

ARKEMA

DECISIONS OF THE BOARD OF DIRECTORS' MEETING OF 24 FEBRUARY 2021 REGARDING THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S COMPENSATION COMPONENTS

Arkema's Board of Directors, at its meeting on 24 February 2021, set the components of Thierry Le Hénaff's compensation as Arkema's Chairman and Chief executive officer, based on the recommendations of the Nominating, Compensation and Corporate Governance Committee. These components are set out below.

It is reminded that given the unprecedented health crisis arising from the Covid-19 pandemic, in April 2020, the Board of Directors and Thierry Le Hénaff decided to defer, to 1 January 2021, the effective date of the increase in annual fixed compensation to €1,000,000, and, for the duration of his term of office, the increase in the target and maximum amounts of annual variable compensation to 120% and 180%, respectively. These developments were part of the compensation policy, which had been largely approved by the Annual General Meeting of 19 May 2020 when Thierry Le Hénaff was re-appointed as Chairman and Chief Executive Officer. Consequently, in 2020, the amount of the annual fixed compensation remained at €900,000 and, as in previous years, the annual variable compensation could represent up to 150% of the annual fixed compensation, as set out in the compensation policy approved by the Annual General Meetings since 7 June 2016.

Furthermore, as part of the same willingness to make a personal contribution to the solidarity effort, Thierry Le Hénaff also decided to donate 15% of his net fixed compensation received in the second quarter of 2020 to the Fondation de France within the framework of the "*Tous unis contre le virus*" (All United Against Coronavirus) alliance.

It should also be noted that in 2020 Arkema made a decision at the very start of the pandemic not to use furlough schemes or apply for aid made available by the French government.

Components of compensation due for 2020

Annual variable compensation for 2020 was determined taking into account the achievement of specific, precise and demanding quantitative and qualitative targets approved by the Board of Directors at its meeting on 26 February 2020, before the Covid-19 health crisis, and not amended subsequently despite the pandemic.

In accordance with the Chairman and Chief Executive Officer's compensation policy approved by the Annual General Meeting of 19 May 2020, the maximum weighting of criteria for the period between January and May 2020 was 55% for EBITDA, 27.5% for recurring cash flow and new developments and 40% for personal criteria; from the start of the new term of office, the criteria were equal-weighted at 45% each up to a maximum global award rate of 180%. Nevertheless, to reflect the delay in the increase, the Board reduced the weighting to a global maximum award rate of 150%, representing a maximum of 37.5% for each criterion.

Consequently, given the actual performance for the year ended 31 December 2020, which reflects a robust financial performance despite the fall in the Group's sales and EBITDA in the context of a strong global economic slowdown, with notably a strong resilience of the Group's EBITDA margin at 15% and of the EBITDA of Specialty Materials (82% of Arkema's sales), a high level of cash generation, further improved operating performance and the progress made in refocusing the Group toward becoming a pure Specialty Materials player, the Board of Directors set the amount of variable compensation due in respect of 2020 as follows:

- **concerning the three quantitative criteria** linked to the Group's financial performance, the achievement rates by sub-criterion in relation to the maximum were as follows:
 - 11% for EBITDA, whose average maximum weighting represents 45%, and which reached €1,198 million in 2020, (excluding the M&A impact), in a very challenging economic environment, supported by a Group EBITDA margin that remained resilient at 15%, the limited

volumes decline of 4.3%, Specialty Materials' resilience including a stability of the Adhesives segment and the rebound in performance in the fourth quarter supported by the strong EBITDA growth of Adhesives (+15%) and Coating Solutions (+19%);

- 100% for recurring cash flow, whose average maximum weighting represents 33%. Recurring cash flow reached an excellent level in 2020, totaling €762 million (free cash flow adjusted notably for exceptional capex). In particular, this performance reflects solid operating results for the year in an environment strongly marked by the health crisis, the significant adjustment to capex versus the initial budget, together with excellent management of working capital, which reached the record level of 11.8% of annual sales at end-2020. This cash generation helped reduce the Group's net debt to around €1,910 million (including hybrid bonds), representing 1.6x annual EBITDA;
- 100% for the criterion of new developments, whose average maximum weighting represents 33%. The Board of Directors took into account the commercial success of the main innovation platforms, assessed using a reporting table that tracks the evolution of the margin on variable costs of various pre-defined products, the development of (also pre-defined) new customers, growth in emerging geographies, and the introduction of new applications over the year. For 2020, the Board noted the following significant developments in particular: sealants used in construction, new ranges of DIY adhesives, high performance engineering adhesives and films, adhesives for hard and soft packaging, special materials for batteries, developments in nutrition, electronics applications, specialty fluorogases and additives for the solar industry.

The variable compensation due in respect of the quantitative criteria thus amounted to 71.7% of the annual fixed compensation; and

➤ **concerning the qualitative criteria**, 50% of which involved the implementation of the Group's strategy and main operational priorities, and the other 50% operational management issues, the notable achievements include:

- Regarding the implementation of the Group's strategy and main operational priorities: 2020 featured a capital markets day along with the redrafting of the Group's strategy and its ambition to become a pure Specialty Materials player by 2024, M&A projects that positively impacted the Group's specialties profile, notably the finalization of the divestment of the Functional Polyolefins business and the planned divestment of the MMA/PMMA business to Trinseo, together with the bolt-on acquisitions of LIP, Fixatti and Ideal Work by Bostik and the integration of Armaz with the ramp-up of synergies despite the Covid pandemic. In terms of capital expenditure, the Board of Directors further acknowledged the progress achieved in several industrial projects that are significant and essential for the Group's long-term positioning, such as progress made – on time and on budget – in the construction of the amino 11 monomer and Rilsan® polyamide 11 manufacturing plant in Singapore and of the hydrofluoric acid production unit being built in partnership with Nutrien. The Board also noted the success and intensified efforts of new business, particularly in major areas of sustainable development such as new energies, home comfort, lightweight materials and natural resource management;
- Regarding operational management components, one-third of which were quantifiable: excellent workstation safety performance with a Group record low TRIR of 1 accident per million hours worked (only 30% of total accidents took place on sensitive sites and the number of accidents to hands was reduced by half), continued ramp-up of cross-functional initiatives (operational and commercial excellence, cybersecurity, digitization and data management), and tight control over capex and working capital (see above). The ramp-up of Bostik continued with new initiatives to share resources with the rest of the Group and the stability of its financial performance year-on-year despite the Covid-19 crisis. The Board also acknowledged the continued deployment of the CSR roadmap, notably Arkema's inclusion in the DJSI World index, ranking sixth in the "Chemicals" category out of the 114

companies assessed and representing major recognition of the progress achieved by Arkema, the advances made in systematically evaluating its portfolio in light of sustainability criteria, as well as the progress recorded in several non-financial performance indicators such as the sustainable solutions offering and the reduction in greenhouse gas emissions and emissions into water. Finally, it noted the proactive management of the company's executives and talents, in particular the changes in the Executive Committee, strengthening of Bostik's organization and the establishment of a new target for the percentage of women in senior management positions at over 30% by 2030 (versus 25% by 2025).

In light of all of these achievements, and the manner in which the Group came through the particularly difficult circumstances of the pandemic to emerge stronger and confident as it heads into 2021, the achievement rate of these criteria was set at 100%. Consequently, the average variable compensation due in respect of qualitative criteria was set at 38.5% of the annual fixed compensation.

In total, the 2020 variable compensation amounts to €992,456, i.e., 73% of the maximum, or 13.2% lower than in 2019 and 26.5% lower than in 2018. It represents 110.2% of the 2020 annual fixed compensation.

The payment of this annual variable compensation is subject to the shareholders' approval at the Annual General Meeting to be held on 20 May 2021 of the Chairman and Chief executive officer's compensation components in accordance with the conditions provided for under article L. 225-100 III of the French Commercial Code (*Code de commerce*). This compensation would only be paid after this date.

Thierry Le Hénaff's total annual gross compensation for 2020 therefore comprises €900,000 in fixed compensation and €992,456 in variable compensation, i.e., a total amount of €1,892,456.

In view of the variable compensation for 2020, 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 2020, amounts to €378,491.

Compensation policy for 2021

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 director, for the duration of his term of office, the Board of Directors has not modified his compensation components (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 for 2021;
- the Chairman and Chief Executive Officer's variable compensation structure for 2021 which, since 1 January 2021, may reach a maximum of 180% of his annual fixed compensation. It will continue to be based on quantitative criteria of the same type as in previous years and linked 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. In addition to the quantitative criteria, qualitative criteria, representing a maximum weighting of 45% of fixed compensation, are, as in past years, based on 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 2021, 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, a continued focus on M&A operations, particularly small bolt-on acquisitions as well as the search for larger-sized targets in specialty materials and the finalization of the divestment of PMMA, the continued organic development of Bostik and ramp-up of ArrMaz and unlocking of related synergies, progress with major industrial projects such as PA11 in Singapore and hydrofluoric acid with Nutrien, and acceleration of the strategic review of the fluorogases and fluorospecialties.

- in terms of operational management of the company: the consolidation of workstation safety performance at a very high level with a special focus on process safety, travel accidents and cybersecurity, continued deployment of the CSR roadmap, particularly on environmental performance, implementation of the Board's new Innovation and Sustainable Growth committee, continued inclusion in the DJSI index and continuation of the product portfolio assessment, tight control over costs, capex and working capital in an environment that remains volatile, continued improvement in Bostik's operational efficiency and in sharing competencies with the rest of the Group, and new milestones in modernizing Arkema's processes, notably driven by programs focusing on talent management, commercial excellence and digital development.
- All of the other components comprising Thierry Le Hénaff's compensation, in particular the allocation of 30,000 performance shares as part of the 2021 performance share plan, which could result in an overall vesting rate 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 and the non-compete clause.

Moreover, for 2021, the Board of Directors shall have the option of amending certain performance criteria linked 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.). This option shall only be exercised by the Board of Directors in the event of exceptional circumstances outside of Arkema's control, notably any new developments in the Covid-19 crisis not initially taken into account in the criteria or parameters in this policy for annual variable compensation or long-term compensation in the form of performance shares, that would have significant consequences on the company's performance and which were unforeseeable when the Board approved this policy with a view to presenting it to the Annual General Meeting.

In any event, any such amendments or changes shall not result in the modification of the maximum weighting of the quantitative component of 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.

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

The Board of Directors shall make its decision on the recommendation of the Nominating, Compensation and Corporate Governance Committee and any use of this option must be justified in terms of the related circumstances and alignment with shareholders' interests. Any use of this discretionary option shall be made public by the Board of Directors.

Lastly, the Board of Directors approved the terms of the proposed resolutions concerning the Chairman and Chief Executive Officer's compensation components, which will be submitted to the shareholders' vote at the Annual General Meeting of 20 May 2021. All of the reports, the summary table and the proposed resolutions thus approved will appear in Arkema's 2020 Universal Registration Document.
