# DECISION BY THE BOARD OF DIRECTORS REGARDING THE 2022 PERFORMANCE SHARE PLANS

Based on the authorization granted by the annual general meeting of 19 May 2022, and upon recommendation by the Nominating, Compensation and Corporate Governance Committee, the Board of Directors decided on 9 November 2022 to award 363,255 existing or to be issued performance shares to 1,646 beneficiaries.

In accordance with the compensation policy and principles for the Chairman and Chief Executive Officer, the Board of Directors awarded him 30,000 of these shares.

In France, the vesting period will be three years, followed by a two-year holding period. Outside France, the vesting period will be four years, with no holding period.

The final vesting of the shares is, for all beneficiaries, subject to a condition of employment within the Group. In addition, awards of more than 70 shares are subject to five demanding financial and non-financial performance criteria for the full vesting.

In line with the long-term objectives of the Group for 2024 and Arkema's ambition to become a pure Specialty Materials player, and in accordance with the capital remuneration policy as approved by the annual general meeting dated 19 May 2022 in the context of the authorization mentioned above, the Board of Directors decided that, for the 2022 plan, the performance criteria, which are assessed over a 3-year period, shall be as follows:

- EBITDA margin of the Specialty Materials platform;
- EBITDA to cash conversion rate;
- Comparative TSR;
- Return on average capital employed (ROACE) of the Specialty Materials platform; and
- CSR performance assessed in the areas of climate, process safety, circular economy and diversity.

The weighting of the CSR criterion has been increased for the new authorization, and the weighting of the criteria has subsequently been reviewed as follows: the CSR criterion now accounts for 25%, TSR for 15% and the 3 other criteria for 20% each.

The vesting scales have been aligned with the Group's long-term objectives.

For each criterion, the vesting scale goes from 0% to 120%, the rate of 120% being awarded if the target values are exceeded, and the overall award rate is capped at 120%. Moreover, if the achievement rate of two of the criteria is strictly below 50%, the maximum award rate for each of the other criteria is capped at 100%.

The stringency of the targets has been reinforced for several criteria in order to take into account the Group's recent progress.

Hence, the maximum number of shares which may theoretically be awarded amounts to 428,525, *i.e.* 29% of the total authorization granted by the annual general meeting of 19 May 2022.

## FINANCIAL CRITERIA

- **EBITDA margin of the Specialty Materials platform**

EBITDA margin is defined as follows: EBITDA as a percentage of sales.

EBITDA is the sum of the EBITDA of the Adhesives Solutions, Advanced Materials and Coating Solutions segments, plus the share of corporate EBITDA allocated to these three segments (allocation on a *pro rata* basis based on sales). The same calculation methodology is used for the sales figure. For illustrative purposes, the Specialty Materials platform's EBITDA margin was 17.1% in 2021.

The indicator is calculated using the average of EBITDA margins over 2022, 2023 and 2024.

The vesting rates, based on the value of the indicator, are as follows:

| Value of the indicator | Vesting rate |
|---|---|
| indicator ≤ 14% | 0% |
| 14% ≤ indicator ≤ 15.5% | Linear scale between 0% and 50% |
| = 15.5% | 50% |
| 15.5% ≤ indicator ≤ 16.5% | Linear scale between 50% and 100% |
| = 16.5% | 100% |
| 16.5% ≤ indicator ≤ 17.25% | Linear scale between 100% and 120% |
| 17.25% ≤ indicator | 120% |

- **EBITDA to cash conversion rate**

The EBITDA to cash conversion rate is defined as recurring cash flow, *i.e.* free cash flow before exceptional items, as a percentage of EBITDA.

The indicator is calculated using the average conversion rates for 2022, 2023 and 2024.

Free cash flow is adjusted for the impact of exceptional items (exceptional capital expenditure and non-recurring cash flow), to ensure year-on-year comparability and to eliminate in particular significant non-recurring flows which may impact the criterion. The vesting scales are aligned as of the 2022-2024 period with the Group's long-term targets.

The vesting rates, based on the value of the indicator, are as follows:

| Value of the indicator | Vesting rate |
|---|---|
| indicator ≤ 30% | 0% |
| 30% ≤ indicator ≤ 40% | Linear scale between 0% and 100% |
| 40% ≤ indicator ≤ 45% | Linear scale between 100% and 120% |
| 45% ≤ indicator | 120% |

- **Comparative TSR (Total Shareholder Return)**

Arkema's TSR over a 3-year period is compared with the TSR median of its peers and two indices: BASF, Clariant, Evonik, HB Fuller, Lanxess, Dupont, Solvay, the MSCI European chemicals index (including dividends) and the CAC40 (including dividends) (the '**Panel**').

The indicator corresponds to the percentage of the Panel median that Arkema has achieved over the 2022-2024 period.

The vesting rates, based on the value of the indicator, are as follows:

| Value of the indicator | Vesting rate |
|---|---|
| indicator < 100% | 0% |
| = 100% | 50% |
| 100% ≤ indicator ≤ 110% | Linear scale between 50% and 100% |
| 110% ≤ indicator ≤ 120% | Linear scale between 100% and 120% |
| 120% ≤ indicator | 120% |

The TSR is calculated as follows: (share price at the end of the period - share price at the beginning of the period + sum of the dividends per share paid out during the period) / share price at the beginning of the period.

The average of the opening share prices during the third quarter of 2022 and the average the opening share prices during the third quarter of 2025 will be used to determine the prices at the beginning and at the end of the period respectively.

- **Return on average capital employed (ROACE) of the Specialty Materials Platform**

ROACE, which corresponds to REBIT of year N as a percentage of the average of capital employed at the end of years N and N-1, allows the measurement of profitability of investments over time.

REBIT is the sum of REBIT of the Adhesive Solutions, Advanced Materials and Coating Solutions segments, plus the share of corporate REBIT allocated to these three segments (allocation on a *pro rata* basis based on sales). The same calculation methodology is used for capital employed.

REBIT and capital employed are adjusted for:

✓ the impact of major acquisitions, the year of the acquisition and the two following years; and

✓ the impact of ongoing exceptional capital expenditure up to the year of the start-up and the two following years.

The indicator is calculated based on the average of the ROACE for 2022, 2023 and 2024.

The values of the indicator are consistent with the 2024 target of at least 10% and the thresholds of the vesting rates have been raised.

The vesting rates, based on the value of the indicator, are as follows:

| Value of the indicator | Vesting rate |
|---|---|
| indicator ≤ 8 % | 0% |
| 8% ≤ indicator ≤ 10.5% | Linear scale between 0% and 100% |
| 10.5% ≤ indicator ≤ 11% | Linear scale between 100% and 120% |
| 11% ≤ indicator | 120% |

### CSR CRITERIA

The CSR criterion is now structured as follows:

| | | | |
|---|---|---|---|
| CSR | 50% | | Carbon trajectory– Scopes 1 and 2 |
| | 50% | 1/3 | Diversity |
| | | 1/3 | Process Safety Event Rate (PSER) |
| | | 1/3 | Circular economy |

- **Carbon trajectory: GHG**

| GHG (Scopes 1 and 2) in kt $CO_2$ eq. in 2024 | Vesting rate |
|---|---|
| indicator ≥ 3,265 | 0% |
| 3,265 ≥ indicator ≥ 2,930 | Linear scale between 0% and 100% |
| 2,930 ≥ indicator ≥ 2,770 | Linear scale between 100% and 120% |
| 2,770 ≥ indicator | 120% |

The value of 2,930 kt $CO_2$ eq. (100%) corresponds to a linear decrease of the SBT (Science Based Target) 1.5°C trajectory in line with the new commitment of the climate plan of July 2022.

- **Diversity: Percentage of women holding senior management and executive positions**

| Percentage of women holding senior management and executive positions in 2024 | Vesting rate |
|---|---|
| indicator ≤ 23% | 0% |
| 23% ≤ indicator ≤ 26% | Linear scale between 0% and 100% |
| 26% ≤ indicator ≤ 26.5% | Linear scale between 100% and 120% |
| indicator ≥ 26.5% | 120% |

The values are consistent with the 2030 target.

- **PSER (Process Safety Event Rate)**

| PSER 2024 | Vesting rate |
|---|---|
| indicator ≥ 3.3 | 0% |
| 3.3 ≥ indicator ≥ 2.6 | Linear scale between 0% and 100% |
| 2.6 ≥ indicator ≥ 2.5 | Linear scale between 100% and 120% |
| 2.5 ≥ indicator | 120% |

The target for 100% is fixed at 2.6. For illustrative purposes, the minimum value of 3.3 is slightly above the 2021 performance, a year during which the Group showed significant progress compared to 2020.

- **Circular economy**

The circular economy is measured through an indicator composed of the following elements:

1. Life Cycle Assessment of Arkema's products (relative weighting = 40%)
2. Non-recovered waste (relative weighting = 30%)
3. Arkema's energy consumption decrease efforts with Energy EFPI (relative weighting = 30%).

The performance of these three indicators is monitored within the Group and reflects its commitment to developing the circular economy, in terms of products, waste recovery and energy consumption.

1. **<u>Life Cycle Assessment (LCA) of Arkema's products</u>**

| Percentage of sales covered by a LCA in 2024 | Vesting rate |
|---|---|
| indicator ≤ 35% | 0% |
| 35% ≤ indicator ≤ 50% | Linear scale between 0% and 100% |
| 50% ≤ indicator ≤ 55% | Linear scale between 100% and 120% |
| indicator ≥ 55% | 120% |

The values are consistent with the 2024 target. For illustrative purposes, in 2021, 27% of Group sales were covered by a LCA.

The minimum value of 35%, which is above the 2021 performance, reflects the Group' ambition to accelerate the completion of LCA of its products to meet customers' demand.

2. **<u>Non-recovered waste</u>**

| Non-recovered waste for the 2022-2024 period | Vesting rate |
|---|---|
| indicator ≥ 46.5 kg/t | 0% |
| 46.5 kg/t ≥ indicator ≥ 45.0 kg/t | Linear scale between 0% and 100% |
| 45.0 kg/t ≥ indicator ≥ 44.7 kg/t | Linear scale between 100% and 120% |
| indicator ≤ 44.7 kg/t | 120% |

The indicator used is the average of non-recovered waste for 2022, 2023 et 2024 in kg per ton of production.

For illustrative purposes, the reference of 46.5 kg/t is close to the 2021 value, which is the first year the calculation was made reliable. The trajectory considered between 2021 and 2024 corresponds to a reduction of 1.5%/year (100% rate).

3. **<u>EFPI Energy</u>**

| EFPI Energy Worldwide in 2024 | Vesting rate |
|---|---|
| indicator ≥ 0.91 | 0% |
| 0.91 ≥ indicator ≥ 0.84 | Linear scale between 0% and 100% |
| 0.84 ≥ indicator ≥ 0.82 | Linear scale between 100% and 120% |
| indicator ≤ 0.82 | 120% |

Energy EFPI captures efforts to reduce the Group's energy consumption, both for tertiary buildings or industrial facilities. This indicator thus reflects current and future efforts in terms of energy sobriety.

In July 2022, the target for this EFPI was revised when Arkema published its new climate plan and is now fixed at 0.75 in 2030 (*i.e.* a 25% decrease compared with 2012). The value for 100% (0.84) corresponds to the value in 2024 of this new trajectory and the value for 120% (0.82) corresponds to being one year ahead of schedule for this trajectory.

The minimum value of 0.91 corresponds to the 2019 performance.

Should the business portfolio evolve and lead to a significant impact on the value of one or more of the indicators, the Board of Directors, upon recommendation by the Nominating, Compensation and Corporate Governance Committee, may modify the target values and decide to adjust or modify the performance conditions or the Panel initially set in the event of exceptional circumstances which require and justify such a change and, in particular, in the event of a change in accounting method, a change in the scope of the Group or of a Panel company resulting from a merger, divestment, acquisition, the creation of a significant new business activity or the elimination of a significant existing business activity, or in the case of other exceptional circumstances that the Board considers important and relevant.

In line with past practice and in accordance with the recommendations of the AFEP-MEDEF Code, Thierry Le Hénaff formally undertook not to use financial instruments to hedge the risk of losses on the performance shares that he has been, or will be, granted by the Company during his term of office, and for as long as he holds an office as an executive director of the Company. Members of the Executive Committee undertook a similar commitment.

It is moreover reminded that in accordance with the law and the AFEP-MEDEF Code, the Chairman and Chief Executive Officer and the members of the Executive Committee are subject to an additional requirement to retain shares awarded to them.