



## DECISIONS OF THE BOARD OF DIRECTORS' MEETING OF 23 FEBRUARY 2022 REGARDING THE COMPONENTS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S COMPENSATION

Arkema's Board of Directors, at its meeting held on 23 February 2022, set the components of the compensation of Thierry Le Hénaff, Arkema's Chairman and Chief Executive Officer, based on the recommendations of the Nominating, Compensation and Corporate governance Committee.

### COMPONENTS OF COMPENSATION DUE FOR 2021

For 2021, the annual variable compensation was determined taking into account the achievement of specific, precise and ambitious quantitative and qualitative targets approved by the Board of Directors at its meeting of 24 February 2021.

In accordance with the Chairman and Chief Executive Officer's compensation policy approved by the annual general meeting of 19 May 2020 for the term of his office as a member of the Board, and as confirmed by the annual general meeting of 20 May 2021, the maximum weighting of each criteria for 2021 was equal-weighted at 45% each, up to a maximum global award rate of 180%.

Consequently, based on the achievements for the year ended 31 December 2021, and in particular on the excellent financial performance of the Group with an EBITDA of €1,727 million, a historic high, an EBITDA margin of 18.1% and continued high cash generation, the progress made in refocusing the portfolio towards Specialty Materials, with, in particular, two major M&A transactions (the finalization of the divestment of PMMA and the signing of the acquisition of Ashland's performance adhesives) and the acceleration of new developments stemming from innovation linked to major sustainable trends, the progress of attractive industrial projects, the consolidation or improvements in CSR, as well as the evolution of the stock price over the year, the Board of Directors set the amount of the variable compensation due in respect of 2021, as follows:

- **concerning the three quantitative criteria** related to the Group's financial performance, the achievement rates in relation to the maximum of each sub-criterion were as follows:
  - 100% for the EBITDA criterion, for which the average maximum weighting represents 45%, and which reached €1,727 million in 2021, its historic high, in a complex and demanding operating environment throughout the year, marked by logistics disruptions, difficulties in sourcing certain raw materials, and high inflation in raw materials, energy and transportation costs. This very strong performance, well above the guidance communicated to the market at the beginning of the year, was driven by a significant growth in volumes of 7.3% and a sharp rise in selling prices to offset high inflation, and reflecting also the improvement in product mix as well as the tightness of the acrylics market. Specialty Materials achieved an excellent performance with strong growth in each of its segments with an EBITDA of €1,503 million up by 47.6% compared to 2020 (€1,018 million) and 29.8% compared to 2019, considered as the reference year;
  - 100% for recurring cash flow criterion, for which the average maximum weighting represents 45%. Recurring cash flow reached a particularly high level in 2021, totaling €756 million (free cash flow adjusted for exceptional capex and non-recurring items) leading to an EBITDA to cash conversion rate of 43.8%, in line with the long-term objective of 40%. This achievement reflects the Group's excellent operational performance and the increase in working capital, which nevertheless remains well under control at 12.7% of sales, despite a context of strong growth in activity and significant inflation in raw materials. Moreover, the increase in taxes paid is in line with the improvement in the Group's operating performance and recurring capital expenditure, at 5.3% of sales, which is better than the objective of maintaining them at around 5.5%. This cash generation contributed to

reducing the Group's indebtedness to €1,177 million (including hybrid bonds), representing 0.7 x annual EBITDA;

- 100% for the criterion of new developments, for which the maximum average weighting represents 45%. The Board of Directors has taken into account in its calculation, as it does every year, the commercial successes of the main innovation platforms, assessed using a reporting table tracking the evolution of the margin on variable costs of various pre-defined products, developments of new customers also pre-defined, growth in emerging geographies and the introduction of new applications over the year. For 2021, the Board noted in particular the following examples of more significant developments: batteries, for which sales are rising sharply, but also 3D printing, additives for the solar industry, paint resins, high-performance solar adhesive powders, developments for sports, in particular bio-based Pebax for sports shoes, and electronic applications.

The variable compensation due in respect of the quantitative criteria thus amounted to 135% of the annual fixed compensation; and

- **concerning the qualitative criteria**, with a maximum average weighting of 45%, half of which being linked to the implementation of the Group's strategy and main operational priorities, and the other half to operational management components, the following achievements were noted:
  - regarding the implementation of the Group's strategy and main operational priorities: 2021 was marked by the continuation of the transformation of the Group's profile in line with the 2024 strategy published in April 2020, focusing on short and medium-term innovation in the major areas of sustainable development, with significant successes and progress, as well as the announcement of a €1 billion sales target in batteries in 2030, the continuation of M&A operations and in particular the finalization of the divestment of PMMA, the signing of the acquisition of Ashland's performance adhesives and the continuation of targeted bolt-on acquisitions (Permoseal and Agiplast), progress of major industrial projects, in particular PA11 in Singapore and hydrofluoric acid with Nutrien, in line with approved schedules and budgets despite a complicated health context, as well as the continued strategic review of fluorogases and fluorospecialties. At the end of 2021, pro forma, the Specialty Materials platform will have reached 88% of Group sales compared with 82% at the end of 2020.
  - regarding operational management components, one-third of which were quantifiable: the strengthening of the workstation safety performance at the excellent level of 2020 with a TRIR of 1 accident per million hours worked and a particular focus on process safety with a sharp drop in PSER from 4 to 3.1, as well as on cybersecurity with no significant incident, the continuation of Bostik's organizational integration and improvement of the reliability of administrative processes, and the ramp-up of cross-functional initiatives (commercial excellence, digital and data management). The Board also took into account the continuation of the CSR roadmap with the improvement of Arkema's ranking in the DJSI to 3<sup>rd</sup> place in the Chemicals category (compared to 6<sup>th</sup> in 2020) and the inclusion in the new CAC 40<sup>®</sup> ESG index, which is again a strong recognition of the progress made by Arkema, the advancement of the systematic assessment of its portfolio in light of sustainability criteria, as well as the improvement of several non-financial performance indicators in line with long-term objectives, in particular the sustainable solutions offering, as well as the 10% reduction in greenhouse gas emissions (relating to the scope of consolidation excluding PMMA), which is ahead of the WB 2 degrees trajectory, and reduction in water emissions. Lastly, the Board noted the dynamic of Arkema's corporate governance, including changes in the composition of the Board of Directors and its committees, the creation and first steps of the new Innovation and Sustainable Growth Committee, as well as progress in terms of talent management, with the strengthening of diversity within the Group management committee and the structuring of mobility processes and succession plans.

In light of all of these achievements, and also the manner in which the Group has been able to adapt to the demanding and volatile operating environment of 2021, marked by a very high inflation in energy, raw materials and logistics costs, as well as by disruptions of supply chains and the health crisis, the Board of Directors has set the achievement rate for these criteria at 100%. As a result, the average amount of the variable compensation due in respect of qualitative criteria has been set at 45% of fixed annual compensation.

In total, the 2021 variable compensation amounts to €1,800,000, i.e. 100% of the maximum. It represents 180% of the 2021 annual fixed compensation.

The payment of this annual variable compensation is subject to shareholders' approval at the annual general meeting to be held on 19 May 2022 of the components of the Chairman and Chief executive officer's compensation in accordance with the conditions provided for under article L. 225-100 III of the French Commercial Code (Code de commerce). This compensation shall only be paid after this date.

Thierry Le Hénaff's total annual gross compensation for 2021 therefore comprises €1,000,000 in fixed compensation and €1,800,000 in variable compensation, i.e., a total amount of €2,800,000.

In view of the variable compensation for 2021, the component enabling the constitution of a retirement fund, in place since 2016 (date on which the supplementary defined benefit pension scheme to which the Chairman and Chief Executive Officer was entitled was terminated), approved by the annual general meeting in 2020, and due in respect of 2021, would amount to €560,000.

## COMPENSATION POLICY FOR 2022

In accordance with the Chairman and Chief Executive Officer's compensation policy, approved at the annual general meeting of 19 May 2020, as part of the renewal of Thierry Le Hénaff's term of office as a director, for the duration of his term of office, the Board of Directors has not modified the components of his compensation (listed on pages 119 to 124 of the 2019 Universal Registration Document), the principal items of which are as follows:

- the annual gross fixed compensation of Thierry Le Hénaff of €1,000,000, unchanged for 2022;
- the Chairman and Chief Executive Officer's variable compensation structure for 2022 which may reach a maximum of 180% of the annual fixed compensation. It will continue to be based on quantitative criteria of the same type as previous years and related to the Group's financial performance: EBITDA, recurring cash flow and contribution of new developments, representing a maximum of 135% of the annual fixed compensation. The weighting of each criterion remains unchanged at a maximum of 45% each. Along with the quantitative criteria, qualitative criteria representing a maximum weighting of 45% of the fixed compensation are, as in past years, related to the Group's priority areas, including the implementation of the Group's long-term strategy by the Chairman and Chief Executive Officer for one half and the operational management of the Group for the other half, for which precise quantified targets have been included.

Therefore, for 2022, the Board of Directors will focus in particular on:

- in terms of long-term strategy: the continued transformation of the Group's profile in accordance with the 2024 strategy published in April 2020 with a focus on short and medium-term innovation in major areas of sustainable development, in line with the announcement of €1.5 billion of additional sales from the five platforms in 2030 compared to 2019, as well as the announcement of €1 billion specifically in sales from batteries in 2030, the continuation of targeted bolt-on acquisitions (at least three during the year), as well as the progress of the strategic review concerning fluorogases, the start-up on time and on budget of major industrial projects and in particular PA11 in Singapore and hydrofluoric acid with Nutrien, as well as the progress in the other major industrial and commercial reflections not yet communicated externally;
  - in terms of operational management of the company: the consolidation of workplace safety performance and cybersecurity at the very good current level (TRIR = 1), as well as the continued progress of process incidents with a PSER of 2.8 in 2022, the continued deployment of the CSR roadmap, particularly in terms of carbon performance, environmental emissions and circular economy (product portfolio assessment and life cycle analysis), as well as the continued inclusion in the DJSI, the tight control over costs, capex and working capital in a persistently volatile environment, and the strengthening of global talent management in line with the 2030 internationalization and feminization objectives and the development of the talent pool for the succession plan of the Group's main managers.
- All of the other components comprising Thierry Le Hénaff's compensation, in particular the allocation of 30,000 performance shares as part of the future 2022 performance share plan, subject to the renewal of the authorization granted to the Board by the Annual General Meeting of May 19, 2022 under the 24<sup>th</sup> resolution to grant performance shares, which could result in an overall vesting of up to 120% of the initial allocation, i.e., 36,000 shares, in the event that targets are significantly exceeded, pension benefits, severance pay, as well as the non-compete clause.

Moreover, for 2022, as was the case last year, the Board of Directors shall have the option of amending certain performance criteria related to the Chairman and Chief Executive Officer's annual variable compensation or to his long-term compensation in the form of performance shares, and/or of increasing or

decreasing one or several of the parameters attached to these criteria (weighting, trigger thresholds, objectives, targets, etc.), half of the qualitative criteria must in any event be related to the implementation by the Chairman and Chief Executive Officer of the Group's long-term strategy and its main priorities, and the other half to the Group's operational management, the non-financial performance being necessarily included in these criteria. This option may be used by the Board of Directors only in the event of exceptional circumstances outside of Arkema's control, not taken into account by the criteria or parameters initially set out in this policy for annual variable compensation or long-term compensation in the form of performance shares, that would have a significant impact on the company's performance, and which were unforeseeable at the time the Board approved this policy with a view to present it to the annual general meeting (including any new development in the Covid-19 crisis displaying these characteristics).

In any event, any such amendments or changes shall not result in the modification of the maximum weighting of the quantitative component of the annual variable compensation or the maximum weighting of its qualitative component nor increase the maximum number of shares that could vest under the annual performance share plans.

These amendments or changes shall only be made for the purpose of reflecting more accurately the Chairman and Chief Executive Officer's effective performance in light of the circumstances that led to this option being exercised in applying the compensation policy. In this respect, the Board of Directors shall be especially careful to ensure that any such changes be fully correlated to the Group's performance in light of the circumstances, to the benefits accruing to shareholders and to the situation of all stakeholders.

The Board of Directors shall make its decision upon the recommendation of the Nominating, Compensation and Corporate Governance Committee, and will need to justify this decision in terms of the related circumstances and alignment with shareholders' interests. Any use of this discretionary option, which does not constitute a departure from the remuneration policy within the meaning of Article L. 22-10-8 III paragraph 2 of the French Commercial Code, will be made public by the Board.

Lastly, the Board of Directors approved the terms of the draft resolutions on the components of the Chairman and Chief Executive Officer's compensation, which will be submitted to shareholders' approval at the annual general meeting to be held on 19 May 2022. All of the reports, the summary tables and the draft resolutions thus approved will appear in Arkema's 2021 Universal Registration Document.