

ARKEMA

DECISIONS MADE BY THE BOARD OF DIRECTORS ON 26 FEBRUARY 2019 REGARDING THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S COMPENSATION

At its meeting held on 26 February 2019, Arkema's Board of Directors, upon recommendation of the Nominating, Compensation and Corporate Governance Committee, has set out Thierry Le Hénaff's compensation as Arkema's Chairman and Chief Executive Officer, as follows.

Compensation for 2018

Variable compensation due for 2018 could, as in previous years, represent up to 150% of the annual fixed compensation and was subject to the achievement of specific quantifiable and qualitative criteria approved by the Board on 21 February 2018.

Taking into account the achievements at 31 December 2018, the Board of Directors set out the variable compensation for 2018 as follows:

➤ **concerning the three quantifiable criteria** relating to the financial performance of the Group, the achievement rates by criterion are as follow:

- 100% for EBITDA, whose weighting represents 55 %, taking into account the excellent performance of the Group with EBITDA up 6% in 2018 on the excellent 2017 performance (+ 8% at constant exchange rates), reaching another record high at €1,474 million in a more volatile economic environment characterized by higher raw material prices, the strengthening of the euro notably against the US dollar in the first half of 2018 and some geopolitical tensions;
- 100% for recurring cash flow, whose weighting represents 27.5%. The recurring cash flow reached an excellent level again in 2018, totaling €602 million despite an acceleration of the organic growth investments. The EBITDA to cash conversion rate amounts to 38% despite the negative impact of higher raw materials on working capital. This result reflects the Group's very good operational performance, the strong discipline regarding industrial capital expenditure and the tight management of working capital. This cash generation enabled the Group to maintain its net debt at around €1 billion, representing 0.7 times annual EBITDA ; and
- 100% for the contribution of new developments, whose weighting represents 27.5%. The Board of Directors took into account the commercial success of the main innovation platforms such as 3D printing, materials for rechargeable batteries, innovative solutions in consumer electronics and sports, lighter materials and hot-melt encapsulation adhesives in automotive and electronics industries as well as the many products improving the performance and insulation of residential buildings, among which large format tile adhesives and high thickness leveling screeds, and adhesives for thinner diapers. The Board also took into account the diversification into higher value-added products for downstream acrylics and the Group's reinforced presence at large key accounts.

The variable compensation due in respect of the quantifiable criteria thus amounted to 110% of the annual fixed compensation; and

➤ **concerning the qualitative criteria** 50% of which is linked to the implementation of the Group's strategy and main operational priorities, 2018 was marked, in terms of acquisitions, by the successful integration of XL Brands, the further implementation of synergies with Den Braven and the closing of an important acquisition of a new cyanoacrylate technology for instant adhesives with Afinitica, as well as the pending acquisition by Arkema of Jurong's interest in Sunke, their joint venture that produces acrylic monomers in China, with a limited impact on net debt. In terms of capital expenditure, the Board of Directors further acknowledged the completion or progress of several industrial projects that are complex, significant and key for the Group's long-term positioning such as the construction of the PEKK unit in the United States, a new ultra-high performance polymer,

capacity increases of thiochemical, acrylics and UV curing resins units respectively in Malaysia, Texas and China; and the ongoing studies regarding the extension of specialty polyamides capacities in Asia with the construction of a monomers and polyamide 11 polymers new unit, for which a decision on the location has yet to be finalized. The high-potential long-term strategic growth areas (3D, batteries, lightweight materials, water management, bio-based products) continued to grow. The following day-to-day operational management elements, which also accounted for 50% and of which one-third were quantifiable, were also noted. The Board noted in particular the following achievements for the quantifiable elements: continued tight management of fixed costs and working capital (with a working capital to sales ratio of 13.4%, very close to the historically low level of 13.1% in 2017, in a more unfavourable raw material context) as well as safety-related results which reached their lowest-ever level with a TRIR of 1.3 accidents per million hours worked. The Board finally took into account the implementation or step-up of several significant cross-functional initiatives in the areas of digital transformation, with the appointment of a dedicated director; commercial excellence with the roll-out of a number of programs; cybersecurity, for which a director was also appointed together with a network of local correspondents; the CSR roadmap and the supply chain, as well as the proactive human resources management with the replacement of the chief financial officer and the creation of a Top Executive Academy for managers.

As a result of these achievements, and in particular of the elements above, the achievement rate of these qualitative criteria was set at 100%. Consequently, the variable compensation due in respect of qualitative criteria was set at 40% of the annual fixed compensation.

In total, the variable compensation for 2018 amounts to €1,350,000. It reflects the excellent performance of the year and the continued transformation of the Group's profile. It represents 150% of the 2018 annual fixed compensation and an overall achievement rate of 100%.

The payment of this annual variable compensation is subject to the approval by the Company's shareholders' general meeting to be held on 21 May 2019 of the Chairman and Chief Executive Officer's compensation components in accordance with the conditions provided for under Article L.225-100 of the French Commercial Code. Payment will become effective only after this date.

Thierry Le Hénaff's total annual gross compensation for 2018 would therefore amount to 900,000 euros in fixed compensation and 1,350,000 euros in variable compensation. The amounts are stable compared to 2017.

As a result of the 2018 variable compensation, the annual amount to be paid to enable the Chairman and CEO to build up his retirement, a system which was put in place on 7 June 2016 (when the supplementary defined benefit pension scheme from which the Chairman and CEO benefited was terminated) and due for 2018, represents 450,000 euros.

Annual compensation for 2019

In accordance with the Chairman and Chief Executive Officer's compensation policy, as decided by the Board of Directors on 2 March 2016 as part of the renewal of the term of office as director of Thierry Le Hénaff, for the duration of his term of office, the Board of Directors confirmed:

- the annual gross fixed compensation of Thierry Le Hénaff, unchanged, at 900,000 euros for 2019; and
- the Chairman and Chief Executive Officer's variable compensation structure for 2019 which may reach, as was the case in previous years, a maximum of 150% of his annual fixed compensation.

It will continue to be based on quantifiable criteria of the same type as in the previous years, linked to the Group's financial performance and representing a maximum of 110% of the annual fixed compensation: EBITDA, recurring cash flow and contribution of new developments. The weighting of each criterion remains unchanged respectively at 55%, 27.5% and 27.5%.

In addition to the quantifiable criteria, qualitative criteria, representing a maximum of 40% of the annual fixed compensation, will continue to be based on the Group's priorities, which are linked for up to 50% to the implementation by the Chairman and Chief Executive Officer of the Group's long-term strategy and key priorities and for the other 50%, to the day-to-day management of the Company. For 2019, the Board of Directors will focus in particular on the evolution of the Group's profile in view of the global chemical industry dynamics ; the further implementation of the Group's

long-term strategy based on the following three pillars: innovation for sustainable development, geographical growth and progress of the targeted bolt-on acquisitions policy notably in adhesives and advanced materials. Regarding geographical expansion and the Group's investment policy, the Board of Directors will monitor in particular the progress made on the Group's major projects in line with planning and budgeted costs and capital expenditure. These projects correspond in particular to exceptional investments in Thiochemicals in Malaysia and in specialty polyamides in Asia for a total amount representing around 500 million euros over four years. The Board will also consider the progress made on the main development projects under review, which have not been yet announced by the Group. In addition, the Board of Directors will focus on several quantifiable components, representing around one-third of the day-to-day management assessment such as the consolidation of the safety-at-work performance at the current very good level, sites' environmental performance, the level of working capital and the management of fixed costs, as well as the further progress on corporate social responsibility and sustainable development in particular regarding the following three areas: portfolio sustainability assessment, climate plan and materiality assessment. It will also monitor the step-up of cross-functional initiatives (operational excellence, digital, cybersecurity, data management and supply chain) as well as talent management.

The weighting of the different criteria used to determine variable compensation remains unchanged.

The Board of Directors also confirmed all the other elements of the compensation of Thierry Le Hénaff and, in particular, the allocation of 30,000 performance shares, as part of the 2019 performance share plan which will be granted in November 2019, subject to the renewal by the shareholders' general meeting on 21 May 2019 of the authorization to the Board of directors to grant performance shares. This allocation could, in accordance with the terms of the authorization, lead to the final acquisition of a maximum of 120% of the initial allocation, *i.e.* 36,000 shares, if the targets are exceeded significantly.

The Board of Directors also approved the proposed resolutions which will be submitted to the vote of shareholders at the Company's annual general meeting on 21 May 2019 in relation to the compensation components of the Chairman and Chief Executive Officer. All reports, summary table and draft resolutions will be included in Arkema's 2018 Reference Document.
