

April 20, 2020,

Dear Shareholder,

As Senior Independent Director of the Board of Directors (the “Board”) of Arkema SA (“Arkema” or the “Company”), I have enjoyed engaging with Arkema’s shareholders since my appointment on 21 May 2019 and I have shared with the Board the constructive comments I have received, which are always taken into consideration in our decision-making process.

Today, I am writing to you on behalf of the Board in relation to our upcoming Annual General Meeting (“AGM”) to be held on 19 May 2020, in order to provide you with some background on the main agenda items coming to a vote.

The agenda reflects the decisions taken by the Board in February ahead of the COVID-19 epidemic crisis. However, to take into account the current situation, the Board has decided to adjust the capital allocation decision as announced in the [press release](#) issued on April 15, 2020 and to shift the application of the new remuneration policy to the end of 2020. The full agenda together with the resolutions modified as a result of these last decisions of the Board are fully reflected in the [notice of meeting document](#).

The Board is continuously monitoring the evolution of the situation and working with the Executive Committee to manage the impacts of the pandemic on the safety of our employees and limit the consequences on our operations. Now more than ever Arkema relies on the experience and knowledge of his Chairman and Chief Executive Officer, Thierry Le Hénaff, to go through the crisis and successfully implement the strategy during his next mandate as presented during Arkema’s Strategy Update held on 2 April 2020.

Re-election of our Chair/CEO, Thierry Le Hénaff (item 5)

Following an extensive evaluation by the Board and a review of Arkema’s strategic priorities, the Board unanimously agreed to maintain the roles of Chairman and Chief Executive Officer (“CEO”) combined under Thierry Le Hénaff. The combination of both roles is compliant with the AFEP-MEDEF Code of Corporate Governance and remains at this date the major French governance structure among the SBF 120 issuers, and the Board considers it as the most appropriate structure to deliver results for all stakeholders, including our shareholders. The unprecedented and on-going COVID-19 crisis emphasizes even more his ability to manage Arkema in an extremely efficient way thanks to his deep knowledge of the Company and his personal skills, in the best interests of Arkema and all of its stakeholders. Beyond, this reelection is taking place in the context of Arkema’s recent Investors’ Day and the new and compelling roadmap set for the Group until 2024. In this overall context, the Board thinks the continuity with Thierry Le Hénaff is essential-

The Board is aware of certain shareholders’ concerns regarding the combination of such roles, which we believe it has mitigated through enhanced governance practices and disclosures, including direct engagement with our shareholders to explain in full transparency our practices. We have now experienced this fruitful interaction for several years.

Notwithstanding the above, the Board would like to reiterate that it does not oppose the separation of the position of Chairman and CEO in the future in principle, and that this option could be prioritized once the matter of Thierry Le Hénaff's succession arises.

Even though we have disclosed all the points below in our [2019 Universal Registration Document](#) ("URD") (p 100-10), I wanted to highlight some of the key points underlying the Board's position to reelect Thierry Le Hénaff:

- The Board recalls the **crucial role Thierry Le Hénaff, as "founder of Arkema", has played since Arkema's creation in 2006** and its transformation into a major global player in the specialty chemicals industry. Between 2006 and 2019, the Company has multiplied its EBITDA by 4 and its EBITDA margin has almost tripled. The Board deems essential to have Thierry Le Hénaff continue this transformation to create a Specialty Materials leader while strengthening the Group's resilience and profile;
- The Board considers that the combination of roles allows for **efficiency in terms of decision-making and clarity achieved through one voice communicating** to the management team (subject to the active oversight of the Board) and to the external stakeholders, including regulators; the recent COVID-19 crisis emphasizes even more the need of a straightforward decision making process;
- The **Company's leadership structure is reviewed annually** as part of the Board's assessment of its operating procedures;
- The Board is satisfied with the **robust succession plan**, which is also reviewed annually;
- Arkema has adopted mitigating governance practices and enhanced its public disclosures to provide assurance to its shareholders:
 - **continuous refreshment of the Board with high-quality members** who each bring skillsets that are required to drive Arkema's long-term strategy and effectively oversee the performance of the management team;
 - **high level of Board independence and diversity**, supported by predominantly independent committees;
 - **limitation of the powers of the Chairman and CEO**, e.g. the most significant investments (>€80 million) and acquisitions (>€130 million) need prior approval of the Board;
 - **strong senior independent director, Hélène Moreau-Leroy, with clear and strengthened responsibilities**, including but not limited to:
 - leading executive sessions of the Board;
 - having direct and regular contact with the chairman of the Nominating, Compensation and Governance committee on governance related matters;
 - possibility to propose the inclusion of additional items on the agenda of Board meetings, if necessary;
 - possibility to attend Board Committee meetings without voting;
 - possibility, to call a Board meeting with a specific agenda in exceptional circumstances; and
 - maintaining ongoing relations with the Company's shareholders on governance matters.

For all these reasons notably, the Board is recommending that shareholders support the re-election of Thierry Le Hénaff, especially in the current COVID-19 crisis during and after which the Company will need stability and continuity, and taking into account the new challenges and the ambition announced during the Strategy Update session on 2 April 2020.

Executive Compensation Policy (item 7)

At the 2019 AGM, all remuneration-related proposals were largely supported by our shareholders. Together with the proposed re-election of Thierry Le Hénaff, the Nominating, Compensation and Governance Committee (“Committee”) reviewed the compensation policy after taking into account the feedback from our shareholders and a benchmarking study of similar industrial and chemical companies. Upon the recommendation of the Committee, the Board is proposing the following changes to the remuneration policy of the CEO:

- **Annual fixed compensation**

The Board has decided to increase the annual fixed compensation to €1 million (around +11 %) for the duration of the new mandate. This increase, corresponding to an annual increase of 2.67 percent over four years, is in line with the average annual salary increase of the Arkema France’s workforce during that period (11%).

- **Annual variable compensation**

- The Board has decided to propose an increase of the CEO’s target bonus from 110% to 120%, and of the maximum bonus from 150% to 180% of his annual fixed compensation in order to reward more effectively exceptional performance.
- A full retrospective disclosure linking the bonus earned to the performance achieved is provided in Arkema’s 2019 URD (p. 126-127) in order for shareholders to judge the stringency of the performance targets set by the Committee.

These Board proposals are based on the positive evolution of the Group’s profile over the past four years.

Between 2015-2019, the Group’s main performance indicators grew as follows (CAGR):

- revenues: +3.3 % per year
- EBITDA: +8.4 % per year
- free cash-flow: +10.8% per year
- net income – Group share: +17.5% per year.

- **Long-Term Incentive Plan (“LTIP”)**

- The Board maintains the level of 30 000 shares per year (with possible final effective award of 120%)
- The Board introduced in 2019 an ESG criteria (20% weight, equal to each of the 4 other criteria) including 3 quantitative measures of the company’s performance in terms of safety (TRIR), diversity (percentage of women in senior management and executive positions) and decrease of its environmental footprint (GHG emissions).
- Full retrospective disclosure regarding all LTIP awards granted or vested during the last financial year is provided in Arkema’s 2019 URD (p. 130-141) for shareholders to judge the stringency of the performance targets set by the Committee.

- **Post-mandate Vesting**

- The Board has clarified that the pro-rata rule will apply as a principle to any permitted post-mandate vesting.

- **Severance payment**

- The Board has removed the non-renewal of the mandate as a triggering event for the payment of a severance indemnity.
- The Board has reduced and strengthened the stringency of the performance criteria attached to the severance indemnity:

- TRIR (total recorded injury rate): average TRIR for the three years preceding departure would have to be less than or equal to 1.4, making Arkema among the leaders for the industry as a whole;
 - annual variable compensation: on average, the annual variable compensation paid during the three years preceding departure would have to be at least 75% of the target variable amount; and
 - EBITDA to cash conversion rate: the EBITDA to cash conversion rate must be greater than or equal to 35 percent. The achievement rate will be determined using the average conversion rate for the three years preceding departure.
- **Non-compete agreement**
 - The Board has decided that the Company enter into a non-compete agreement with the Chairman and CEO for a length of one year post-departure. The indemnity is limited to one year of his cash compensation (last fixed compensation + average of the last two years' variable compensation).
 - The aggregate of the severance payment and the non-compete indemnity cannot exceed the ceiling of two years of fixed and variable annual compensation.
 - The Chairman and CEO will not receive a non-compete indemnity if his departure is concomitant with his retirement or if he has already reached the age of 65.

By proposing these modifications, the Board is giving due consideration to the shareholders' views and concerns, while making sure that the compensation policy keeps delivering performance as it has until now.

This new package is proposed to enter into force, subject to the approval of the of the upcoming Annual General Meeting of May 19, 2020, as from the date of this Meeting, and for the full duration of the term of office, i.e.: 4 years.

However, given the exceptional circumstances linked to the Covid-19 crisis, and in a spirit of responsibility and solidarity towards all its stakeholders, Thierry Le Hénaff and the Board have agreed that the fixed and variable annual compensation defined as part of his new term of office will only be effective as from 1 January 2021. The currently applicable compensation will therefore continue until that date.

In addition, although Arkema has announced its intention not to ask for the exceptional liquidity support schemes that are proposed by the French state to overcome the Covid-19 crisis in order to let the most affected companies benefit from those measures, eager to personally join in the solidarity effort, Thierry Le Hénaff, Chairman and CEO, has also decided to donate 15% of his net fixed compensation perceived in 2nd quarter 2020 to the *Fondation de France* as part of the "All United Against Coronavirus" alliance.

We hope that you will continue supporting Arkema and vote FOR all items coming to a vote at this year's AGM and if you have any questions or comments regarding this letter or the AGM, you can contact IR representative, Béatrice Zilm (beatrice.zilm@arkema.com) or Secretary to the Board, Raphaëlle de Ponteves (raphaelle.de-ponteves@arkema.com).

Kind regards,

Hélène Moreau-Leroy
Senior independent director