



## DECISION BY THE BOARD OF DIRECTORS REGARDING THE 2020 PERFORMANCE SHARE PLANS

Based on the authorization granted by the annual general meeting on 21 May 2019, and upon recommendation by the Nominating, Compensation and Corporate Governance Committee, the Board of Directors decided on 4 November 2020 to award 366,795 existing or to be issued performance shares to 1,497 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 long-term objectives of the Group for 2024 published during the Capital Markets Day on 2 April 2020 and the ambition to become a pure Specialty Materials player, the Board of Directors decided to adjust performance criteria for the 2020 plan as follow:

- the REBIT margin criterion is replaced by an EBITDA margin criterion, in line with the April 2 presentation;
- the EBITDA margin and the ROACE will be calculated within the scope of the Specialty Materials platform, which is the Group's longer-term perimeter.

Furthermore, and as announced last year, a second environmental performance criterion concerning the management of non-renewable resources is complementing the greenhouse gas emissions criterion. As water scarcity is a major social issue, the retained criterion is the water supply divided by Group sales.

Thus the 2020 performance share plan is subject to the five following criteria, each of them accounting for 20% of the final vesting:

- 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, measured in three areas:
  - Safety, measured by the TRIR
  - Environment, measured by two indicators:
    - the greenhouse gas emissions (scope 1 and 2 + Montreal protocol)
    - the management of non-renewable resources (water supply divided by Group sales), a new indicator for 2020, and
  - Diversity, measured by the percentage of women holding senior management and executive positions.

For each criterion, the vesting scale goes from 0% to 120%, the rate of 120% being awarded if the target values are significantly exceeded, and the overall award rate is capped at 120%. Hence, the maximum number of shares that may be awarded is, as of today, 440,154, *i.e.*: 29% of the total number of

performance shares that may be awarded pursuant to the authorization granted by the annual general meeting on 21 May 2019.

The vesting scales are aligned with the Group's long-term objectives. The starting point is 2020, achieved in the context of the Covid-19 pandemic.

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

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

The EBITDA is the sum of the EBITDA of the Adhesives Solutions, Advanced Materials and Coating Solutions segments, minus the share of Corporate EBITDA allocated to these three segments (allocation on a pro rata basis based on sales). The same calculation methodology applies to the sales calculation.

The indicator is calculated using the average of EBITDA margins over 2020, 2021 and 2022.

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

Value of the indicator	Vesting rate
< 13.5%	0%
13.5% <= indicator <= 14.0%	Linear scale between 25% and 50%
= 14.0%	50%
14.0% <= indicator <= 15.0%	Linear scale between 50% et 100%
= 15.0%	100%
15.0% <= indicator <= 15.5%	Linear scale between 100% et 120%

- **EBITDA to cash conversion rate**

The EBITDA to cash conversion rate is defined as the free cash flow excluding exceptional capital expenditure as a percentage of EBITDA.

The indicator is calculated using the average conversion rates for 2020, 2021 and 2022.

Free cash flow is adjusted for the impact of non-recurring items (capex and opex), to ensure year on year comparability and to eliminate in particular significant non-recurring flows which could impact the criterion (for example in 2020, a significant inflow). The vesting scales have been revised upwards to align them as of the 2020-2022 period with the Group's new long-term targets.

The vesting rate is as follows:

Conversion rate	Vesting rate
< 27.5%	0%
27.5% <= rate <= 40%	Linear scale between 0% and 100%
40% <= rate <= 45%	Linear scale between 100% and 120%

- **Comparative TSR**

Arkema's TSR over a 3-year period is compared with that of its peers and 2 indices: BASF, Clariant, Evonik, HB Fuller, Lanxess, Sika, Solvay, the MSCI European chemicals index and the CAC 40 (the 'Panel').

Every component of the Panel is ranked by descending order of TSR.

The vesting rate is as follows:

<b>Arkema's ranking by descending order of TSR</b>	<b>Vesting rate</b>
1 <sup>st</sup>	120%
2 <sup>nd</sup>	110%
3 <sup>rd</sup>	100%
4 <sup>th</sup>	75%
5 <sup>th</sup>	50%
6 <sup>th</sup> to 10 <sup>th</sup>	0%

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 first half of 2020 will be used to determine the price at the beginning of the period, and the average of the opening share prices during the first half of 2023 will be used to determine the price at the end of the period.

- **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 in the Adhesive Solutions, Advanced Materials and Coating Solutions segments, minus the share of Corporate REBIT allocated to these three segments (allocation on a pro rata basis based on sales). The same calculation methodology applies to the calculation of 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 for the year of the start-up and the two following years.

The indicator is calculated in 2022 and the values of the indicator are coherent with the 2024 target of greater than 10%. The vesting rate of 0% has been defined for a level of ROACE equal to the current cost of capital.

<b>Value of the indicator in 2022</b>	<b>Vesting rate</b>
ROACE < 7.5%	0%
7.5% <= ROACE <= 9.0%	Linear scale between 0% and 100%
9.0% <= ROACE <= 9.5%	Linear scale between 100% and 120%

- **CSR performance**

The vesting rates, based on the values reached by 2022, are as follow:

- **Indicator relating to safety: TRIR** (accounting for a 30% weighting)

2022 TRIR	Vesting rate
> 1.50	0%
1.50 => TRIR => 1.20	Linear scale between 0% and 100%
1.20 => TRIR => 1.15	Linear scale between 100% and 120%

The proposed values for 2022 are already in line with the long term target of a rate below 1.2 in 2025 as published in the universal registration document.

- **Indicator relating to the environment** (accounting for a 40% weighting)

- ✓ **Greenhouse gas emissions** (accounting for 50% of the criterion)

GHG Scope 1 and 2 + Montreal protocol- 2022 in kt eq.CO <sub>2</sub>	Vesting rate
Indicator > 4,100	0%
4,100 => Indicator => 3,800	Linear scale between 0% and 100%
3,800 => Indicator => 3,700	Linear scale between 100% and 120%

The proposed values for 2022 are coherent with the 2030 target, which will be reached step by step.

- ✓ **Management of non-renewable resources** (accounting for 50% of the criterion)

Water supply divided by sales (m <sup>3</sup> /€k)	Vesting rate
Indicator > 12.9	0%
12.9 => Indicator => 11.6 (-10% relative to 2019)	Linear scale between 0% and 100%
11.6 => Indicator => 11.0 (-15% relative to 2019)	Linear scale between 100% and 120%

In order to factor out the currency effect, sales will be calculated using 2019 exchange rates.

- **Indicator relating to diversity** (accounting for a 30% weighting)

Percentage of women holding senior management and executive positions in 2022	Vesting rate
Indicator < 21%	0%
21% <= Indicator <= 23%	Linear scale between 0% and 100%
23% <= Indicator <= 24%	Linear scale between 100% and 120%

The proposed values for 2022 are in line with the 2025 target of 23% to 25%.

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.

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 stock options or performance shares that he has been, or will be, granted by the Company during his term of office as Chairman and Chief Executive Officer and as long as he remains in office. Members of the Executive Committee undertook a similar commitment as well.

It is 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.

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