DECISION BY THE BOARD OF DIRECTORS REGARDING THE 2019 PERFORMANCE SHARE PLAN

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 to award 370,000 existing or to be issued performance shares to some 1,500 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.

For employees in France, the vesting period will be three years, followed by a two-year holding period. For employees outside France, the vesting period will be four years, with no holding period, so that the vesting of the shares corresponds to the chargeability of the related taxes.

The final vesting of the shares at the end of the vesting period is, for all beneficiaries, subject to a condition of employment within the Group. In addition, awards of more than 70 shares are entirely subject to five demanding financial or extra-financial performance criteria.

The four financial performance criteria are the same as the ones used for the 2018 performance share plan. They refer to REBIT margin, EBITDA to cash conversion rate, comparative Total Shareholder Return (TSR) and return on average capital employed. For each criterion, the performance will be assessed over a three-year period from 2019 to 2021.

In addition, upon recommendation by the Nominating, Compensation and Corporate Governance Committee, the Board of Directors decided this year to introduce a fifth criterion relating to Arkema's CSR performance and composed of three of the CSR key performance indicators in this field whose definition, historical values and long-term objectives are published in Arkema's Reference document. These key performance indicators are the TRIR (Total Recordable Injury Rate: a major indicator reflecting Arkema's safety performance), greenhouse gas emissions (an important social issue in which Arkema has been engaged for several years) and the proportion of women holding senior management and executive positions (as diversity reflects the twin issues of equal opportunities and the company's performance). For each of these indicators, performance will be assessed at the end of the three-year period, *i.e.*: in 2021. The introduction of this criterion confirms the importance of social engagements for Arkema, in particular safety, the reduction of its environmental footprint and diversity, which are all inseparable from the development and performance of Arkema. For the next performance share plan, another environmental performance indicator relating to the responsible management of non-renewable resources will be included in this criterion.

Moreover, if the target values are significantly exceeded, the maximum award rate for each criterion has been set at 120%, without any global cap, *i.e.*: an overall award rate for all criteria of 120%. Hence, the maximum number of shares that may be awarded is, as of today, 444,000, *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.

For the 2019 plan, the five performance criteria, each accounting for 20% of the total award, are as follows:

- **REBIT margin**

The performance is assessed using the average of REBIT margins over 2019, 2020 and 2021.

REBIT Margin is defined as recurring EBIT as a percentage of sales. Unlike the EBITDA margin, the REBIT margin includes recurring depreciation and amortization charges. It measures the resilience of the Group's performance and its efforts to reduce capital intensity.

The vesting rate thresholds have been adjusted upwards to continue to measure the progress made by the Company, in line with its 2023 targets.

Average margin	Vesting rate
<9.50%	0%
9.50%<=indicator<=10.00%	Linear scale between 25% and 50%
=10.00%	50%
10.00%<=indicator<=11.25%	Linear scale between 50% et 100%
=11.25%	100%
11.25%<=indicator<=11.75%	Linear scale between 100% et 120%

- **EBITDA to cash conversion rate**

The achievement rate is determined using the average conversion rate for 2019, 2020 and 2021.

Defined as free cash flow excluding exceptional capital expenditure as a percentage of EBITDA, the EBITDA to cash conversion rate measures the Group's ability to generate cash flow after recurring capital expenditure, financial interests and tax.

The vesting scale is as follows:

Conversion rate	Vesting rate
<27.5%	0%
27.5%≤ rate ≤35%	Linear scale between 0% and 100%
35%< rate ≤40%	Linear scale between 100% and 120%

- **Comparative TSR**

The Total Shareholder Return measures the share's performance over a given period of time, taking into account the evolution of the share price and dividends paid. The aim is to outperform a panel of peers, as well as two different indices.

Within last year's peer group, certain peers' portfolio of businesses has evolved. As a result, the peer group has been modified and now includes: BASF, Clariant, Evonik, HB Fuller, Lanxess, Sika, Solvay, the MSCI index and the CAC40.

At the end of the period, in the event of a significant change in the portfolio of a peer which would lead this peer to become notably less comparable or where one of the peers is subject to a non-finalized takeover bid, the Board of Directors may modify the peer group upon recommendation by the Nominating, Compensation and Corporate Governance Committee.

In order to prevent any grant below the median, the vesting scale has been modified as follows:

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

The TSR continues to be calculated as follows:

TSR = (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.

To minimize the effects of market volatility on stock prices, the share price used will be a six-month average to determine the price at the beginning of the period (first half 2019) and at the end of the period (first half 2022).

- **Return on average capital employed (ROACE)**

ROACE corresponds to REBIT of year N as a percentage of the average of capital employed at the end of years N and N-1.

The achievement rate is determined using the average ROACE for 2019, 2020 and 2021.

Defined as REBIT as a percentage of average capital employed, ROACE allows the measurement of profitability of investments over time. It is a value creation indicator.

In line with what was submitted to shareholders during the renewal of the authorization of performance share grants, REBIT and capital employed will be adjusted for:

- The impact of major acquisitions, the year of the acquisition and the two following years,
- The impact of ongoing exceptional investments for the year of the start-up and the two following years.

The vesting scale, unchanged compared to 2018, is as follows:

ROACE	Vesting rate
<10%	0%
11.5%	100%
12.5%	120%

The vesting rate will be determined based on a linear scale between these different values.

The various indicators used in the definitions of the performance criteria (EBITDA, free cash flow, exceptional capital expenditure, ROACE, EBITDA to cash conversion rate and REBIT) are defined in the Glossary of the Registration document 2018 and their calculation is detailed in the notes to the consolidated financial statements (note C1).

- **Arkema's CSR performance**

Arkema's CSR performance is measured by the following 3 indicators, each accounting for:
- 7% for the TRIR
- 6% for the Climate : greenhouse gas emissions (scope 1 and 2 + Montreal protocol)
- 7% for the proportion of women holding senior management and executive positions.

For each indicator, performance will be measured in 2021.

The tables below set out the values corresponding to an achievement rate of 0%, 100% and 120% defined in coherence with the long-term objectives. The vesting rate will be determined based on a linear scale between these different values.

TRIR 2021	**Vesting rate**
>1.6	0%
=1.25	100%
≤1.2	120%

The target values for 100% and 120% would place Arkema on a more demanding path than the 2025 target of a rate below 1.2 as published in the Reference document.

Climate (GHG Scope 1 and 2 + Montreal protocol- 2021 in kt eq.CO_2)	**Vesting rate**
>4,150	0%
=3,850	100%
≤3,750	120%

The target values for 100% and 120% correspond to a decrease in line with the Paris Agreement and the 'Well below 2°C' target according to the *Science Based target* methodology.

Proportion of women holding senior management and executive positions at the end of 2021	**Vesting rate**
<21%	0%
=22.5%	100%
≥23.5%	120%

The target values for 100% and 120% would place Arkema within the 2025 target range 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 is 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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