Decisions by the Board of Directors on 9 November 2016 regarding the 2016 Performance Share Plan

The Board of Directors, as authorized by the annual shareholders' meeting on 7 June 2016, and upon proposal from the Nominating, Compensation and Corporate Governance Committee, has decided to award 358,000 existing performance shares to some 1,170 beneficiaries, including 30,000 to Mr Thierry Le Hénaff, Chairman and Chief Executive Officer.

For employees in France, the vesting period will be 3 years, to be followed by a 2-year holding period. For employees outside France, the award of performance shares will be subject to a 4-year vesting period, with no holding period, so that the vesting of the shares may correspond with the chargeability of the related taxes.

The definitive award of the shares at the end of the vesting period is, for everyone, subject to a condition of presence and, for awards of more than 80 shares, entirely subject to stringent performance criteria. Up until 2015, this threshold was 100 shares.

In order to take account of the Company's changing profile as well as demands from shareholders, the Board of Directors has decided to replace the criterion of EBITDA growth in absolute value with two new criteria:

- A first criterion linked to the Group's operating margin (or REBIT margin), corresponding to the Group's recurring operating income as a percentage of sales. The introduction of this indicator will better reflect the Group's transformation, and in particular its ambition to strongly develop its Specialty Adhesives activities. It will also help better monitor the progress made by the Group in particular in reducing its capital intensity;
- A second criterion linked to return on capital employed or ROCE, corresponding to the recurring operating income for the year over the average capital employed at end of period. This criterion will help better appreciate the profitability of investments made and therefore the Group's discipline in selecting its investments and using its resources and its ability to create value over the long term.

Accordingly, the performance share plans will henceforth be subject to four criteria, each of which applying to 25% of the total award:

- **REBIT margin** (recurring operating income as a percentage of sales):

  Performance in respect of this criterion will be evaluated using the average operating margins for 2016, 2017 and 2018 ("average margin").

  The vesting scheme will be as follows:

Average margin	Vesting rate
9%	50%
10%	100%
10.5%	125%

Between these different values, the vesting rate will be determined according to a linear scale. If the average margin is below 9%, namely a threshold significantly higher than the Group's operating margin in 2015 which was 7.9 %, no share will be vested in respect of this criterion.

The recurring operating income used for this criterion is the one published in the Group's consolidated annual financial statements;

- **EBITDA to cash conversion rate** (net cash flow over EBITDA):

  Net cash flow corresponds to cash flow from operations and investments excluding the impact of acquisitions and divestments, exceptional investments, payment of dividends, cost of hybrid bonds, and any unrealized exchange differences on foreign currency funding of exceptional investments, with no impact on net debt. It will be restated to offset the impact of the raw material environment on working capital variation.

  The achievement rate will be determined using the average conversion rate for 2017 and 2018.

  The vesting scheme will be as follows:

Conversion rate	Vesting rate
25%	0%
35%	100%
40%	120%

  Between these different values, the vesting rate will be determined according to a linear scale;

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

  TSR will be determined over a 3-year period, from 2016 to 2018.

  The peer group is identical to the one used in the 2015 performance share plan.

  The vesting scheme will be as follows:

Arkema's ranking by descending order of TSR	Vesting rate
1st with 2-percentage points above 2nd	130%
1st	120%
2nd	100%
3rd	85%
4th	65%
5th	50%
6th	25%
7th to 9th	0%

  The method for calculating TSR remains unchanged. However, to minimize the effects of market volatility on stock prices, the price used to determine prices at beginning and end of the period will be a six-month average;

- **Return on capital employed** or ROCE (recurring operating income over average capital employed at end of the period):

  The indicator used ("average ROCE") will be the average of ROCE for 2016, 2017 and 2018.

  The vesting scheme will be as follows:

Average ROCE	Vesting rate
10%	0%
11.5%	100%
12.5%	125%

  Between these different values, the vesting rate will be determined according to a linear scale. Recurring operating income and capital employed are determined in accordance with the definition in the Group's consolidated annual financial statements. To determine ROCE in the context of performance share plans, recurring operating income and capital employed will be restated, in case of a significant acquisition, to exclude the impact of such acquisition in the year of acquisition and the following two years.

The overall award for all four criteria may not exceed 110%. Hence, the maximum number of shares that may be awarded stands at 392,000, *i.e.* 27% of the total number of performance shares that may be awarded pursuant to the authorization granted by the annual shareholders' meeting on 7 June 2016.

In line with his past practice, and in accordance with the recommendations of the Afep-Medef Code, Mr Thierry Le Hénaff has formally undertook not to use hedging instruments on the stock options or performance shares which he has been awarded or will be awarded by the Company by virtue of his position as long as he is an executive officer of the Company. The members of the Executive Committee are also subject to the same restriction.

It is also recalled 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 the shares they have been awarded.

***