our materiality analysis.



SUSTAINABILITY ACHIEVEMENTS AND REPORTING

In 2020 Elkem secured the gold rating for the second time from Ecovadis, a business sustainability rating, putting the company at the top 5% of the more than 65,000 rated companies. In 2020 Elkem achieved its first A rating from CDP, which recognised the company’s efforts on transparency and action on climate change mitigation. For 2021, Elkem has decided to include reporting on CDP Water security, in addition to the reporting on CDP Climate.

To better understand the implications of climate change, Elkem decided to integrate the framework of the Task Force on Climate-related Disclosure (TCFD) in our risk management system and governance of climate related risks in 2020. The framework will be implemented in 2021.

In 2019 Elkem began a journey to improve the communication and reporting on sustainability. In addition to meet the three defined reporting targets, efforts have been made to improve our overall transparency and reporting. The ESG report has been prepared in accordance with the GRI Standards: Core option.

Targets	Timeline	Status
Integrate the Sustainable Development Goals (SDGs) into the report and consider reporting on selected targets.	2019-2020	Achieved. Elkem reports on three UN SDG and sub-goals in 2020.
Consider reporting to the Carbon Disclosure Project (CDP).	2020	Achieved. Elkem reported on CDP Climate in 2020 – was awarded a place on the A list.
Consider reporting on climate risk in alignment with Task Force on Climate-related Financial Disclosure (TCFD).	2020-2021	TCFD approved as a strategic tool for climate risk management. Independent report will be prepared in 2021.



Elkem’s values form our business conduct

Our dedicated employees base their work on involvement, respect, precision, and continuous improvement.

Involvement ensures that people are committed and close to the decision that affect their work.

Respect is about being fair, open and honest, and appreciating diversity.

Precision expresses itself through our work to develop and follow standards of best practice, ethical business, and safe and stable production.

Continuous improvements mean to always look for improvement potential in all parts of the organisation to reduce our footprint and increase our positive impact on the society around us.

STAKEHOLDER ENGAGEMENT

Our stakeholder dialogue is based on respect for individuals, society and the environment. Maintaining contact with the various stakeholders helps Elkem understand the role we play in local communities and society as a whole, as well as building long term, mutual trust. Based on internal surveys, Elkem’s key stakeholders have been identified by the illustration below:



In the table on page 12 you’ll find examples of typical stakeholder dialogue and what issues our stakeholders find most important. The table is based on the input given in our annual internal stakeholder survey, sent to our plant and line managers.

Elkem achieved an A rating from CDP in 2020, for climate action and transparency.

Read more at elkem.no



TYPICAL DIALOGUE AND TOPICS OF INTEREST

Stakeholder	Type of dialogue	Main topics of interest
Employees	<ul style="list-style-type: none"> Regular meetings – digital and on site Email/phone dialogue Shift meetings Annual meetings (EHS days) Joint meetings for all (town hall) Employee satisfaction survey Personal development conversations, training Family day/visits at plant Project management 	<ul style="list-style-type: none"> Proper and safe working environment Right EHS competence Personal and professional development/ right competence Job satisfaction/ involvement Fair wages, benefits, welfare Work-life balance Staffing/ Turn over Support system (HR) Transparent, trust based and secure communication and information Stable/safe jobs Cultural changes and differences
Corporate management team	<ul style="list-style-type: none"> Monthly/regular meetings Workshops Phone / email dialogue Internal board meetings Reporting and plant review Steering committees Strategy sessions 	<ul style="list-style-type: none"> Efficiency and improvement Process under control Safety performance Deliver projects on time, quality and budget Cost efficiency and profitability Continuous improvement programmes Organisational challenges and development Competitiveness Reach strategy goals Innovation, new business and new product development
Customers and suppliers	<ul style="list-style-type: none"> Regular meetings – digital and on site Email/phone dialogue Webinars /seminar Conferences/ trade shows Visits at plant and visit customers Audits Quality review Technical meetings Customer survey Reporting 	<ul style="list-style-type: none"> Quality and stability of products Reliability, confidentiality Service Delivery on time / predictability Right price / payment on time Smooth administration Knowledge sharing Trust and compliance Strong on sustainability Financial performance Innovation Regulatory compliance Business ethics
Civil society and local community	<ul style="list-style-type: none"> Community /social events Sponsorships Informal dialogue EHS days 	<ul style="list-style-type: none"> Environmental issues Political conditions Plant safety Emergency response plan Long term presence
Local, national and international authorities – political and regulatory	<ul style="list-style-type: none"> Regular meetings Planned and unplanned inspections/audits Conferences and informal meeting places Reporting 	<ul style="list-style-type: none"> Development and regulation plan Regulatory compliance and transparency Safety/EHS Environment and resource management Sustainability / CSR Active community and long-term presence Social activities Safe and responsible employer Investments for future
Unions	<ul style="list-style-type: none"> Monthly meetings Labour committee 	<ul style="list-style-type: none"> Working conditions Contract/tariff negotiations Environmental issues Positive communication
Investors and shareholders	<ul style="list-style-type: none"> Regular meetings Conferences / webinar Presentations and reports 	<ul style="list-style-type: none"> Value creation Operational performance Sustainability/ ESG performance Financial opportunities Strategy development Future business development

Materiality assessment

In 2020, Elkem conducted an updated comprehensive analysis of external and internal stakeholders that are either impacted by the company’s operations, or whom, in different ways, have an impact on the company. The previous analysis was conducted in 2018.

The stakeholder engagement process and materiality assessment were done in alignment with the framework of the Global Reporting Initiative (GRI) and was conducted by third-party advisors to ensure objectivity during the analyses. The assessment included four steps:

1. Issue identification through an extensive benchmarking of Elkem’s peers.
2. Issue prioritisation based on quantitative and qualitative stakeholder dialogue.
3. Internal stakeholder engagement to review, refine and approve the material topics.
4. Disclose outcomes, targets, and material objectives in our external communication.

The assessment included interviews with our external and internal stakeholders, followed up by a survey to quantify results. Included in the analysis was the following stakeholders: investors, board members, employees, local and national authorities, banks, local community and organisations, unions and customers. For a detailed overview of Elkem’s stakeholders,

type of dialogue and issues of interest, please see the table on the opposite page.

The results from the stakeholder dialogue have given Elkem valuable insight into which economic, social, governance and environmental topics that we impact in our operations that should be prioritised based on stakeholder importance.

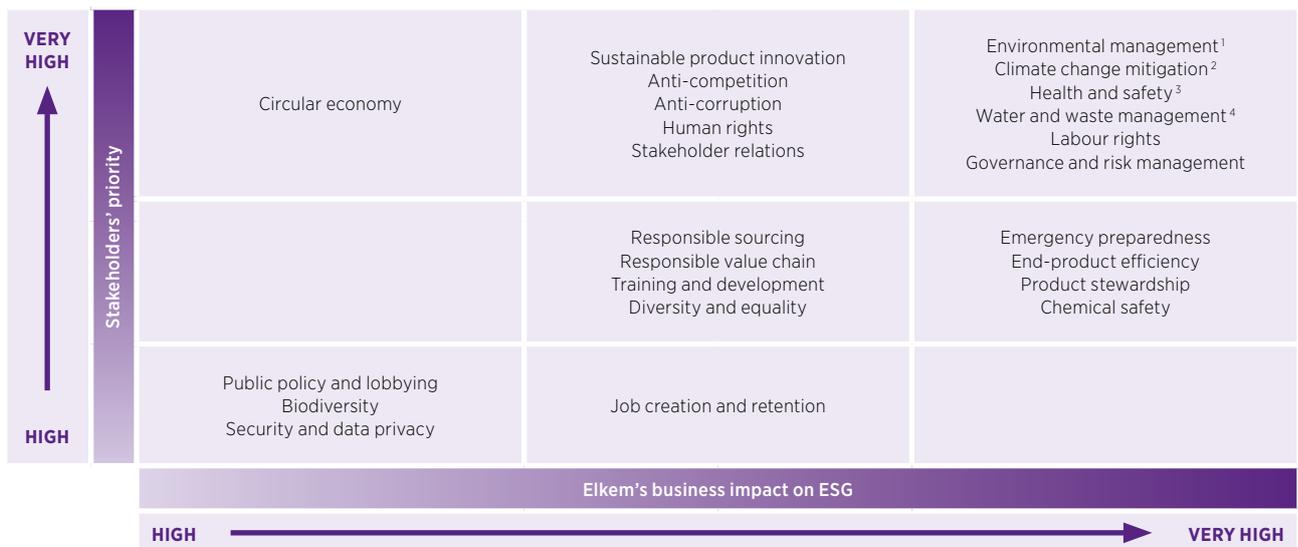
The identified material topics maps Elkem’s operational impact, our stakeholder importance and our ESG strategy development.

Compliance is not represented in the updated materiality matrix as compliance is integrated in all of Elkem’s business areas and will continuously be material to Elkem. Being compliant is the fundamental baseline for all of Elkem’s activities and relates to all material topics covered in the report. Compliance is covered in the Governance chapter on page 40, and is a recurring topic throughout the report.

The world of sustainability is changing, and the list of material topics from Elkem’s stakeholders has also evolved since 2018. The main changes from the 2018 assessment are that climate change mitigation and labour rights are given the highest priority. Anti-corruption and anti-competitive behaviour are still considered as important topics to Elkem, but they are no longer considered as the most material topics.

The new materiality matrix has been evaluated by the ESG Steering Committee and approved by the Board of Elkem.

ELKEM – MATERIALITY MATRIX



1) Environmental management includes Energy management.
 2) Climate change mitigation includes air quality and GHG emissions.
 3) Health and safety includes employee EHS and supply chain EHS.
 4) Water management includes spills.

Elkem's contribution to the UN's 2030 Agenda

The UN Sustainable Development Goals (SDGs) were established in 2015 by all the United Nations member states with the intention of working towards a more sustainable and equal world for all by 2030.

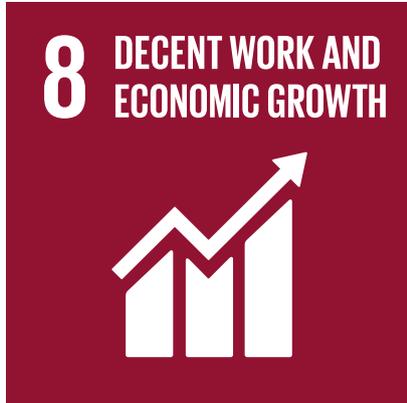
The 2030 Agenda acknowledges that the 17 goals cannot be reached without the active support of businesses around the world. It calls on companies to use innovation, technology, and creativity to address developmental challenges and opportunities that the companies can impact. Elkem supports the 2030 Agenda, as a signatory to the UN Global Compact.

In 2020, Elkem updated the materiality assessment for the company. In that process, the materiality was linked to how we are impacted and can impact the UN SDGs. Although we understand that all goals are interlinked and work to promote all 17 UN SDGs, three SDGs has been identified as the most material to Elkem and the ones in which we can make a contribution. For the first time, Elkem reports on progress regarding the UN SDGs in 2020. More information about Elkem and SDGs at Elkem's website.

The material topics for Elkem are:

<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<ul style="list-style-type: none"> • Occupational Health and Safety, including both employee and supply chain EHS • Labour rights
<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<ul style="list-style-type: none"> • Water management • Waste management • Governance
<p>13 CLIMATE ACTION</p> 	<ul style="list-style-type: none"> • Climate change mitigation, including greenhouse gas (GHG) emissions and air quality • Environmental management including energy efficiency • Risk management





Subgoal 8.7:	Subgoal 8.8:
Take immediate and effective measures to secure the prohibition and elimination of the worst forms of child labour, eradicate forced labour, and by 2025 end child labour in all its forms including recruitment and use of child soldiers.	Protect labour rights and promote safe and secure working environments for all workers.
Elkems position:	Elkems position:
Elkem operates and have suppliers in countries where there are risks of child and forced labour. There is a zero tolerance for use of child or forced labour at our sites and we require that our suppliers and contractors uphold same standard.	A safe workplace with zero harm is always Elkem's first priority. The key responsibility to Elkem is a professional and safe workplace for all that work at our sites. Respect for Human Rights is key to protect labour rights. Elkem is committed to conduct business according to the UN Guiding Principles on Business and Human Rights More on policies and management see page 29.
2020 report:	2020 report:
No reported incidents of child labour or forced labour in Elkem's production or in supply chain.	One reported high severity injury. Injury rate: 2.3 Updated Human Rights policy in 2020 Employees covered by collective bargaining agreements: 64%

Subgoal 12.4:	Subgoal 12.5:
By 2020, achieve environmentally sound management of chemicals and all wastes throughout their life cycle in accordance with agreed international frameworks and significantly reduce their release to air, water and soil to minimise their adverse impacts on human health and the environment.	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Elkems policy:	Elkems policy:
Elimination of waste is one of key strategies for successful operations. Waste reduction is mentioned specifically in the general policy. A strong environmental management of chemical safety, emissions to air and water and focusing on minimising the environmental footprint is a key priority to Elkem.	Elkem's goal is to consider all raw material and process waste as by-products that can be reused or sold. Any residual waste left after other efforts is disposed in accordance with local regulations.
2020 report:	2020 report:
Total waste generated: 356,156 tonnes Reduced NOx emissions by 1.6% globally and 7.7% in Norway Reduce SO ₂ emissions by 5.5% No significant spills of D4/D5 For information and status on other emissions, see page 27.	Total waste diverted from disposal: 237,645 tonnes More information on waste management, on page 21.

Subgoal 13.1:
Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries.
Elkems policy:
Elkem's ambition is to reduce the company's fossil CO ₂ footprint, by increasing the use of renewable carbon sources and development of innovative production processes. Endorses the intention of the Paris agreement of limiting global warming to 1.5°C degrees.
2020 report:
Ranked at CDPs A List Scope 1 emissions from renewable, biogenic sources: 20% Energy recovery rate: 11% For more information, see our climate change mitigation chapter, on page 18.

ESG:

Environmental

As a fully integrated value chain producing silicon and silicones, Elkem acknowledges the environmental footprint of the company, at the same time as the products we produce are essential for companies efforts to reduce their environmental footprint. Our products also contribute to reduce emissions for society as a whole through the products they end up in. Environmental issues are therefore defined as material topics for Elkem with special focus on climate change, emissions, energy, waste and water.

20%

of scope emissions in Norway comes from renewable, biogenic sources.

5.5%

SO₂ emissions reduction from 2019



Reached target of 1,000 tonnes NO_x emission reduction

711GWh

energy recovered

The process of converting quartz to silicon is a high temperature smelting process that consumes vast amounts of energy. The production process itself uses carbon sources like fossil coal, charcoal, and wood chips as a reductant in the chemical conversion giving emissions of CO₂, NO_x, SO₂ and dust. The emission of CO₂ is inherent to the process and cannot be fully removed with today's technology.

Processing further to silicones involves substantial quantities of water effluent that is treated before discharge to remove residues from the process like COD (Chemical Oxygen Depletion) substances.

All environmental impacts are identified and documented with measurements or calculations showing performance compared to permits given by government authorities where Elkem operates, and/or improvement targets set by Elkem.

ENVIRONMENTAL POLICY

Elkem's environmental policy is integrated in the companies' General policy. Key points are Elkem's commitment to give environment, health and safety (EHS) first priority and to strive to be an environmentally conscious company. Elkem's EHS efforts are based on a zero-harm philosophy. In terms of environmental issues this means running operations with resource-efficient processes and in this way minimising negative environmental impacts throughout the value chain.

ENVIRONMENTAL MANAGEMENT

In Elkem, Environmental management is defined as a line responsibility meaning site managers are accountable for environmental

impact mapping, risk assessment, performance and reporting at their sites. All sites have dedicated EHS managers to lead and coordinate EHS efforts and large production sites with major environmental issues also have dedicated Environmental managers. Corporate and divisional resources are available to guide and help site managers and site EHS managers with their environmental efforts, and to audit sites routinely on their environmental performance and compliance. Environmental issues are also covered in Elkem's corporate EHS audit system that audits production sites every other year in addition to special environmental audits that are done when needed.

Because of the potential environmental impacts, all applicable Elkem sites are required to have an appropriate environmental management system. For most of our production facilities ISO 14001 certification is also required as a third-party verification of the management system. At the end of 2020, only a small number of sites had not completed the certification. An updated certification list of ISO 14001 is available online at www.elkem.com. In addition to overall environment management systems, applicable sites are also required to have specific energy management systems that comply with the requirements in ISO 50001.

Environmental efforts focus both on targeted improvements to reduce Elkem's environmental footprint as well as compliance with local regulations and permits. Environmental deviations are reported, investigated and closely followed up at plant level in a timely manner, and reported minimally monthly to division and corporate. High risk environmental deviations are reported within 24 hours. Key environmental parameters are reported



either monthly or quarterly at divisional and corporate level depending on the criticality of the parameter.

ENVIRONMENTAL STRATEGY

Elkem’s environmental strategy focuses on the following points:

- Full compliance with all applicable environmental regulations wherever Elkem operates worldwide.
- Creating and sustaining a strong environmental reputation wherever Elkem operates worldwide.
- Ensuring sustainable production and emissions/discharge control based on our knowledge of the environmental effects of our production. This also applies in countries where applicable environmental regulation is weak or non-existent.
- Strengthening our position in the development of technology and materials that enable reduction in greenhouse gas emissions throughout the world.

Enablers to meet these strategic targets include:

- Increasing material and energy efficiency including energy recovery.
- Substitution of raw materials.
- Waste reduction by reduced waste generation and recycling or reuse.

- Development of new production technology.
- Using efficient air and water treatment systems when necessary.

The overall environmental strategy is followed up at plant and divisional level with detailed road maps showing how targets can be met, and a comprehensive list of KPIs reported to corporate management. The KPIs are found in the following subchapters.

ENVIRONMENTAL DEVIATIONS

There were no significant spills, defined as those that have a lasting environmental impact, or significant environmental incidents in 2020.

A total of 77 environmental deviations were reported globally in Elkem for 2020. Most of these were small, brief permit deviations from Elkem’s upstream and intermediate silicone production in France.

Because of its location close to one of China’s largest freshwater bodies, Elkem Xinghuo is subject to very strict requirements for discharge to water and has been under close follow-up from the authorities since 2019. In 2020 water treatment facilities issues were solved, and the plant was able to meet all requirements without production reduction.

Climate change mitigation

Elkem’s ambition is to reduce the company’s fossil CO₂ footprint, by increasing the use of renewable carbon sources and development of innovative production processes. The company endorses the intention of the Paris agreement of limiting global warming to 1.5 degrees. Climate change mitigation and GHG emissions have been identified as material topics to Elkem and includes our processes and activities in scope 1-3 and renewable share.

During the past few years Elkem has expanded our production and therefore also seen an increase in the group’s total CO₂ emissions. Since 2017, Elkem has increased production with seven smelting furnaces: two in Norway, four in China and one in Paraguay. All of these expansions, except from the furnace in Paraguay comes from acquiring existing capacity. The furnace in Paraguay runs solely on hydroelectric power and uses only bio-carbon as a reductant, making its operations close to carbon neutral. The increase in CO₂ is also connected to the acquisition of upstream silicone activities in China, which uses a coal fired boiler to produce steam used in the production process.

Strategic means to reduce fossil CO₂ from silicon alloy production has three pillars: Increasing material and energy efficiency, replacing fossil carbon with bio-carbon and developing new carbon neutral smelting technology illustrated below.

Carbon dioxide:

Target	Status for 2020
20% replacement of direct fossil CO ₂ emissions for Norwegian smelters by 2021, 40% by 2030	Increase in overall CO ₂ emissions from 2019 due to higher production volumes, but a decrease in carbon intensity. 20% replacement of direct fossil CO ₂ emissions for Norwegian smelters by use of biocarbon.
Full understanding of indirect CO ₂ emissions	Mapping of scope 3/indirect emissions started in 2020. A comprehensive report on scope 3 will be disclosed in the CDP report by summer 2021.



Increase material and energy efficiency

- Stabilise and increase the furnace’s silicon yield.
- Reduce silicon losses from tap hole to final product.
- Install energy recovery systems at furnace off gas.



Reduce fossil CO₂ emissions

- Increased biocarbon portion of total CO₂ emissions in Norwegian smelters: >20% in 2021 and >40% in 2030.
- Establish concepts and industrial production of biocarbon, tailor-made as FeSi/Si reductants, enabling use of waste wood and ensuring biocarbon produced with a lower CO₂ footprint.



Technology development of Si production

- Develop furnace technology for silicon alloy production with no (direct) CO₂ emissions to the atmosphere.
- Facilitate for future CO₂ capture and storage.

Elkem’s strategic means to reduce fossil CO₂ from silicon alloy production.

GHG EMISSIONS

Scope 1:

The total direct CO₂ emissions for Elkem was 2.92 million tonnes in 2020. 2.3 million tonnes of the scope 1 emissions were from fossil sources, up from 2.15 million tonnes in 2019 due to higher production volumes. The renewable share of CO₂ emissions, from biogenic sources, was 547,000 tonnes, up from 448,000 tonnes in 2019, an increase of 22% and 19% of total group emissions.

More than 64% (1.88 million tonnes) of the total direct fossil CO₂-emissions from our production come from the smelting process, where carbon (C) reacts with oxygen in quartz to produce silicon/ferrosilicon. As this cannot be measured directly, emissions are calculated based on third party certificates of carbon content (TC) in raw materials (coke and coal). CO₂ numbers from other sources, including heating and fuel, are based on standard conversion factors in accordance with the EU Emissions Trading Systems (EU ETS) Guidelines. Elkem reports the company's emissions according to the GHG Protocol.

PwC has undertaken a limited assurance engagement of the Scope 1 and 2 GHG emissions for the period 1 January 2020 - 31 December 2020. The report is available on page 64.

	Metric	2018	2019	2020
CO ₂ emissions from fossil sources, millions	Tonnes	2.54	2.15	2.29
Total CO ₂ equivalents, incl. methane and diesel, millions	Tonnes	2.8	2.60	2.38
CO ₂ emissions from renewable sources (biogenic), thousand	Tonnes	313	448	547
Total direct CO ₂ emissions, millions	Tonnes	2.85	2.6	2.92
Percent of renewable carbon sources in our Norwegian smelters	Percent	20.7%	18%	20%
Percent of renewable carbon sources for the group	Percent	11%	17.2%	19%

Scope 2

Thousand tonnes	2018	2019	2020
CO ₂ equivalents	874	872	916

Scope 2 includes indirect emissions related to purchased electricity (incl. steam) where Elkem has operations. The electricity emission factors used in the calculation are supplied by consultancy Cemays and are based on national gross electricity pro-

duction mixes from the International Energy Agency's statistics that has been developed for 2020.

This location-based method is based on statistical emissions information and electricity output aggregated and averaged within a defined geographic boundary and during a defined time period. Within this boundary, the different energy producers utilise a mix of energy resources, where the use of fossil fuels (coal, oil, and gas) result in direct GHG-emissions. These emissions are reflected in the location-based emission factor.

Scope 3:

In 2020, we started mapping our scope 3 emissions. This work will continue in 2021, and we aim to report on our most material scope 3 emissions from 2021.

BIOCARBON SHARE

A high share of biocarbon is important to reduce the impact our processes has on climate change. As CO₂ is inherent to the smelting process with current technology, total emissions will vary year on year based on market conditions and capacity utilisation. One of Elkem's main CO₂ strategies is to replace fossil carbon with biocarbon in our smelting operations. The goal is to increase the share of bio carbon used at our Norwegian smelters to 20% by 2021, and by 40% by 2030. The total direct CO₂ emissions from our six Norwegian plants make up around 50% of our total direct CO₂ emissions. Each plant has developed a road map to reach the goal and reports to corporate level on progress. To reach our target of increased share of biocarbon, Elkem is actively engaged in new technology development and industrial partnerships. The 2020 announcement of an industrial pilot plant for biocarbon production in Canada is an example of this.

In 2020 Elkem reached the biocarbon goal of 20% in Norway, and the group share rose to 19%. Elkem continues to work closely with partners to develop efficient, sustainable, and more environmentally friendly production of bio-carbon for silicon and ferrosilicon production. It is a pre-requisite for Elkem that the renewable sources comply with our strict environmental and social requirements.

LCAS

Life Cycle Assessments (LCAs) are being performed in order to quantify the environmental impact of our products. LCAs support us in the work of reducing our environmental footprint even further through providing an accurate overview of the environmental impact of our operations. Furthermore, these assessments increase the product transparency so that we can assist our customers in their sustainability transformation.

In 2020, Elkem concluded the assessments of the products produced at several large plants. These assessments have been conducted from cradle to gate, i.e. covering the manufacturing process until the products reach our factories' gates, with the assistance of a third party. Elkem will perform LCAs on mayor product groups in 2021.

Energy management

Energy efficiency and sustainable sourcing of energy is of utmost importance to secure energy supply while at the same time reducing Elkem's global greenhouse gas footprint. Energy management has been identified as a material topic to Elkem, and include energy consumption, energy recovery and energy efficiency. The regulatory framework, consisting of permits and taxes as well as support in the form of public grants substantiates the importance of increased focus on energy efficiency.

	Target	Status 2020
Energy target	Energy recovery increase year on year.	13 GWh increase.
	Energy recovery project in Salten on track for completion.	Some delay and will go online in 2021.

Parts of Elkem's value chain are highly energy intensive, with silicon, ferrosilicon and foundry alloys being produced in electric arc furnaces. Elkem's smelting furnaces consume around 5.6 TWh of electricity per year. Elkem was an industrial pioneer in the utilisation of waste heat, with the first energy recovery system on a smelting furnace being installed already in the 1970s. Recovered heat from smelting furnaces can be utilised as hot water for district heating, steam for other production processes and to generate new electricity. Electricity is sold back to the grid while hot water and steam are used both internally and externally to supply other companies and communities in the vicinity of each plant.

Through our EHS management policy, all units shall have environmental programmes covering energy and resource utilisation. Well established groupwide audit and reporting systems for EHS are also being expanded to include a higher level of focus on environmental and energy issues. As all plants shall have energy management systems, there is no corporate requirement of ISO 50001 certification. In 2020, four site are certified. With an increased attention to energy use, Elkem is in the process of initiating ISO 50001 certification requirements for plants with high energy consumption.

ENERGY CONSUMPTION

Total gross electricity consumption in Elkem in 2020 was 6,400 GWh, up from 6,010 GWh in 2019. Most of this change is related to increased production because of the general global market situation for Elkem's main products. About 83% of the total gross electricity consumption is based on renewable power production. Except for one smelter in China, all smelting furnaces in Elkem run on renewable electrical energy.

In addition to electrical energy, Elkem also consumes approximately 1.4 TWh of other types of energy for internal vehicle operation and heating/cooling of facilities and processes. Most of this is fossil-based energy.

ENERGY RECOVERY

Elkem has a long-term strategy to increase energy recovery year on year as part of its climate programme. Several of Elkem's production processes generate surplus heat that traditionally has been emitted through off-gas systems or cooling systems.

Much of this can be recovered to hot water for district heating, both internally on site and to other public facilities and industries close to the plants, and to steam used in industrial processes and/or to generate electricity

The potential for energy recovery has been mapped at all smelters. Three of Elkem's smelters already have large boilers attached to their off-gas systems to recover substantial amounts of energy to steam or electricity. A fourth facility, located at the Elkem Salten plant, Norway, is going online in early 2021 generating another 270 GWh of electrical energy. Globally, a total of 711 GWh heat and electricity was recovered from our plants in 2020. This represents 11% of total energy consumption and an increase of 13 GWh from 2019.

ENERGY EFFICIENCY

All Elkem sites are required to have an appropriate energy management system and an energy inventory showing the potential to increase energy efficiency and thereby save energy. Examples of this could be replacing old, inefficient electrical motors with new motors with advanced digital energy control. In 2020, Elkem realised energy reduction efforts of 50.4 GWh in projects related to infrastructure and utility consumption, of which several initiatives received public support. The total investment was NOK 36.6 million.

	Unit	2018	2019	2020
Energy consumption	GWh	6,228	6,010	6,400
Energy recovery	GWh	645	698	711
Energy efficiency	GWh		51	50.4
Energy efficiency investments	NOK million		165.6	36.6

Waste management

Waste management has been identified as a material topic to Elkem and includes activities of reuse, recycle, transport, and disposal of waste.

Elimination of waste is one of Elkem’s key strategies for successful operations and is mentioned specifically in Elkem’s General Policy. This applies to all kinds of waste throughout the value chain with a high focus on efficient utilisation of all resources, reduction of waste generation in the different production, transportation, and storage processes and on reuse, recycling or sales of residual waste. All physical waste streams have a value, and it is our goal to realise that value and avoid disposal or destruction. Any residual waste left after other efforts is disposed of in accordance with local regulations. 67% of process waste generated in 2020 was either reused or recycled.

	Target	Status 2020
Waste	% reduction (to be defined) of process waste to landfill or destruction by 2025.	No current target.

PROCESS FLOWS AND MAJOR WASTE STREAMS:

The value chain for Elkem’s products consists of four main types of production, each with specific potential waste streams:

Quartz mining consists of either extraction by rock formation blasting and crushing, or by the digging of open pit mines and washing/sifting/crushing stones. Main waste streams for both processes are tailings from extraction/washing and off-spec (quality or size) from crushing and sizing. Most of the waste streams are utilised to restore open pit mines or sold as byproducts (sands and gravels to the construction industry) while some is landfilled in connection with the restoration of mining sites. Elkem is also involved in the development of alternative usages for sands in agriculture and sports.

Waste in connection with shipment: Is normally in bulk with no specific packaging.

Hazard classification: As quartz is a naturally occurring mineral there are no hazardous wastes in the process.

Carbon production consists of high temperature treatment of anthracite and petroleum coke and the mixing these with binders to create different types of paste used for electrodes, fill materials and additives in the metallurgical smelting industry. Major waste streams are degraded raw materials and off-spec production. Most of this can be safely reprocessed back into new batches of product. Remaining waste is delivered to approved suppliers for hazardous waste treatment. New, non-hazardous (green) binders are under development to reduce the use of Coal Tar Pitch High Temperature (CTPHT).

Waste in connection with shipment: The main raw materials are received in bulk eliminating packaging, but finished prod-

ucts are delivered to customers in big-bags or on pallets giving a potential source of waste to customers. Packaging materials hold a quality that can be re-used several times.

Hazard classification: Degraded raw materials and off-spec production can contain binders consisting of CTPHT which is listed as a substance of very high concern.

Silicon smelting consists of a high temperature chemical reaction that transforms quartz and carbon (coal, charcoal, or wood chips) to silicon. In addition, alloying and crushing/sizing operations are used to tailor the product to customer needs in the electronics, foundry, and chemical industry. Major waste streams are degraded raw materials, slag from smelting, particles in off-gas emissions and fines generated during crushing and sizing operations.

Elkem pioneered off-gas capture and utilisation during the early 1970s when it developed the bag filter technology necessary to capture off-gas from smelting furnaces, and other necessary technologies to turn it into a valuable product that is used in hundreds of various products today. This represents over 130,000 tonnes of waste to product every year.

The other waste streams have historically been sold as low-value off-grade or landfilled on site. In 2013 a dedicated team of professionals renamed these to process products and started working together with plants and customers to increase their utilisation in Elkem’s own production or to increase their value for sales. As a result of this, Elkem already harvests more than 100,000 tonnes of process products every year reducing cost at our plants and generating new solutions for our customer.

In 2020 the process products group was further developed with a corporate function for global circular economy activities working with the principles of designing out waste and pollution, keeping products and materials in use and regenerating natural systems. Hazardous waste from silicon smelting is limited and always delivered to certified third party suppliers for disposal.

Waste in connection with shipment: Except for charcoal, which is supplied in big-bags and alloying materials, most raw materials are supplied in bulk reducing the need for packaging. Finished products are also shipped either in bulk or in big-bags on pallets that can be reused.

Hazard classification: None of the major waste streams are defined as hazardous. Some alloying materials and chemicals used to process silicon after smelting are hazardous, but do not represent major waste streams.

Silicones formulation consists of many different chemical processes and reactions that end in specialty products closely tailored to customer needs. Different waste streams, both hazardous and non-hazardous are generated throughout and between the different production processes.

Major waste streams are:

- Spent synthesis mass from main reactions and spent solvents.
- Filtration cakes from various processes.
- Sludges from water treatment facilities.
- Dirty packaging.

Management and utilisation:

- Reuse and recycling (spent mass neutralisation and packaging).
- Incineration with and without energy recovery.
- Landfilling (limited) in approved landfills.
- Ongoing efforts to reduce waste focus mainly on process improvements to avoid scrap and reduce consumption of chemicals in the process, in addition to reuse of volatiles and chemicals.

Waste in connection with shipment: Substantial amounts of packaging are needed for raw materials, intermediates, and finished products. Waste reduction efforts focus on reuse (IBCs and drums) and recycling.

Hazard classification: A large part of the waste generated during the production processes is hazardous waste. All hazardous waste is either treated on site (incineration, neutralisation, reuse) or sent to certified service providers for disposal of hazardous waste.

Generic waste streams: Elkem also has generic waste streams like used oil from vehicles and equipment, and packaging materials from sourced goods. Each site has dedicated systems to sort waste on site and deliver this to approved service providers that will recycle or re-use this whenever possible.

Waste numbers for 2020:

Type of waste and treatment	Tonnes	Comment:
Total waste generated	356,156	
Non-hazardous waste to landfill	48,077	Includes both onsite and offsite landfills
Hazardous waste to landfill	6,031	Delivered to approved sites
Non-hazardous waste to destruction	2,399	Includes incineration both with and without energy recovery
Hazardous waste to destruction	62,004	Includes incineration both with and without energy recovery
Total waste directed to disposal:	118,511	33% of total waste generated
Biproduct to recycling/sale ex. microsilica	94,690	Raw materials, slag and production fines
Oils and chemicals to recycling	1,945	
Scrap, packaging, etc. to recycling	4,687	
Microsilica	136,322	Off-gas fume processed to sales product
Total waste diverted from disposal:	237,645	67% of total waste generated
Mining activities	308,263	Tailings and crushing residue (natural rock without chemical processing) from mining returned to extraction site

In addition to raw material and production waste that goes to disposal or is reused/recycled, our mining activities generated 308263 tonnes of tailings in 2020. All of this was returned to the mining sites for further use in mining activities or as part of our programme to refurbish mining site for return to farming or to their natural state.



Water management

As a fully integrated value chain for the production of silicon and silicones, Elkem has several interphases with water related impacts. Water is therefore defined as a material topic for proper management, priority area for improvements and full transparency towards our stakeholders. The challenges are different both through the value chain and across the actual regions. As a leading producer of large volumes of high-quality silicon based products, we acknowledge the importance of stewarding water as a shared resource. Thus, we have implemented programmes to monitor and reduce water withdrawal, consumption, and discharge. To secure full transparency, Elkem has decided to disclose all relevant information in accordance with CDP Water. The first report will be disclosed in 2021.

	Target	Status 2020
Water	Full water discharge permit compliance.	No significant spills to water
D4/D5	Zero spills of D4/D5.	Zero spills of significant environmental impact

Most of our plants have dry high temperature smelting processes. Still, these processes are typically based on hydroelectric power and water is used for cooling purposes. These sites are typically located in areas with access to significant freshwater resources and no water stress issues. The production of silicones in France and China are intricately linked to chemical reactions in aqueous solutions, advanced water treatment plants and control programmes.

At some of our sites, both water scarcity and potential impact on river basins and ecosystems are recognised. All key environmental impacts are identified and documented with measurements showing performance compared to permits given by government authorities where Elkem operates, and/or improvement targets set by Elkem. Key performance indicators on discharges are reported on a regular basis. We are also conducting surveys to identify potential pollution from old industrial sites including abatement measures.

Water management is covered by Elkem’s environmental policy. Key points are Elkem’s commitment to give EHS first priority and to strive to be an environmentally conscious company. See page 16-17 for more information about policy and management procedures.

WATER MANAGEMENT STRATEGY

The water management strategy is part of Elkem’s environmental strategy focuses, that includes ensuring sustainable production and emissions/discharge control based on our knowledge of the environmental effects of our production. This also applies in countries where applicable environmental regulation is weak or non-existent.

Enablers for meeting these strategic targets specifically to water related issues are:

- Substitution of raw materials.
- Good housekeeping practices.
- Development of new processes and production technology.
- Advanced control programme including environmental monitoring.
- Wastewater treatment and reduction by recycling or reuse.
- Transparency (CDP Water from 2020).

Performance 2020

There were no significant spills into water in 2020, defined as those that have a lasting environmental impact, or significant environmental incidents. In 2020 water treatment facilities issues were solved, and the plants were able to meet all requirements without production reduction.

Improvement plan 2021

- Strengthen transparency by adoption to CDP Water.
- Improve descriptions of water risk assessments, measures and control programmes.
- Improve reporting on run off water from plant areas.
- Water treatment plants for several plants.

	Metric	2020
Total freshwater consumption	Million m ³	86.9
Process wastewater discharge	Million m ³	16.5
COD flow	Kg	262,700





Other emissions to air

Main emissions from Elkem are NO_x, SO₂ and dust. These emissions mainly come from the carbon calcining process, the silicon/ferrosilicon smelting process and the upstream silicone-based product process. Major emission variations are tied to changes in production volume, but can also be affected by the quality of raw materials, process control and investment in filter systems.

Emission	Target	Status for 2020
SO ₂	% reduction (to be defined) in direct SO ₂ from process gas by 2030	5.5% reduction in SO ₂ emissions from 2019.
NO _x	1,000 tonnes reduction at Norwegian smelters by 2025.	Emission reduction of 1.6% globally and 7.7% in Norway. Reached target of reducing 1,000 tonnes. NO _x emissions in Norway 2015: 5,854 NO _x emissions in Norway 2020: 4,450
Dust	30% reduction by 2025, baseline 2015	Increase of dust emission from 1,200 tonnes to 1,270 tonnes but shows an overall reduction of 36% to baseline year.

For more in-depth understanding of how the emissions are relevant to Elkem, see our website.

NO_x

Nitrogen oxides (NO_x) are gases that can be harmful to ecosystems and vegetation, as well as health. Elkem continues its efforts to reduce emissions of NO_x through equipment design and process control. The 2020 NO_x emission numbers show that the reduction continues along with the target. Both global and Norwegian NO_x emissions see a reduction in 2020. In Norway, the emission reduction was at 7.7% and we have already reached our goal of reducing our emissions by 1,000 tonnes in Norway, and will continue to seek further reduction with future targets to be set.

NO_x emissions

Tonnes	2018	2019	2020
Total	7,070	6,718	6,610
Norway	5,462	4,824	4,450

SO₂

Sulphur dioxide (SO₂) is generated when using carbon materials in the smelting process and when calcining coal and coke in the carbon products process. SO₂ emissions can have a significant negative effect on both plant and animal life, as well as human health. Emissions can be reduced through the use of carbon materials with low sulphur content, or by off-gas treatment. Most of the reduction from 2019 is from investment in scrubber technology at Fiskaa Carbon and substitution of sulphur containing fossil coal by charcoal.

SO₂ emissions

Tonnes	2018	2019	2020
Total	9,076	7,284	6,880

DUST

Elkem allocates significant resources to combat dust. The long-term ambition is to reduce process dust to levels where exposure is acceptable without the use of respiratory protection. In the production of (ferro-)silicon, dust is both a health hazard and a pollutant. Extremely high temperatures and ultrafine particles that disperse very quickly make it especially difficult to capture dust generated in some of the production processes.

The goal is to reduce dust emissions by 30% by 2025, compared to 2015 emissions. The dust emissions saw a small increase in 2020, but still shows a reduction of 36% to the reference year of 2015. Our overall efforts continue to secure our target of 30% reduction on an annual basis by 2025, despite the increased production volumes.

Dust emissions

Tonnes	Baseline 2015	2018	2019	2020
Total	1,970	1,800	1,200	1,270



ESG:

Social

A safe and healthy working environment and promotion of labour rights are key priorities and material to Elkem. Elkem focuses on and invests in training and competence development of our employees, as well as promoting a culture of involvement, diversity and equality. Elkem considers skilled and dedicated employees as the basis for success.

2.3

Total recordable injury rate
(per 1 mill. working hours)

77%

sites without lost
workday injuries

25%

female
share

64%

covered by collective
bargaining agreements

Elkem takes responsibility for all activities on Elkem property and is committed to ensuring that employees and contractors working at Elkem sites can do so without harm. Elkem strongly believe, and have shown at many plants, that our production can be conducted without any harm to our employees. The corporate social responsibility of the organisation also comes with a commitment to influence our suppliers and business partners.

Elkem's general policy which covers all employees, states that environment, health and safety (EHS) is always our first priority. We run our operations based on a zero-harm philosophy. EHS management is the responsibility of the CEO and the board oversees the health and safety situation. In addition to health and safety, labour rights along with the risk of human rights violations in the supply chain, are Elkem's key priorities. The Human Rights policy and Code of conduct guides our labour rights commitments. It is the CEO that is the responsible for overseeing and securing worker's rights in the company, and the board of Elkem is responsible for ensuring adherence to the company's commitments to labour and human rights.

As an international company, with locations and suppliers in a number of countries, it is Elkem's responsibility to operate in a sustainable and ethical manner globally. Elkem's most important resources are our employees. Ensuring and promoting human rights and worker's rights are pivotal in this work. Elkem's human resource policy aims to motivate our employees to engage in continuous improvement and personal development. In 2021 we will update our "People policy" – a set of global principles for our human resources management, that aim to cover key material issues for our workers.

EHS POLICY

Elkem's production processes and activities involve a number of inherent hazards and emissions as operations include high temperature smelting (>2,000°C) and advanced processing of hazardous chemicals. To meet these challenges Elkem has developed comprehensive systems for risk management and pollution control that are implemented at all Elkem sites worldwide.

We show our commitment by:

- Having clearly defined responsibilities and accepting accountability for EHS at all levels of the organisation.
- Always prioritising individual health and safety when choices have to be made.
- Setting ambitious goals and striving for continuous improvement in EHS.
- Using the same EHS systems, tools and methods, and having the same expectations to EHS performance wherever we operate around the world.

Supported by a strong company culture, Elkem continuously work to be a safe and attractive employer for current and future employees. Organisational development, continuous talent management and systematic competence development are key to ensure the successful growth of the company.

ELKEM BUSINESS SYSTEM (EBS) – OUR COMMON CULTURE

EBS is Elkem's business system and leadership philosophy that enables a common language and provides working and improvement methods for all employees to achieve both personal and business success. It is the key management system



for all employees and based on the principles of LEAN. EBS covers the entire value chain focusing on EHS, productivity, quality and cost efficiency. Building on our values; respect, involvement, precision and continuous improvements, EBS makes up the core of Elkem's company culture.

At the heart of EBS is the dedication to involve our people in improvement work and empower them to solve problems and improve. Training and competence development at all levels of the organisation is a central part of the EBS philosophy. This is mainly done on-the-job supported by local trainers or coaches. Elkem takes great pride in empowering our employees and believe they are the experts in their own responsibility areas. We consider that delegated and decentralised decision making to be one of the strengths of our business culture.

The EBS principles are key to understanding Elkem's view on labour rights and employee involvement. We seek to achieve increased efficiency in the product value chain through organisational development within a team-based structure with orderly working and wage conditions, as well as a wide range of opportunities for personal development. Developing a common language and culture takes time. When Elkem establishes or acquires a new organisation, the priority is to employ our EHS and EBS standards and systems, regardless of the location or previous organisation of the site. Some sites in Elkem are at the beginning of this journey, while other entities have come a long way in their maturity.

EBS assessments to promote involvement and continuous improvement

- All sites are assessed by a corporate EBS team bi-annually through observation and discussions to evaluate maturity, involvement and improvements and to encourage further development.
- Topics in the assessment are divided in three main parts:
 - i)** Daily operation related to work teams and daily management, 5S and visual management and problem solving,
 - ii)** systematic improvements related to flow and control and capability and
 - iii)** sponsorship, strategy, learning and competence development. The focus for 2021 will be increased support towards operational performance and business results. Training is being developed onto the digital platforms.
- The focus of the corporate team is on involvement, knowledge and information sharing, and on management's commitment to empower their employees in continuous improvement work through shared goals and tools.

Over the last years, Elkem has expanded its presence globally, particularly in China. Our previous experience from China has shown that cultural and maturity differences have not hampered the implementation and development of EBS. We acknowledge the improvements that need to be implemented to raise the standards to the same level as the rest of Elkem Group. As the focus has been to hire local employees, we are continuously training a new workforce and revealing gaps to advance the EHS, EBS and compliance functions in China.

Health and safety

A strong health and safety culture is the essence of our licence to operate. Elkem employees, and contractors working on Elkem property are expected to be fully committed to a safe and healthy workplace, and to minimise the effects of our operations on the environment. Our EHS efforts are based on a zero-harm philosophy and our EHS management system is implemented to systematically work towards this goal. Health and safety has been identified as a material topic to Elkem and includes monitoring and reporting on injuries, EHS training and learning.

Elkem has a strict reporting regime for injuries and requires all injuries to be reported, investigated and mitigated independent of severity. Of a lost workday rate (LWR) of 0.8 injuries per million work hours for own employees, only one injury was defined as high severity in 2020. This is a reduction from 2019 when the LWD rate was 1.1 and the number of high severity injuries 3. There were no fatalities at the Elkem plants in 2020.

A zero-harm philosophy implies protecting the health and safety of all people working at all Elkem locations. Our commitment to EHS covers all our employees and is stated in our General Policy.

Main corporate KPIs	Target
Total Recordable Injury Rate (including fatalities)	Zero
First aid injury rate	Ensure reporting of all first aid injuries
High Risk Incidents (HRI)	Ensure reporting of all HRIs
Unsafe conditions / actions for improvement	Four reports per employee per year
Absenteeism (Sick leave)	No specific target
Work related illnesses	Zero

EHS MANAGEMENT SYSTEM

Elkem has a comprehensive in-house developed corporate EHS management system called FOKUS (after the Norwegian word for “focus” implying the need for high attention on environment, health and safety issues throughout the organisation) that applies for all sites and activities worldwide. All Elkem employees are covered by the system.

Requirements and provisions in the system are also applicable for all contractors (100%) working on Elkem property. In addition, suppliers of raw materials and goods are also required to comply with basic EHS rules and regulations as part of our contractual purchasing agreements with them.

Elkem’s EHS management system is built around recognised international standards for EHS management and covers appli-

able EHS topics that have been identified through extensive risk assessment at all sites. Compliance with the system is internally audited at site level by corporate and divisional resources routinely. Elkem’s corporate Vice President for EHS is responsible for Elkem’s EHS management system. In Elkem, EHS is defined as a line-management responsibility where managers at all levels of the organisation are accountable for the EHS performance in their organisations and locations. To ensure line-management’s ability to fulfil this responsibility each site has an appropriate EHS organisation based on the size of the organisation and the level of risk.

INCIDENTS MANAGEMENT

General requirements for recording, notification and classification of injuries and incidents are based on criteria from US OSHA which are relevant for our type of industry. Elkem has a comprehensive incident management system and expects all employees to report any injuries, incidents, unsafe conditions, deviations and non-compliances. All reports are subject to investigation, mitigation and sharing where appropriate for learning and improvement. Serious incidents are subject to comprehensive root cause analysis.

Recordable injuries and high risk incidents are presented for corporate management on a weekly basis for discussion. In addition to reporting, incident management also includes emergency preparedness. All sites have emergency plans and emergency resources tailored to their level of risk. This varies from simple first-aid and fire extinguishing equipment, to fully equipped in-house emergency response teams.

HEALTH AND SAFETY TRAINING

Elkem employees receive comprehensive documented EHS training to ensure full understanding of hazards in the workplace and how they can avoid harm during daily operations. Training activities include:

- Basic training in Elkem’s EHS management system FOKUS which is mandatory for all employees.
- Specific work-related training for each work operation and each tool employees are required to use to ensure they have necessary competence to do the job safely and without harm to their health or to the external environment.
- Awareness training to ensure each employee understands how their personal behaviour can affect the health and safety of themselves and others.

Training needs and completed training activities are annually reviewed through development discussions with each employee and documented at site level.

For more comprehensive information, see elkem.com health-and-safety.

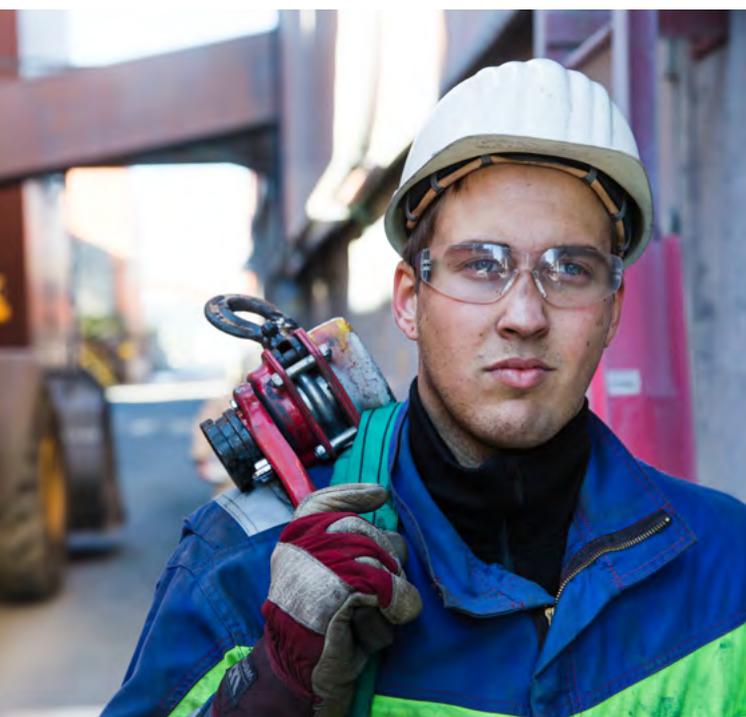
Employees – disclosure of work-related injuries*

Target	KPIs	2018		2019		2020	
		Nr.	Rate	Nr.	Rate	Nr.	Rate
Zero recordable injuries	Work-related injuries						
	Fatalities	0	0	1	0.1	0	0
	High-consequence work-related injuries	6	0.5	1	0.1	1	0.1
	Lost workday injuries	15	1.1	14	1.1	10	0.8
Zero cases of serious occupational illness	Other recordable injuries	14	1.1	14	1.1	19	1.5
	Total recordable injuries	29	2.2	28	2.2	29	2.3
	Hours worked	13,142,219		13,037,309		13,097,248	

Contractors – disclosure of work-related injuries*

Target	KPIs	2018		2019		2020	
		Nr.	Rate	Nr.	Rate	Nr.	Rate
Zero recordable injuries	Work-related injuries						
	Fatalities	0	0	0	0	0	0
	High-consequence work-related injuries	2	0.5	0	0	0	0
	Lost workday injuries	8	2.0	7	2.0	6	2.2
Zero cases of serious occupational illness	Other recordable injuries	12	3.0	9	2.6	7	2.5
	Total recordable injuries	20	5.0	16	4.6	13	4.7
	Hours worked	3,967,988		3,511,412		2,761,047	

* All rates are calculated per 1,000,000 working hours.

**2020 employee injury breakdown**

- 1 high-consequence work-related injury (fingertip amputation).
- A total of 29 recordable injuries (Total recordable injuries include lost work day, medical treatment and restricted work injuries) where main types of injuries were lacerations, bone fractures, burns and sprains/strains.

High-potential work-related incidents

In addition to recordable injuries, a total of 147 high-potential work-related incidents (high risk incident) were identified at Elkem sites in 2020, down from 160 in 2019. All recordable injuries and high-potential incidents are fully investigated, and measures are implemented to prevent similar incidents from happening in the future. Detailed information is also shared with other sites to ensure implementation of learnings from the incidents at all applicable Elkem sites.

AUDIT PROGRAMME

Elkem has a comprehensive Corporate EHS audit programme where all production sites are audited on site minimum every other year. The target for 2020 was 20 audits. Because of COVID-19 travel restrictions only 7 of these were done during the year. The rest will be moved to 2021 when travel restrictions are lifted.

Labour rights

Elkem does not accept any behaviour that conflicts with basic human rights including any form of harassment, discrimination, threatening or inappropriate behaviour. The organisation embraces the dignity of all human beings and the Elkem values support the commitment to human rights. At the core of this and material to Elkem is labour rights including freedom of association, right to collective bargaining, and avoiding the use of forced or child labour.

In 2021, Elkem will update Elkem People policy, a set of global principles for the working conditions for all employees.

COLLECTIVE BARGAINING AGREEMENTS

Elkem fully endorses employees' freedom of association and collective bargaining rights. These rights give employees the ability to influence changes and find solutions together with their employer, and have a long tradition and strong standing in most of the countries where we operate, like Norway and France. Elkem is also present in regions where collective bargaining agreements and freedom of association is less prevalent. Our Human Rights policy clearly states that all employees should be allowed to organise themselves and collectively bargain with management, to the extent that it is legally possible. Elkem also supports efforts for supplier's employees to associate and information about these rights and obligations are found in contractual agreements and our Code of conduct for business partners.

The level of trade union coverage varies from country to country. In some countries the operators are organised under one collective bargaining agreement. In other countries there are no unions represented in Elkem's entities. At sites where there are no formalised labour unions, local management is encouraged to set up channels and arenas for collaboration where employees are informed about the company's status and allowed to raise concerns and influence decisions that affect them. The EBS tools and culture supports this as involvement in decisions is part of the management system.

Elkem complies with local statutory requirements regarding freedom of association in all countries where we are present. Pursuant to the provisions of the Norwegian Companies Act, employees have three representatives and two observers on the board of Elkem ASA.

In 2020, Elkem started tracking the number of employees covered by collective bargaining agreements/union agreements. In total, 64% of our employees are covered by such agreements, but there are significant local and regional variations.

	2019	2020
Employees covered by bargaining agreements	61%	64%

HUMAN RIGHTS

Respect for human rights is one of Elkem's values. The group is fully committed to avoid complicity in human rights abuses, and to respect, protect and promote human rights throughout our operations in accordance with:

- The UN Universal Declaration of Human Rights.
- The UN Guiding Principles on Business and Human Rights.
- The International Bill of Human Rights.
- The UN Global Compact.
- The International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

We report on actions to prevent human rights in accordance with the UK Modern Slavery Act and the French Duty of Vigilance Law.

Elkem's operations cover challenging markets such as China, Malaysia, India, South Africa, Brazil, Mexico and Paraguay. Human rights issues are often deeply embedded in the local culture and can only be mitigated by engaging with stakeholders, governments, and local communities.

The duty to respect human rights also applies in our relations with business partners, suppliers, customers, local communities, and others who are influenced by company activities. Human rights, and especially workers' rights, have always been a top priority for Elkem. An updated Human Rights policy was established in 2020.

As we grow and enter into new and challenging markets, we see the need to take on a more systematic approach to our human rights strategy. We will therefore conduct Human Rights Impact Assessment (HRIA) in selected areas, where we work to identify Elkem's actual impact and the risk of impact on human rights throughout our value chain. This will be concluded in 2021. Based on the HRIA, we will identify Elkem's human rights priorities and launch a human rights action plan. In 2021, we are also launching a human rights training programme.

Respond to adverse events

Even with the best practices, a business may cause or contribute to an unforeseen adverse human rights impact that was not foreseen or which it was unable to prevent. In such events, Elkem does it outmost to prevent or mitigate the impact:

- If Elkem causes an adverse human rights impact, we take the necessary steps to cease or prevent the impact.
- If Elkem contributes to an adverse human rights impact, we take the necessary steps to cease or prevent our contribution and use our leverage to remediate any impact to the extent possible. Whenever we have leverage to prevent or mitigate the adverse impact, we exercise it.
- Where we have no leverage, we terminate the relationship.



When necessary, we consult externally with credible, independent experts, including governments, civil society, national human rights institutions and relevant multi-stakeholder initiatives.

CHILD AND FORCED LABOUR

Elkem has operations in parts of the world where there is a risk of child labour and forced labour, such as parts of Asia, South America and Africa. We take this risk most seriously, and we will not tolerate the use of child or forced labour in any of our operations and facilities. We expect the suppliers and contractors with whom we do business to uphold the same standards.

The Human Rights policy protects the rights of the employees and the stakeholders that are specifically vulnerable to our activities. The age limit for working in Elkem is 18 years, with exception for vacation substitutes and vocational students, where the limit is 16 years. Vacation substitutes under 18 years old and students are only allowed to do light and simple work that is deemed safe and does not conflict with school participation. Elkem does not allow children below the age of 16 to be employed in our operations. Apprenticeships or other programmes are accepted for children under 16, but only if this enhances the child's education.

Elkem strongly condemns human trafficking as a breach of basic human rights.

Working at some supplier production sites or at some of our own plants is considered high risk work and must only be done

by trained and qualified people. To ensure compliance with these procedures and our Human Rights policy, several measures are in place. Elkem has strict routines to ensure that all official permits and registrations are in accordance with local law, and that all employees have written employment contracts, insurance coverage and correct tax payments. EHS and CSR audits are regularly conducted at all plants, with specific focus on these topics for plants in high risk areas.

Elkem's suppliers have contractual obligations to ensure that no children under the age of 15 (14 in some selected countries) work at our suppliers' plants and that they limit hazardous work and night work to persons over 18 years of age. These standards are secured legally by contract through pre-audit for approval of new suppliers and regular audits for existing suppliers.

The Code of conduct for Elkem's Business Partners is attached to all new contracts to ensure the compliance of our suppliers. A new procurement system will be in place in 2021, that will enable better follow-up of the Code of conduct with suppliers and secure compliance with Elkem's expectations.

Incidents in 2020

	2018	2019	2020
Reported incidents of child or forced labour in Elkem or with suppliers	0	0	0

Diversity and equality

Having employees that represent the global presence of the company and diverse cultural and individual backgrounds, is a great benefit to the company and a key for success. Elkem is not only a global group, but also a local employer and values the strength of local management and staff wherever Elkem is present.

Elkem is committed to ensuring equal opportunities for all our employees and an inclusive work culture. We appreciate and recognise that every individual is unique and valuable and should be respected for his or her individual abilities. There is no acceptance for any form of harassment or discrimination based on gender, religion, race, national or ethnic origin, cultural background, social group, disability, sexual orientation, marital status, age or political opinion.

Our focus on equality and diversity, our corporate values and the Code of conduct are essential topics in the Elkem Onboarding Programme (EOP), which is part of the mandatory training for all new employees. All managers in Elkem are expected to be strong ambassadors of diversity and equality, and diversity has been a key topic in the Elkem Leadership programme for several years. Elkem’s new leadership development programme for first line managers worldwide also includes training on diversity. Each manager is responsible for following up the principle of non-discrimination.

Due to Elkem’s growth in the Asian region over the recent years, several initiatives have been implemented to ensure applicable training in our Code of conduct and the principle of non-discrimination in this region. The Asian branch of our compliance department has adapted the corporate Code of conduct training with content and ethical dilemmas based on a local business context. Training sessions have been conducted in order to ensure that all employees fully understand and commit to the Code of conduct.

Incidents in 2020

	2018	2019	2020
Reported incidents of discrimination	1	1	0

FEMALE SHARE

Elkem values gender diversity and aims to achieve a better gender balance year on year. The process industry is generally male dominated. Women are, however, increasingly expressing an interest in working in our industry as increased automation leads to less heavy manual work. A high focus on environment, health and safety ensures a better working environment and more sustainable operations.

Targets

- Increased share of women, year on year
- Increased share of women in management teams

KPI	Unit	2018	2019	2020
Female share	%	25%	25%	25%
Women in management teams	%	23%	23%	24%
Female leaders over all	%		24%	25%
Implement a mentor programme for women	Status	N/A	Started	Some setbacks due to Covid-19
Female share in leadership programme	%	25%	32%	19%
Female share in trainee programme	%	Not reported	Not reported	58%

Female share	2018	2019	2020
Blue-collar	18%	18%	21%
White-collar	34%	34%	34%
Total female share	25%	25%	25%

The female share in Elkem was 25% in 2020, and Asia was the region with the highest proportion of female employees, with 27%. The female share of part time employees was 60% and the female share of temporary hires was 18%.

The female share in Elkem has been stable over the past years. We have decided to intensify the focus on attracting and retaining more women, especially in management positions. We have therefore launched several initiatives specifically aimed at our female employees.

In 2020, 25% of those with leader responsibility were women, and the share of women in management teams was at 24%. One concrete action to improve our share of female leaders is to actively encourage women to apply for management positions internally.

Elkem strives to have at least 50% women among the participants invited to Elkem’s leadership training programmes. The female participation rate in the programme dropped to 19% in 2020, far from our target. There are concrete plans to increase the resources in order to improve our efforts on diversity and set up concrete diversity and inclusiveness initiatives, and we expect this to affect this target going forward.

The corporate recruitment policy and related training materials includes topics such as including female recruiters and/or managers in each recruitment process and tracking the propor-



tion of female candidates throughout the process. The trainee programmes have been prioritised and made more attractive in order to recruit women. The share of women in the trainee programme for 2020 is 58%.

Parental leave is only tracked in Norway for 2020. Eligible women took on average 38.7 weeks leave, and men took on average 18.5 weeks leave, out of the maximum of 52 weeks regulated by the government. A mentor programme targeting female mentees was planned to be rolled out in 2020. Due to the human resources implications of Covid-19, this programme is delayed, but will be rolled out in 2021. Furthermore, Elkem will increase the resources supporting diversity and inclusion work in the company during 2021.

BOARD OF DIRECTORS AND MANAGEMENT

Elkem’s board of directors consists of 11 members from Germany, France, China and Norway. Three out of eight shareholder elected board members are women, in accordance with Norwegian Public Limited Liability Companies Act. Furthermore, one out of the three employee elected representatives, is female. The female share of the board is 36%. Two of the eleven board members are in the age group 30–50 years old. The rest of the members are 51 years or older.

The corporate management team of Elkem consists of nine people from France, Norway, Germany and Brazil. The management team consists of eight men and one woman. One of the members is in the age group of 30 to 50 years old and the rest are 51 years or older.

Due to organisational changes, going from four to three business divisions, the management teams were updated in

2020 and we cannot directly compare the numbers to previous years.

The female share of management teams reporting to top management in Elkem is at 24%. However, there are great differences within the organisation. Some places in the organisation, women accounted for over 50% of plant or site management where in other locations, there are no women in management at all.

AGE DISTRIBUTION OF EMPLOYEES IN ELKEM

In 2019, Elkem started tracking the age distribution of employees. The tracking indicates that almost two thirds of the employees are 30-50 years. The age distribution for blue-collar and white-collar employees is very similar to the overall age distribution for employees.

Age distribution of employees in Elkem	2019	2020
< 30 years	16%	14%
30-50 years	59%	60%
> 50 years	25%	26%

Age distribution in management teams	2019	2020
< 30 years		3%
30-50 years		64%
> 50 years		33%

Community engagement and dialogue

Input from local communities is valuable for Elkem in order to conduct responsible business. Elkem is an important community player in several of the locations where sites and plants are based. Creating and maintaining a stable and safe working environment in the local community is Elkem's main form of community support. Through our operations, we aim to contribute to the economic and human development of our employees and the communities in which we operate. Dialogue with community is based on local needs and experiences. For more information on types of dialogue, read our stakeholder engagement work on page 11.

Dialogue with local communities is the responsibility of each plant or site manager and is carried out both formally and in an informal way. It is the plant or site manager's responsibility to be aware of all relevant stakeholders and engage in dialogue where relevant, such as when changes are happening at the plant/site or when emergency training is being held.

The dialogue and community involvement differ from site to site, and is subject to historical, local and materiality factors for each plant. In the annual, global stakeholder survey, examples of local community efforts on Elkem sites have been identified:

- Stakeholder engagement plans based on stakeholder mapping.
- Social impact assessments.
- Environmental impact assessments and ongoing monitoring.
- Public disclosure of results of environmental and social impact assessments.
- Local community development programmes based on local communities' needs.
- Local community consultation meetings.
- Work councils, occupational health and safety committee and other worker representation bodies.

Identifying relevant stakeholders and structuring an action plan towards them is included in the certification of ISO 9001 – quality management system. In addition, we have developed our own stakeholder tool for projects and plants. The stakeholder analysis tool is a mapping, analysis and planning kit intended to support Elkem's divisions, plant, and unit managers to engage with high-priority stakeholders in a way that supports Elkem's goals. The tool kit was introduced to several Elkem plants in 2020.

Important topics that have emerged from our dialogue with local communities include community development projects, job security, safe operations, emissions and other environmental issues and traffic generated by the plant. Complaints raised by local communities are registered, managed and followed up in accordance with good practices for incident and deviation management. This is both done through local channels at the sites and through corporate tools, such as the speak up channel and grievance mechanism.

LOCAL COMMUNITY SUPPORT AND VOLUNTEERING

A number of Elkem plants have implemented local initiatives and support programmes. Elkem's community support includes initiatives for better education and local infrastructure, sports activities, local community poverty reduction and food support, and other social impact initiatives.

Elkem is positive to volunteer community work done by its employees and to giving financial support to local non-profit help organisations if the support is given without any expectation or requirement for return service or preference. Any financial support shall be given in a fully open and transparent manner in accordance with local legislation.

A number of Elkem plants have local initiatives and support programmes. Our local initiatives and support programmes are subject to guidelines for what is permitted and what is not, to avoid corruption. Any financial support shall be given in a fully open and transparent manner according to local legislation. It is up to the local plant or unit to set goals and to evaluate the local community programme support.

Examples of events or programmes that Elkem support locally or regionally:

- Local sports clubs, both for children and adults.
- Scholarships (high school and universities).
- School programmes with focus on building technology skills.
- Summer school/camps.
- Cancer research programmes.
- Safety training and first aid kits to local organisations.
- Poor family support programmes.

A universal guideline on community support has been developed, with some delays on implementation. The purpose of the guideline is to assist local decision makers at our plants when they engage with local stakeholders in monetary or other formal support. The support guideline is based on the principles of the UN Global Compact and, once implemented, any support shall be based on these principles.

GRIEVANCE MECHANISMS

Elkem has a transparent approach to managing grievances and encourage all stakeholders to submit a grievance in case they observe any incidents in our operations or supply chain. Communities and other stakeholders are encouraged to report grievances and other concerns, either through local channels or through corporate tools.

In accordance with the UN Guiding Principles on Business and Human Rights, Elkem is committed to remedy situations where Elkem's activities have caused or contributed to adverse human rights impacts. If something is not right, Elkem wants to know about it. That is why we have set up an external grievance

mechanism that allows for anonymous reporting and engaging with stakeholders.

A global grievance mechanism tool was made available to external stakeholders through the Elkem website in 2020, to improve the incident report and remedy possibilities for external stakeholders. In addition, every plant has a local contact point that is well established in order for stakeholders to submit grievance issues. At the corporate level we do not track dialogue at local level, unless there is a grievance that a local manager would need corporate assistance to solve. The grievance mechanism is targeted towards stakeholders who have feedback or con-

cerns related to our plants, projects or other business activities worldwide. The grievances can be reported in key Elkem languages. During the launch of the tool in 2020, no material complaints were reported through the channel. Going forward, Elkem will continuously encourage our stakeholders to use the tool for reporting to ensure that all grievances are being handled and followed up on. There has been few changes and no new controversies at Elkem's plants in 2020. Previous years grievances have been handled according to procedures prior to the implementation of the online grievance mechanism was launched.



Employment

	2018	2019	2020
Employees	6,280	6,370	6,856
Operators / blue-collar	67%	66%	65%
Staff / white-collar	33%	34%	35%

TURNOVER

Elkem strives to remain an attractive employer, both to retain existing employees, and to attract new ones. Turnover rate is an indication of attractiveness and how well Elkem manages to retain our employees. The total turnover rate in the Elkem group was 6% in 2020. The female share of new hires was overall 26% and the female share of leavers was 23%.

Turnover in Elkem

	2018	2019	2020
Turnover rate	5.4%	8%	6%
Female share of new hires	22%	30%	26%
Female share of leavers	22%	17%	23%

CONTRACTORS AND TEMPORARY HIRES

Contractors provide services of many kind at Elkem's plants and other locations around the world and are subject to the same EHS requirements as our own employees. All contractors receive full training and follow-up to ensure that they work in a safe and healthy environment.

The number of contract employees in Elkem was 420 in 2020, defined as non-Elkem employees working full-time for more than three months as a substitute for hired employees.

Contractors and temporary hires in Elkem

	2018	2019	2020
Contractor	833	882	420
Temporary hire rate (%) to permanent employment	-	-	6%
Part time workers rate (%) to permanent employment	-	-	3%



Contractors by region

	2018	2019	2020
Europe	241	327	115
Asia	188	155	265
Africa	0	0	0
Americas	149	157	40

EMPLOYEE DEVELOPMENT

Elkem is active in many markets and the need for continuous development, improvement and innovation is constant. The organisation's improvement work needs to be targeted, fast-paced and of high quality. Elkem actively uses employees' day-to-day work situation as the primary arena for learning. We believe that the best way to develop new skills is to participate in actual improvement processes and problem-solving cases based on the EBS principles. We also consider taking on new responsibilities as a very important way of learning and developing. In addition to that, we offer a wide range of both in-house and external training programmes.

Agreeing on an individual development plan is part of the annual development discussion that all employees in Elkem shall have with their leader. Elkem's global target is that 100% of employees of all positions and locations shall have an annual development discussion with their leader. In 2020, 85% of Elkem employees had an annual development discussion, an increase from 2019. There were some setbacks due to Covid-19 and including new units in the company, which explains why we did not reach the 100%. However we see a positive development over the last years.

ESG:

Governance

Elkem considers good corporate governance to be a prerequisite for value creation and trustworthiness. In order to secure good and sustainable corporate governance, Elkem strives for environmentally friendly and healthy business practices, reliable financial and non-financial reporting and a strong compliance culture across the group.

2,830

employees received anti-bribery and corruption training

3,334

employees received ethics and code of conduct training

100%

of new raw material suppliers subject to assessment and pre-qualification screening

98%

of employees have signed Code of conduct

Elkem endorses the Norwegian Code of Practice for Corporate Governance (“NUES” or the “Code”). The principles of the Code are reflected in the corporate governance policy and in all other

governance documents. The board’s report on corporate governance is included in this report on page 51.

Corporate governance

Governance has been identified as a material topic to Elkem and includes our board and management structure and remuneration. Elkem’s business strategy and corporate governance policy are approved by the board of directors and provide the overall framework for the group’s strategic direction and governance structure. Other policies and procedures are generally approved by the corporate management or the ESG steering committee.

Ultimately, the responsibility for ESG related issues lies with the board of directors. ESG issues are an integrated part of the business strategy and the board is actively engaged in defining and approving relevant targets, e.g. reduction of the group’s fossil CO₂ emissions.

In 2020, Elkem established an ESG steering committee which is the corporate body with responsibility for ESG-related issues, including climate. The ESG steering committee replaced the previous CSR committee with the objective of further strengthening the focus and ensuring best practice in environment, social and governance. The responsibility of the ESG steering committee was also extended to include all ESG related issues. The ESG steering committee consists of members from the corporate management and is led by the CFO. The ESG steering committee reports to the CEO.

The ESG steering committee is also responsible for review and approval of Elkem’s ESG report and that all material topics are covered.

REMUNERATION

The CEO and corporate management have performance-based metrics in their short-term incentives. The metrics are defined according to areas of responsibility. The incentives to corporate management do not contain any clawback provisions as such. The performance related incentives are limited to 100% of base salary for CEO and 50% of base salary for the corporate management. Clawback provisions are not deemed to be critical element. The CEO salary to median worker wage in Norway was 11:1 in 2020.

The metrics for the CEO for 2020 were:

- Health and safety performance with target of zero high severity (life changing) incidents.
- Environmental performance target of zero major environmental cases.

The management bonuses for 2021 will be linked to ESG-related criteria focusing on compliance and sustainability. Criteria

include employees' completion of compliance training in order to drive and further develop good compliance culture, no substantiated misconduct cases as well as criteria linked to ESG ratings, embracing a wide range of climate and environment-, health and safety-, sustainability- and social targets.

In order to ensure that Elkem identifies and covers all mate-

rial environmental, social and governance related topics, Elkem consults with its key stakeholders. An updated materiality analysis was conducted in 2020 where key stakeholders, such as labour unions, customers, investors, banks, NGOs, governmental institutions and employer's organisations were interviewed. See page 13 for material topics for Elkem.



KPIs	Unit	2018	2019	2020
Total number of and nature of misconduct reports	Number	-	-	Total: 11 Diversion of business to conflict of interest companies: 4 Excessive discounts to conflict of interest companies in exchange for kickbacks: 4 Fraud through false claim: 2 Off-book accounts & expense reimbursement fraud: 1
Total number and nature of confirmed incidents of corruption*	Number	-	-	Excessive discounts to conflict of interest company in exchange for kickbacks: 1 Fraud through false claim: 1 Off-book accounts: 1
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption*	Number	-	-	2: One dismissal for excessive discount to conflict of interest company in exchange for kickbacks. One written warning for off-book accounts.
Employees who received ethics and code of conduct training	Number	-	-	3,334 / 57% of target group
Employees who received anti-bribery and corruption training	Number	-	-	2,830 / 51% of target group
Confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption	Number	-	-	0
Public legal cases regarding corruption brought against the organisation or its employees	Number	-	-	0
Employees who received competition law compliance training	Number	-	-	671 / 74% of target group
Employees with confirmed commitment to Code of conduct	%	70%	100%	98%
Employees with confirmed commitment to anti-bribery and anti-corruption policy	%	70%	100%	51%
Employees with confirmed commitment to competition law policy	%	70%	100%	74%
Policy revisions target: All policies to be reviewed and updated annually	Status	-	100%	Not reached

* In this context, corruption is defined as in GRI 205 and includes practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering; the offer or receipt of gifts, loans, fees, rewards, or other advantages as an inducement to do something that is dishonest, illegal, or represents a breach of trust. It can also include practices such as embezzlement, trading in influence, abuse of function, illicit enrichment, concealment, and obstructing justice.

Risk management

Ultimately the board of directors has the responsibility to ensure that Elkem has appropriate risk management systems reflecting the extent and nature of the group's activities. This includes responsibility for ESG related issues.

Elkem's operational philosophy, according to the Elkem Business System (EBS), is to organise resources close to the value chain and operative functions. This principle also applies to risk management, which is an integrated part of the line management's responsibility. Risk management has been identified as a material topic to Elkem and corporate help chains, such as EHS, quality, product stewardship, compliance, legal, IT, finance and other control departments, oversee, facilitate and report on the risk management activities.

The board of directors conducts an annual review of the company's most important risk areas. Elkem's total risk exposure and business performance is analysed, evaluated and summarised at corporate level. The process is bottom up where each of the divisions and key corporate functions go through a defined process to identify and quantify the main risks. The key risks at the group level are further analysed both in terms of impact and likelihood before and after mitigating activities. An overview of the top risks at the group level are presented to the board for review and assessment of risk tolerance and further mitigating actions.

CLIMATE RISK

Climate and environment are included in the top risks and Elkem has increased its focus on climate related risks and opportunities during 2020. The climate risk assessment takes into account possible changes in regulations, customer preference, production technology, physical and market regulations. Elkem decided in 2020 to implement the climate risk management recommendations in accordance with the Task force on Climate-related Financial Disclosures (TCFD). The organisation will continue the implementation in 2021, and aim to report according to the TCFD standard in 2021.

The fact that key stakeholders increase their attention and requirements on climate and companies' CO₂ footprint represents an opportunity for Elkem. The company has a fundamentally strong position as 83% of the group's electricity consumption is based on renewable energy, mainly hydro power. For many years Elkem has also pursued a strategy to replace fossil coal with biocarbon as a reductant (not an energy source) in its smelting processes. The biocarbon share in the Norwegian smelters was at 20% in 2020, reaching the 2021 goal. Elkem's long term target is to increase the biocarbon share to 40% by 2030. This gives Elkem low specific fossil CO₂ emissions compared to competition.

In order, to achieve the biocarbon share of 40%, Elkem is participating in the development of new technology for production of biocarbon from wood waste. A pilot plant is being built in Canada and is expected to start production in early 2022. This

biocarbon product could have wide applications also for other companies and smelting industries and is another example of how the development towards more sustainable solutions also create opportunities.

Elkem's products are key raw materials in customer products that are essential for other sustainable solutions, and thus represents opportunities. One example is the electrification of transportation. The expected demand development for electric vehicles (EVs) represents a significant business potential for Elkem as an EV on average contains four times more silicones than a traditional car with a combustion engine. In addition, increased demand for EVs will drive demand for batteries and battery materials. Elkem has developed a new and environmentally friendly production process for synthetic graphite to battery anodes. A pilot plant is under construction in Kristiansand. Provided that the upscaling of the technology is successfully verified in the pilot the plan is to build a large-scale industrial plant at Herøya, Norway.

However, climate change also poses threats. Elkem has evaluated both the physical and transitional risks in line with the TCFD recommendations. Elkem's processes and plants are not deemed to be exposed to acute physical risks. Neither the location of the plants, or the production processes are sensitive to acute flooding, drought, heat stress or wind. However, access to water is important and pose a risk due to the scarcity in specific regions of the world. Elkem is dependent on water as input to silicones production, for power supply to the company's smelters as well as for cooling purposes. How water scarcity relates to climate changes and can impact our business is therefore assessed as a part of our strategic planning processes. More information can be found under water management chapter on page 24.

As the progression of climate change continuous, acute risks might be more relevant in the future. An example is Elkem's biocarbon strategy for sustainable sourcing of woodchips, charcoal and other biocarbon products to its production.

The transitional climate risks are mainly defined as strategic and operational risks. The strategic risks are mainly related to factors potentially impacting Elkem's operations, available technology for reducing emissions, changes in regulations from authorities and changes in consumer preferences. Our direct operational risks are related to risks of major emissions or other incidents with negative impact on the environment which is integrated into a company-wide risk management process.

For a more in-depth understanding of Elkem's climate risk work, visit elkem.com/climate.

Compliance

Elkem has a strong focus on compliance related activities and strives for continuous improvements.

The responsibility for the compliance programme lies with Elkem's general legal counsel, but will be transferred to a planned corporate compliance director function in 2021. Corporate compliance is further supported by an internal audit and compliance function in China. In addition, a network of compliance champions has been appointed across Elkem's operations. The compliance champions are members of management or support functions, stationed in each business unit, that assist the corporate compliance function in implementing Elkem's compliance programme including training and guidance to their respective units.

In order to implement best practice within compliance, Elkem engaged external consultants from Deloitte in 2020 to conduct an independent assessment of the organisation of the compliance function. The report from Deloitte contains proposed measures to strengthen and improve the group's compliance work. The report from Deloitte has been presented to Elkem's audit committee and the board of directors. Elkem will implement the proposals from the Deloitte report in the course of 2021 and 2022.

COMPLIANCE TRAINING

Elkem is committed to providing relevant and engaging compliance training. In 2020 Elkem rolled out a new global online training programme with relevant e-learning to all employees, including training in ethics, anti-bribery and corruption, and anti-competitive practices. The training is refreshed on a regular basis, providing employees with new and updated content every year. The training is available in all key Elkem languages. The e-learning programme consists of modules and questions have to be correctly answered after each session in order to proceed and complete the training. This will ensure that employees have understood the content. The training is mandatory for all employees in target group. KPIs are listed in the table on page 42.

The online training is supplemented by face-to-face trainings in high-risk jurisdictions and for high-risk employee groups. The trainings are tailored to the specific risks and needs of the target group.

ANTI-COMPETITIVE PRACTICES

Elkem is committed to avoiding anti-competitive practices across all operations. The competition law compliance policy outlines what behaviour is considered acceptable and not.

Elkem conducts anti-competitive practice risk assessments to identify high risk jurisdictions and employee groups that are most exposed and to anti-competitive practices. In addition, assessments are made to identify red flags and mitigate any gaps.

ANTI-BRIBERY AND CORRUPTION

Elkem has a zero-tolerance policy against corruption. Elkem has multiple operations across jurisdictions and in several high-risk

countries. Elkem also deals with government officials for permits and other administrative issues.

In order to enhance the efficiency of Elkem's internal controls and measures to prevent bribery and corruption, compliance is conducting an anti-bribery corruption risk assessment (ABC risk assessment) of the company's global operations. This assessment will be finished in 2021 and forms the basis for the anti-bribery and corruption programme going forward. It will be updated on a regular basis as well as when entering new markets and by introduction of new products. Our anti-corruption policy is found on Elkem's website.

WORKING WITH BUSINESS PARTNERS

It is important to Elkem to work with business partners of high ethical integrity. Elkem does not accept bribery, environmental breaches, or human rights violations committed by our business partners. Relationship managers are required to carry out adequate due diligence on business partners before entering the business relationship.

Elkem's Code of conduct for business partners builds on the global code of conduct, anti-corruption policy and human rights policy. All new suppliers are required to commit to and sign the code to become business partners of Elkem.

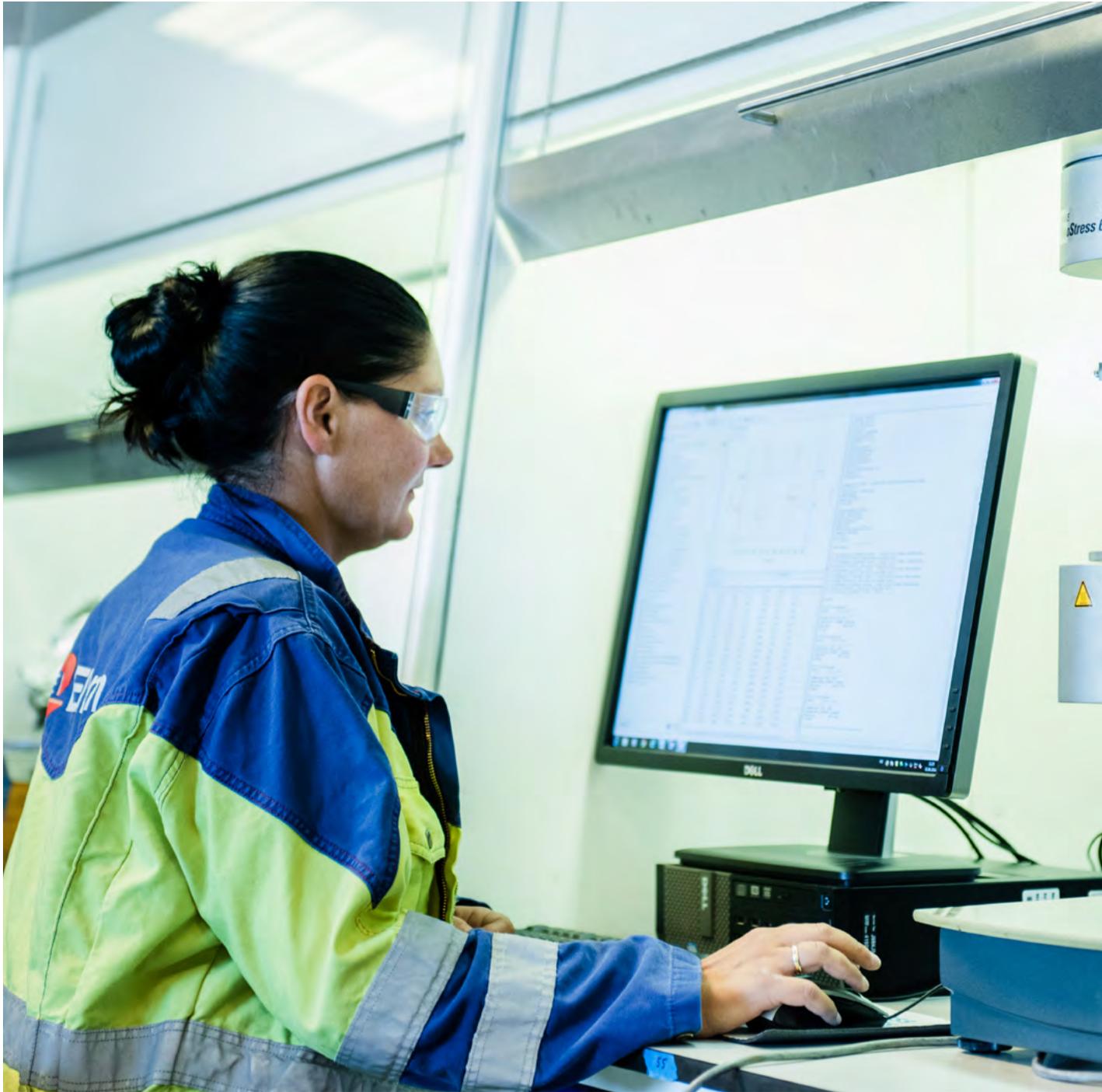
We know that bribery cases, human rights breaches, environmental disasters and EHS scandals often involve business partners, such as agents, consultants, suppliers, joint venture partners and distributors.

In order to ensure that we handle the risk associated with such business partners in an efficient way, Elkem is rolling out an improved third-party compliance management (TPCM) process to ensure consistency throughout the organisation, as well as a Third-party Risk Management System (TPRM) tool.

This will simplify our processes for risk assessment of all business parties through screening business partners against sanction lists and adverse media, as well as risk based due diligence, audits and monitoring of business partners throughout their lifecycle. The system is due to be implemented in 2021/2022.

WHISTLE BLOWER

Elkem encourages its more than 6,800 employees as well as external parties to report possible dishonest or illegal conduct in the business to HR or the legal/compliance department without risk of negative reactions. Elkem has established grievance mechanisms and channels for reporting of misconduct. The speak up channel can be used for reporting of misconduct and non-compliance with Elkem's Code of conduct and is available to all employees and external stakeholders. It allows for anonymous reporting in all Elkem languages with a clear guidance on how to report concerns. In order to assure that issues of concern reach top management, Elkem has developed a procedure for lifting serious issues to management, the audit committee and the external auditor.



By using the speak up channel, the reports can be anonymous, also within the compliance department and the reporter will not be required to leave a name or contact information. Elkem has a zero tolerance for retaliation against those who report a concern and will sanction those who retaliate.

The speak up channel and the Speak up policy are available

and communicated through Elkem's intranet site, website and through training, physical posters and handouts at plants and offices.

Misconduct reports are handled by corporate compliance and in accordance with applicable legislation on misconduct reporting.

Product stewardship

Elkem works to ensure safe handling, use and disposal of our products. Product stewardship is the responsible and proactive management of health, safety and environmental aspects of a product throughout its lifecycle.

Proactive management of use of chemicals and the protection of the environment and the human health are fundamental pre-requisites for conducting our business and securing our licence to operate. Compliance with chemical product regulations include product registrations, product authorisations, safety data sheets and product labels. There are also industry specific regulations that Elkem complies with, for example for products that are in contact with food and water (packaging) or health care (band aid/wound care).

With a portfolio of more than 4,000 different products that are used in a multitude of applications, regulatory and product compliance is key for Elkem. The document management system OSCAR has been implemented in the Silicones division and ensures that compliance, certificates and regulatory statements are easily available for distribution to customers.

Elkem is committed to comply with international regulatory requirements and provides safety data sheets (SDS) for all products in accordance with UN Globally Harmonized System of Classification and Labelling of Chemicals (GHS). In all markets where Elkem's products are promoted, the products must meet specific requirements and comply with certain technical, regulatory, health and environmental standards.

We make sure to stay up to date with any REACH obligations for all our products to ensure a high level of protection of human health and the environment. The Article 33 of REACH requires suppliers of articles (manufacturers or importers) to inform European downstream users about the presence of substances of very high concern (SVHC) when their concentration exceeds 0.1% (w/w). Elkem regularly monitor its product portfolio for SVHC substances that are subject to existing or future regulatory restrictions or that are associated with particular concerns. We review our management plans regularly defining the specific risks associated with each identified SVHC substance. We review all possible options to mitigate identified risks including possible substitution where possible, phasing-out any substance posing an unacceptable risk to human health and/or the environment or limiting the exposure of the SVHC substance if substitution is not deemed possible.

In addition to comply with all chemical production regulations, the Silicones division is a signatory of the Responsible Care Global Charter of the International Council of Chemical Associations (ICCA). Through participation in the Responsible Care programme, Elkem is committed to manage chemicals safely throughout the life cycle. This includes both proactively identifying and managing chemical risks and concerns throughout our operations and replace substances in the portfolio that pose unacceptable risk to human health, safety and environment.



Responsible sourcing and the supply chain

Responsible sourcing is a strategic priority for Elkem. The group sources raw materials, capital goods and services for its operations around the world. Elkem's total procurement spend is approximately NOK 16 billion per year, covering supplies of raw materials, energy, goods, services and logistics. The active supply base consists of about 15,000 suppliers globally. The number of raw material suppliers is relatively low while the number of suppliers of goods and services such as hardware, plant equipment and services are high.

Responsible sourcing means looking at what we procure beyond the more traditional aspects such as cost, quality and delivery time. Elkem is committed to consider ethics, labour rights, social and environmental issues when sourcing products and services across all procurement categories and across all operations.

Targets

- All new raw material suppliers subject to assessment and pre-qualification screening.
- All new suppliers of raw material subject to supplier audit.
- All new suppliers to sign Elkem's Code of conduct for business partners.

RESPONSIBLE SOURCING AND THE SUPPLY CHAIN

As one of the world's leading suppliers of silicon-based advanced materials with operations throughout the value chain from quartz to specialty silicones, Elkem continuously strives to improve the way we source our supplies

The procurement organisation is responsible for raw material supply, logistics and transport services and other goods and services required for Elkem's operations. Elkem's procurement organisation is decentralised, with procurement functions both at corporate level, at divisional and plant level. We further differentiate between procurement of major raw materials, and procurement of indirect materials. Suppliers of major raw materials are always considered critical suppliers, and suppliers of indirect materials may be considered critical, depending on an independent assessment.

The corporate supply chain has the overall global responsibility for developing and maintaining Elkem's procurement and logistics strategy, as well as Elkem's global procurement policies and procedures.

Elkem has policies and procedures in place to ensure and govern responsible sourcing. This includes:

- Procurement policy, outlining Elkem's procedures for pre-qualification and management of suppliers.
- Policy for sourcing of bio-carbon, outlining Elkem's commitment to sustainable forest management and the requirements for procuring bio-based reductants in Elkem.

Contracts with suppliers ensure that risk assessments and audits can be conducted both prior to pre-qualification and at any stage of the supplier contract. Elkem has a Code of conduct for business partners. The business partner code sets out Elkem's expectations to suppliers with regards to ethics, labour rights and social and environmental issues.

We require all suppliers to endorse the business partner code and maintain their commitment throughout the relationship. The business partner code is considered an integral part of any agreement that regulates the relationship between Elkem and a supplier.

SUPPLIER DUE DILIGENCE AND SCREENING

The procurement function is responsible for carrying out pre-qualification and risk assessments of suppliers based on corporate requirements within environment, health and safety, social responsibility, anti-corruption and compliance with laws and regulations.

In 2021 Elkem plans to implement a new global supplier management system and process for supplier prequalification. All new suppliers of raw materials are screened against environmental and social criteria aligned with the expectations of the GRI. For high-risk suppliers, additional due diligence assessments are performed (integrity due diligence). The new system will enable a more unified process for screening and vetting of suppliers across all divisions and jurisdictions, tracking and monitoring suppliers' compliance throughout the contract lifecycle, as well as identifying and managing supplier risk. The new system will also include mandatory signing of the Code of conduct for business partners in the portal.

Supplier audits

A structured auditing programme is in place to ensure that all critical suppliers receive regular audits. Regular audits are performed by plant personnel or corporate personnel, focusing on supplies that are associated with risk.

EHS IN THE SUPPLY CHAIN

Elkem has developed detailed requirements for high-risk suppliers and contractors regarding health, safety and environmental standards for operations like mining, transportation, storage and loading, and is actively involved in the promotion and monitoring of safe and decent working conditions. This includes health and safety training and providing correct personal protection equipment for suppliers' employees when necessary. Age control to prevent child labour and ensure responsible working conditions for young employees is also carried out. Elkem requires suppliers and contractors to engage their employees with written contracts on fair terms, and to give them information about their right to organise and collectively bargain with management where this is legally possible.

Elkem's requirements are regularly discussed in meetings with suppliers. High-risk suppliers must demonstrate their understanding of legal requirements and hazards in their operations and present plans showing how risk will be eliminated or controlled while working for Elkem. Elkem performs audits and inspections, both in connection with routine visits for quality, technical and business follow-up, and as unannounced site visits.

External auditors also conduct supplier audits on Elkem's behalf.

Violations of Elkem's requirements are registered and addressed with verbal or written warnings in addition to requests for improvements when necessary. Repeated violations may lead to requirements for speedy implementation of improvement plans, financial penalties, or termination of contracts with immediate effect.

KPI	Unit	2018	2019	2020	Comment
Upgrade process and system for supplier management	Status	In progress	In progress	In progress	CSM system to be implemented mid-2021
Share of new raw material suppliers subject to assessment and pre-qualification screening in 2020	%	80%	73%	100%	
Share of new raw material suppliers subject to supplier audit in 2020	%	100%	100%	>90%	Some audits not performed due to Covid-19 restrictions
Adverse human rights events identified in supply chain	Number	0	0	0	
Share of new suppliers who have signed Elkem's Code of conduct for business partners	%	-	-	90%	For 2020: Applies to contracted new suppliers in second half of the year.





The board of directors' report on corporate governance

Good corporate governance is important to ensure confidence in the company and value creation in the best interest of shareholders, employees and other stakeholders. Environmental, Social and Governance (ESG) criteria are increasingly used to evaluate how companies perform. In that respect, this report, combined with Elkem's ESG report, annual report and website, document the group's activities and results.

Elkem is subject to corporate governance reporting requirements according to section 3-3b of the Norwegian Accounting Act and the Continuing obligations of stock exchange listed companies at Oslo Stock Exchange. Further, Elkem's board of directors endorses "The Norwegian Code of Practice for Corporate Governance" (the "Code"), most recently revised on 17 October 2018 and issued by the Norwegian Corporate Governance Policy Board. The Code of Practice is available at www.nues.no.

This report follows the system used in the Code, and forms part of the board of directors' report.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

Elkem's corporate governance policy is based on the Code, and as such designed to establish a basis for good corporate governance to support achievement of the company's core objectives on behalf of its shareholders, including the achievement of sustainable profitability.

Elkem believes good corporate governance involves openness and trustful cooperation between all parties involved in the group: the shareholders, the board of directors and executive management, employees, customers, suppliers, public authorities and society in general.

By pursuing the principles of corporate governance, the board of directors and management contributes to achieving open communication, equal rights for all shareholders and good control and corporate governance mechanisms. The board of directors assesses and discusses Elkem's corporate governance policy on a yearly basis.

Elkem aspire to comply with the recommendations of the Code. If the Code is deviated from, the deviation is described and explained in the relevant section of this statement.

No deviations from the code.

2. BUSINESS

Elkem's mission is to contribute to a sustainable future by providing advanced silicon, silicones and carbon solutions, adding value to our stakeholders globally. Elkem's business scope is clearly described in section 3 of the articles of association:

The object of the company is to develop and engage in industry, mining, trade and transportation as well as exploration and exploitation of natural resources. The company may also develop, acquire and exploit patents inventions and technical knowhow. The company may participate directly or indirectly or by other means in companies engaged in activities outlined above or activities that promote or support such objects.

Elkem was founded in 1904 and is a market leader in the production of silicon-based advanced materials. Elkem is a fully integrated producer with operations throughout the silicon value chain from quartz to silicon and downstream silicone specialities, as well as speciality ferrosilicon alloys and carbon materials.

Elkem is operating in capital intensive industries and has 31 production sites and an extensive network of sales offices around the world. While this gives competitive strengths, it also gives exposure to a range of risk factors. The board of directors has defined goals and strategies for the business and has a clear focus on risk profiles and risk management to create value for the company's shareholders. More details on the main risks and risk management principles are presented in the annual report. See also section 9 below.

The board has set out specialisation and continued growth as the main strategic priorities. Focus on further product specialisation through R&D and selected acquisitions is a key strategic measure to improve and stabilise the group's profitability. The target is also to grow Elkem's business both organically and through acquisitions to secure and strengthen the group's attractive positions in growth markets driven by global mega-trends. To support its strategic goals, Elkem will focus on operational excellence, digitalisation, people development and ESG (Environment, Social and Governance). These initiatives are seen as crucial parts of the

group's strategy to secure profitable and sustainable growth.

Risk management and internal control systems are in place to manage operational risks. The company aims to maintain a strong financial profile with a robust capital structure. The target, based on earnings over the business cycle, is to have a leverage ratio of 1.0x – 2.0x, defined as net interest-bearing debt to EBITDA.

Sustainability is central in Elkem's business strategy. Elkem defines sustainability work as continuous efforts to maximise the positive impact on the environment and societies, as well as to minimise any negative impact. Elkem is a signatory to the UN Global Compact and apply sustainability in line with the principles of the UN Global Compact. Elkem is committed to develop its business in support of the ambitions of the Paris climate agreement and the UN Sustainable Development Goals (SDGs). Elkem is also committed to follow the United Nations Guiding Principles on Human Rights and Business. Elkem's Silicones division is a member of the Responsible Care Global Charter which is the chemical industry's global initiative to drive continuous improvement in environment, health, safety and security.

Elkem has implemented guidelines and procedures in accordance with section 3-3c of the Accounting Act, including Code of conduct, policy on anti-corruption and CSR policies.

Elkem's objectives, strategy and financial targets are evaluated by the board of directors on an annual basis. The board also reviews the group's performance in ESG and evaluates the risk profile and make regular assessments of these processes to ensure high quality standards.

No deviations from the Code.

3. EQUITY AND DIVIDENDS

As at 31 December 2020, the group's equity was NOK 12,635 million, which is equivalent to 41% of total assets. The total issued share capital of Elkem amounted to NOK 2,906,551,720 divided into 581,310,344 shares, each with a nominal value of NOK 5.

Elkem aims to maintain an investment grade profile and targets a leverage ratio, defined as net interest bearing debt to EBITDA, in the level of 1.0 – 2.0 times, based on earnings over the business cycle. As at 31 December 2020, the leverage ratio was 3.0 times, which is above target, as a result of lower EBITDA due to challenging market conditions caused by Covid-19. The board of director's target is to ensure a leverage ratio in line with policy over the business cycle. In addition, Elkem aims to keep a robust liquidity reserve and a smooth maturity profile on its loan portfolio to mitigate financing and liquidity risk. As at 31 December 2020, available cash amounted to NOK 3,154 million providing a strong liquidity position. In addition, Elkem has undrawn credit facilities amounting to NOK 4,916 million.

The board of directors considers Elkem's capital structure, including equity and debt structure, to be appropriate to the company's objective, strategy and risk profile.

The company's dividend policy is to aim for dividends distributions to reflect the underlying earnings and cash flow of the group and targets a dividend pay-out ratio of 30-50% of the group's net income for the year. The proposed dividend pay-out for the financial year ended 31 December 2020 is NOK 87 million, which corresponds to NOK 0.15 per share. The proposed dividend represents 36% of the group's net income in 2020.

The board of directors has not been granted any authorisation to approve distribution of dividends.

At the annual general meeting on 8 May 2020, the board of directors was granted the following authorisations:

- i. In order to give the board of directors financial flexibility and enable quick access to the market in the event of an acquisition in return of shares or for general corporate purposes, the board of directors was granted an authorisation to increase the share capital with an amount up to NOK 290,655,172 corresponding to 10% of the current share capital. The authorisation covers share capital increases against contribution in kind and share capital increase in connections with mergers. The shareholders' preferential rights to new shares may be deviated from. The authorisation is valid until the annual general meeting in 2021, but no longer than to and including 30 June 2021.
- ii. The board of directors was granted an authorisation to increase the share capital up to NOK 40,000,000 to be used in connection with the issuance of new shares under the company's share incentive scheme. The authorisation is valid until the annual general meeting in 2021, but no longer than to and including 30 June 2021.
- iii. In order to allow the board of directors to utilise the mechanisms permitted by the Norwegian Public Limited Liability Companies Act to acquire own shares, the board of directors was granted an authorisation to acquire own shares with a total nominal value of up to NOK 290,655,172 corresponding to 10% of the current share capital. The maximum amount that can be paid for each share is NOK 150 and the minimum is NOK 1. The authorisation is valid until the annual general meeting in 2021, but no longer than to and including 30 June 2021.

Deviations from the Code: The board of directors' authorisation to increase the share capital with an amount up to NOK 290,655,172, corresponding to 10% of the current share capital can be used for several purposes. Elkem believes that this authorisation is important in order to allow the board of directors, in the interest of time, to act quickly in connection with a transaction or other corporate events where it is in the shareholders and Elkem's interest to increase the share capital. This authorisation was not utilised in the financial year ended 31 December 2020.



4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

In the event of an increase in share capital through the issue of new shares, a decision to waive the existing shareholders' pre-emptive rights will be publicly disclosed in a stock exchange announcement issued in connection with the share issuance. Elkem did not resolve any share capital increases in the financial year ended 31 December 2020.

If Elkem should carry out any transaction in its own shares, this will be carried out either through the stock exchange or at prevailing stock exchange prices to ensure equal treatment of all shareholders. Elkem did not carry out any transactions in its own share in the financial year ended 31 December 2020.

In the event of a not immaterial transaction between the company and its shareholders, a shareholder's parent company, members of the board, executive management or closely-related

parties of any such parties, the board will arrange for a valuation to be obtained from an independent third party. In 2020, there were no significant transaction between the company and related parties, except for ordinary commercial transactions at arm's length market terms.

No deviations from the Code.

5. FREELY NEGOTIABLE SHARES

The shares in Elkem are freely negotiable and there are no restrictions on any party's ability to own, trade or vote for the share in the company. Elkem has only one class of shares. Each share grants the holder one vote and there are no structures granting disproportionate voting rights.

No deviations from the Code.



6. GENERAL MEETINGS

The board of directors will ensure that as many of the company's shareholders as possible can participate in the general meeting. The Covid-19 pandemic has necessitated electronic solutions due to restrictions on meetings and physical presence. In 2020, Elkem arranged for webcast solution for external and internal participants that were prevented from attending the general meeting. The board of directors will further ensure that:

- notices for the general meetings are sent to all shareholders individually, or to their depository banks, at least 21 days in advance, that all matters to be considered by the meeting are specified and that relevant documents are made available on the company's website;
- the resolutions and any supporting documentation are sufficiently detailed, comprehensive and specific, allowing shareholders to understand and form a view on all matters to be considered at the general meeting;
- the CEO, the chair of the board of directors and the chair of the nomination committee are present at the general meeting. Due to the Covid-19 pandemic and relevant governmental restrictions, this may not be possible at all times. Due to national restrictions, the board was represented by the presence of vice chair Dag Jakob Opedal. The chair of the nomination committee was also present while the CEO participated through the webcast solution; and
- the general meeting is able to elect an independent chair for the general meeting.

The articles of association of Elkem does not provide for any deadline for the shareholders to give notice of their attendance at the general meeting. The board of directors may still encourage shareholders to give such notice within a set deadline.

Shareholders who are unable to be present at the general meeting will be given the opportunity to vote by proxy or through

written voting in a period prior to the general meeting. The company will in this respect provide information on the procedure and prepare a proxy form/written voting form. The Company will nominate a person to act as proxy.

All board members and members of the nomination committee are encouraged, but not obliged, to be present at the annual general meeting. Elkem has chosen not to follow the recommendation to vote separately on each candidate nominated for the board of directors and the nomination committee. The process of the nomination committee is focused on the combined qualification and experience of the proposed members to the board of directors and the nomination committee and the voting should therefore also be combined.

Deviations from the code: Voting on members to the board of directors and the nomination committee takes place as a combined vote. Pursuant to the Code, the board of directors should ensure that all board members attend the general meeting. Elkem does not require all board members to attend, however, in accordance with the Norwegian Public Limited Liability Companies Act, Elkem requires the CEO, the chair of the board of directors and the chair of the nomination committee to attend the general meeting. Due to national restrictions in connection with Covid-19, the board was represented by the presence of vice chair at the annual general meeting in 2020.

7. NOMINATION COMMITTEE

Establishment and composition

According to section 7 of Elkem's articles of association, the company shall have a nomination committee consisting of two or three members in accordance with the decision of the general meeting. The members of the nomination committee are elected by the annual general meeting. The general meeting has also approved guidelines for the duties of the nomination committee, elected the chair and determined the remuneration of the members of the committee

The nomination committee comprise the following members, all of whom were elected on the annual general meeting in 2020:

- **Sverre S. Tysland** / Chair / Practicing lawyer / Independent / Re-elected in 2020 for a term of office of one (1) year until 2021;
- **Zhu Ziaolei** / Committee member representing the majority shareholder / Elected in 2020 for a term of office of two (2) years until 2022; and
- **Anne Kjølseth Ekerholdt** / Committee member / Practicing lawyer / Independent / Remaining term of office of one (1) year until 2021.

The members of the nomination committee have been elected to take into account the interests of shareholders in general. The majority of the members are independent of the board of directors and the executive management.

The nomination committee shall make recommendations to the general meeting for the election of shareholder elected board members and members of the nomination committee, and the remuneration of the board of directors and the nomination committee. When nominating shareholder representatives to the board of directors, the nomination committee presents relevant information about the candidates, together with an evaluation of their independence.

In connection with the nomination committee's work with proposing candidates, and to ensure that the candidates represent a broad group of the company's shareholders, the nomination committee is in contact with the board of directors, the CEO and major shareholders. Furthermore, the nomination committee ensures that the board of directors is composed to comply with legal requirements and the corporate governance code.

The nomination committee have justified its proposal for the board of directors. While the nomination committee presents relevant information about each candidate separately, the nomination committee focuses on the combined qualifications and experience of the proposed members of the board of directors when presenting its proposal to the general meeting. Information on how to propose candidates is available on Elkem's website.

Deviations from the Code: The nomination committee justifies its proposals combined and not separately for each board member.

8. COMPOSITION AND INDEPENDENCE OF THE BOARD

The board of directors of Elkem comprises 11 members, of which eight of the board members, including the chair, are shareholder elected. The remaining three board members are elected by the company's employees.

As of 31 December 2020, the board of directors of Elkem comprise the following persons:

- **Zhigang Hao** / Chair / Representing the majority shareholder / Remaining term of office of one (1) year until 2021;
- **Dag Jakob Opedal** / Vice chair / Independent / Re-elected in 2020 for a term of office of two (2) years until 2022;
- **Olivier Tillet de Clermont-Tonnerre** / Board member / Representing the majority shareholder / Re-elected in 2020 for a term of office of two (2) years until 2022;
- **Yougen Ge** / Board member / Representing the majority shareholder / Re-elected in 2020 for a term of office of one (1) year until 2021;
- **Helge Aasen** / Board member / Representing the majority shareholder / Remaining term of office of one (1) year until 2021;
- **Anja-Isabel Dotzenrath** / Board member / Independent / Remaining term of office of one (1) year until 2021;
- **Caroline Grégoire Sainte Marie** / Board member / Independent / Re-elected in 2020 for a term of office of one (1) year until 2021;

- **Marianne Elisabeth Johnsen** / Board member / Independent / Remaining term of office of one (1) year until 2021;
- **Terje Andre Hanssen** / Board member / Employee representative / Term of office of two (2) years until the annual general meeting in 2022;
- **Marianne Færøyvik** / Board member / Employee representative / Term of office of two (2) years until the annual general meeting in 2022 and;
- **Knut Sande** / Board member / Employee representative / Term of office of two (2) years until the annual general meeting in 2022.

The composition of the board of directors is considered to attend to the common interests of all shareholders and meet the company's need for expertise, capacity and diversity. Four of the board members are women, and none of the members of the company's executive management are members of the board of directors.

The board of directors is composed so that it can act independently of any special interests. The majority of the shareholder elected board members are independent of the executive management and material business connections of the company. Further, four out of the eight shareholder elected board members are independent of the company's majority shareholder.

Further information on each of the board members is presented at www.elkem.com and information on their record of attendance at board meetings can be found in note 10 to the consolidated financial statements.

Members of the board of directors are encouraged to own shares in the company, however, with caution not to let this encourage a short-term approach which is not in the best interests of the company and its shareholders over the longer term. As at 31 December 2020, the following board members owned shares in the company: Helge Aasen (86,206 shares), Olivier Tillet de Clermont-Tonnerre (15,517 shares), Caroline Grégoire Sainte Marie (2,300 shares), Dag Jakob Opedal (40,000 shares), Marianne Elisabeth Johnsen (15,000 shares) and Marianne Færøyvik (4,950 shares).

No deviations from the Code.

9. THE WORK OF THE BOARD OF DIRECTORS

The board of directors' work follows an annual plan, with particular focus on objectives, strategy and implementation. The plan is evaluated and approved around the beginning of each calendar year. The board of directors also annually evaluates its performance and expertise, the evaluation is presented to the nomination committee.

The board of directors has implemented instructions for the board of directors and the executive management, which are focused on determining allocation of internal responsibilities and duties. The objectives, responsibilities and functions

of the board of directors and the CEO are in compliance with rules and standards applicable to the group and are described in the company's annual report. The board of directors have also implemented procedures to ensure that members of the board of directors and executive personnel make the company aware of any material interests that they may have in items to be considered by the board of directors. The board of directors will also be chaired by some other member of the board if the board is to consider matters of a material character in which the chair of the board is, or has been, personally involved.

The board of directors held 8 board meetings in 2020. Three board members were absent from one board meeting each. Except for that, all board members attended all board meetings in 2020.

The board of directors reports on any transactions with related parties in the annual report.

The board of directors has established an audit committee and a remuneration committee.

No deviations from the Code.

The audit committee

The board of directors has established an audit committee which is a working committee for the board of directors, preparing matters and acting in an advisory capacity. The audit committee is responsible for overseeing financial reporting and disclosure and assists the board of directors with assessments of the integrity of the company's financial statements, financial reporting processes and internal controls, risk management and performance of the external auditor.

The board of directors has issued instructions for the work of the audit committee, and the duties and composition of the committee are in compliance with the Norwegian Public Limited Liability Companies Act.

The members of the audit committee are elected by and amongst the members of the board of directors for a term of up to two years and comprise the following persons:

- **Zhigang Hao** / Chair / Representing the majority shareholder
- **Anja-Isabel Dotzenrath** / Member / Independent
- **Caroline Grégoire Sainte Marie** / Member / Independent

The committee members have the overall competence required to fulfil their duties based on the organisation and operations of the group, at least one member of the audit committee is competent in respect of finance and audit. The majority of the members are independent of the business.

The remuneration committee

The board of directors has appointed a remuneration committee which comprise the following persons:

- **Zhigang Hao** / Chair / Representing the majority shareholder
- **Anja-Isabel Dotzenrath** / Member / Independent
- **Caroline Grégoire Sainte Marie** / Member / Independent

The remuneration committee is a preparatory and advisory committee for the board of directors in questions relating to the company's compensation of the executive management. The purpose of the remuneration committee is to ensure thorough and independent preparation of matters relating to compensation to the executive personnel. The remuneration committee puts forth a recommendation for the board of directors' guidelines for remuneration to senior executives in accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act.

The members of the remuneration committee are elected by and amongst the members of the board of directors for a term of up to two years and are independent of the company's executive management.

The board of directors has issued instructions for the work of the remuneration committee.

No deviations from the Code.

10. RISK MANAGEMENT AND INTERNAL CONTROL

It is ultimately the responsibility of the board of directors to ensure that the company has sound and appropriate internal control systems and risk management systems reflecting the extent and nature of the company's activities. Sound risk management is an important tool to create trust, ensure good environment, health and safety standards and enhance value creation. Internal control should ensure effective operations and prudent management of significant risks that could prevent the group from attaining its targets. Elkem's internal controls and systems also cover the company's corporate values, ethical guidelines and standards to ensure good performance in ESG.

Elkem complies with all laws and regulations that apply to the group's business activities. The group's Code of conduct sets out the overall ethical guidelines, which apply to all Elkem employees, members of the board of directors as well as those acting on Elkem's behalf.

The company has a comprehensive set of relevant corporate manuals and procedures, which provide detailed descriptions of procedures covering all aspects of managing the operational business. The procedures and manuals are continuously revised to reflect best practice derived from experience or adopted through regulations.

The board of directors conducts annual reviews of the company's most important areas of exposure to risk and such areas' internal control arrangements. A summary of the main risks is presented in the annual report.

The board of directors describes the main features of the company's internal control and risk management systems con-

nected to the company's financial reporting in the company's annual report. This covers the culture of control, risk assessment, controlling activities and information, communication and follow-up. The board of directors is obligated to ensure that it is updated on the company's financial situation, and to continuously evaluate whether the company's equity and liquidity are adequate in terms of the risk from, and the scope of, the company's activities, and shall immediately take necessary actions if it is demonstrated at any time that the company's capital or liquidity is inadequate. The company focuses on frequent and relevant management reporting to the board of directors. The reports contain matters related to health and safety, market development, operations and financial performance. The purpose is to ensure that the board of directors has sufficient information for decision-making and is able to respond quickly to changing conditions or important incidents. Board meetings are held regularly, and management reports are provided to the board on a monthly basis.

No deviations from the Code.

11. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration to the board of directors is determined by the shareholders at the annual general meeting based on a proposal from the nomination committee. The level of remuneration to the board of directors is considered to reflect an international level and the board of directors' responsibility, expertise, the complexity of the company and its business, as well as time spent and the level of activity in both the board of directors and any board committees.

The remuneration of the board of directors is not linked to the company's performance and Elkem does not grant share options to its members of the board of directors.

The board members, or companies associated with board members, have not been engaged in specific assignments for the company in addition to their appointments as members of the board of directors.

The remunerations for the period from May 2020 until the annual general meeting in 2021 are as follows:

Board of directors:

- Chair: NOK 750,000
- Deputy chair: NOK 562,500
- Board members: NOK 375,000
- Observers: NOK 187,500

Audit committee:

- Leader: NOK 135,000
- Members: NOK 90,000

Remuneration committee:

- Leader: NOK 135,000
- Independent members: NOK 90,000

The total compensation to members of the board of directors in 2020 is disclosed in note 10 to the consolidated financial statements.

No Deviations from the Code.

12. REMUNERATION OF EXECUTIVE PERSONNEL

The board of directors prepares guidelines for the remuneration of executive management which support Elkem's prevailing strategy and values. These guidelines include the main principles for the company's remuneration policy and contributes to aligning the interests of the shareholders and the executive management. The guidelines are communicated to the annual general meeting and the board of director's statement will be presented in a separate appendix to the agenda for the general meeting.

Performance-related remuneration of the executive management in the form of share options, bonus programmes or similar are linked to value creation for shareholders or the company's profit over time. As at 31 December 2020, 22,767,000 options were outstanding to members of the management and certain other key employees, of which 7,267,000 were granted in 2018, 7,500,000 were granted in 2019 and 8,000,000 were granted in 2020. Each option granted in 2018 gives the option holder the right to subscribe or purchase one share in Elkem ASA at an exercise price of NOK 38.52, which is equal to the share price at closing on 13 September 2018. Each option granted in 2019 gives the option holder the right to subscribe or purchase one share in Elkem ASA at an exercise price of NOK 23.53, which is equal to the average of the share price at closing on the first 20 trading days in July 2019. Each option granted in 2020 gives the option holder the right to subscribe or purchase one share in Elkem ASA at an exercise price of NOK 19.10, which is equal to the average of the share price at closing on the first 20 trading days in July 2020. The options will vest over a period of three years from grant with one-third vesting each year. 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.

No deviations from the Code.

13. INFORMATION AND COMMUNICATIONS

Elkem is under an obligation to continuously provide its shareholders, Oslo Børs and the financial markets in general with timely and precise information about the company and its operations. Relevant information is given in the form of annual reports, quarterly reports, press releases, notices to the stock exchange and investor presentations in accordance with what is deemed appropriate from time to time. Elkem maintains an open and proactive policy for investor relations and has given regular presentations in connection with annual and quarterly results. The goal is that Elkem's information work shall be in accordance with

best practice at all times and all communications with shareholders shall be in compliance with the provisions of applicable laws and regulations and in consideration of the principle of equal treatment of the company's shareholders.

Investor contact/investor relations (IR) activities are conducted in accordance with the IR policy and by the IR team only. The IR team comprises the CEO, the CFO and the VP Finance and Investor relations.

The company publishes an annual, electronic financial calendar with an overview of dates for important events, such as the annual general meeting, interim financial reports, public presentations and payment of dividends, if applicable.

In addition to the board of directors' dialogue with the company's shareholders at general meetings, the board of directors promotes suitable arrangements for shareholders to communicate with the company at other times. The board of directors have delegated this task to the IR team. Elkem has held regular investor meetings in connection with each of the quarterly presentations in 2020 and participated on several investor conferences. The IR team has met with investors from Oslo, London, Frankfurt and other cities. Due to the Covid-19 pandemic, most of these meetings and conferences have taken place on various electronic platforms. The plan is to arrange regular investor meetings and a capital market day when it is considered expedient in order to keep the market up-to-date about the company's development, goals and strategies.

No deviations from the Code.

14. TAKE-OVERS

Elkem has one major shareholder controlling 58.2% of the shares as at 31 December 2020. Elkem has not been subject to any takeover bids in 2020.

In the event of a takeover bid, the board of directors and executive management each have an individual responsibility to ensure that the company's shareholders are treated equally and that there are no unnecessary interruptions to the company's business activities. The board of directors has a particular responsibility in ensuring that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the board of directors shall abide by the principles of the Code, and also ensure that the following take place:

- the board of directors will not seek to hinder or obstruct any takeover offer for the company's operations or shares unless they have valid and particular reasons for doing so;
- the board of directors shall not exercise mandates or pass any resolutions with the intention of obstructing the takeover offer unless this is approved by the general meeting following announcement of the offer;
- the board of directors shall not undertake any actions intended to give shareholders or others an unreasonable

advantage at the expense of other shareholders or the company;

- the board of directors shall not enter into an agreement with any offeror that limits the company's ability to arrange other offers for the company's shares, unless it is self-evident that such an agreement is in the common interest of the company and its shareholders;
- the board of directors and executive management shall not institute measures with the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
- the board of directors must be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

In the event of a take-over offer, the board of directors will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Code. This includes obtaining a valuation from an independent expert. On this basis, the board of directors will make a recommendation as to whether or not the shareholders should accept the offer.

A takeover process gives rise to a particular duty of care to disclose information, where openness is an important tool for the board of directors to ensure equal treatment of all shareholders. The board of directors shall strive to ensure that neither inside information about the company, nor any other information that must be assumed to be relevant for shareholders in a bidding process, remains unpublished.

There are no other written guidelines for procedures to be followed in the event of a takeover offer. The company has not found it appropriate to draw up any explicit basic principles for Elkem's conduct in the event of a take-over offer, other than the actions described above.

The board of directors otherwise concurs with what is stated in the Code regarding this issue.

No deviations from the Code.

15. AUDITOR

The board of directors is responsible for ensuring that the board and the audit committee are provided with sufficient insight into the work of the auditor. In this regard, the board of directors ensured that the auditor submitted the main features of the plan for the audit of the company to the audit committee in 2020. Further, the board of directors invited the auditor to participate in the board meeting that dealt with the annual accounts. At these meetings, the auditor (i) reports on any material changes in the company's accounting principles and key aspects of the audit, (ii) comments on any material estimated accounting figures, and (iii) reports all material matters on which there has been disagreement between the auditor and the executive management of the company.

Once a year, the board of directors reviews the company's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement. In this regard, a review of the company's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement, was carried out by the board of directors in 2020.

In order to ensure the auditor's independence of the company's executive management, the board of directors has established guidelines in respect of the use of the auditor by the management for services other than the audit.

No deviations from the Code.

The board of directors of Elkem ASA
Oslo, 10 March 2021



Zhigang Hao

Chair of the Board



Dag Jakob Opedal

Deputy chair



Caroline Grégoire Sainte Marie

Board member



Yougen Ge

Board member



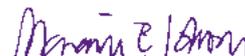
Anja-Isabel Dotzenrath

Board member



Olivier Tillette de Clermont-Tonnerre

Board member



Marianne Elisabeth Johnsen

Board member



Helge Aasen

Board member



Terje Andre Hanssen

Board member



Marianne Færøyvik

Board member



Knut Sande

Board member



Michael Koenig

Chief Executive Officer



To the Board of Directors in Elkem ASA

Report on Elkem ASA's greenhouse gas emissions reporting

We have undertaken a limited assurance engagement of the accompanying statement of Elkem ASA's measurements and reporting of greenhouse gas emissions ("GHG emissions") for the period 1 January 2020 – 31 December 2020. Measurements and reporting of GHG emissions are presented in the ESG report section of Elkem's 2020 annual report, specifically in the two tables presented on page 65 of the annual report.

Our limited assurance engagement comprises whether Elkem has developed measurements and reporting of GHG emissions and whether the GHG emissions are presented according to the GHG Protocol Corporate Accounting and Reporting Standard published by the World Resources Institute and the World Business Council for Sustainable Development (criteria). The GHG Protocol Corporate Accounting and Reporting Standard is available at <https://ghgprotocol.org/corporate-standard>.

Tasks and responsibilities of management

Management is responsible for Elkem's GHG emissions reporting and that the GHG emissions are measured and reported in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. Their responsibility includes developing, implementing and maintaining internal controls that ensure appropriate measurement and reporting of GHG emissions.

Our independence and quality control

We are independent of the company in accordance with applicable laws and regulations and the Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our independent statement, and we have fulfilled our ethical obligations in accordance with these requirements and IESBA Code. We use ISQC 1 - Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and maintains a comprehensive quality control system including documented policies and procedures of the ethical standards, professional standards and applicable legal and regulatory claim.

The Auditors responsibilities

Our responsibility is to express a limited assurance conclusion on Elkem ASA's GHG emissions reporting based on the procedures we have performed and the evidence we have obtained. We have performed our work and will issue our statement in accordance with the International Standard on Assurance Engagements ISAE 3410 Assurance Engagements on Greenhouse Gas Statements. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the GHG statement is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3410 involves assessing the suitability in the circumstances of Elkem ASA's use of GHG Protocol Corporate Accounting and Reporting Standard as the basis for the preparation of the GHG statement, assessing the risks of material misstatement of the GHG statement whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the GHG statement. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

*PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap*



The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above, we:

- Through inquiries, obtained an understanding of Elkem ASA's control environment and information systems relevant to emissions quantification and reporting, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- Evaluated whether Elkem ASA's methods for developing estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate Elkem ASA's estimates.
- Performed procedures to assess the completeness of the reported emissions sources, data collection methods, source data and relevant assumptions applicable to a selection of Elkem ASA's plants. The plants selected for test procedures were chosen taking into consideration their emissions in relation to total emissions and emissions sources. Our procedures did not include testing information systems to collect and aggregate facility data, or the controls at these sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Elkem ASA's GHG statement has been prepared, in all material respects, in accordance with the GHG Protocol Corporate Accounting and Reporting Standard published by the World Resources Institute and the World Business Council for Sustainable Development applied as explained in Note 1 to the GHG statement.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Elkem ASA's GHG statement for the period 1 January 2020 – 31 December 2020, is not prepared, in all material respects, in accordance with the GHG Protocol Corporate Accounting and Reporting Standard published by the World Resources Institute and the World Business Council for Sustainable Development applied as explained in Note 1 to the GHG statement.

Oslo, 11 March 2021

PricewaterhouseCoopers AS

A handwritten signature in blue ink that reads 'Anders Ellefsen'.

Anders Ellefsen
State authorized public accountant (Norway)

(2)



Elkem ASA

Visiting address:

Drammensveien 169
0277 Oslo, Norway

Postal address:

P.O. Box 334 Skøyen
NO-0213 Oslo

T: +47 22 45 01 00

F: +47 22 45 01 55

www.elkem.com