

ARKEMA

DECISIONS MADE BY THE BOARD OF DIRECTORS ON 21 FEBRUARY 2018 REGARDING THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S COMPENSATION

At its meeting held on 21 February 2018, Arkema's Board of Directors, on recommendation by 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 2017

Variable compensation due for 2017 could, as in previous years, represent up to 150% of the annual fixed compensation and was set subject to the achievement of specific quantifiable and qualitative criteria approved by the Board on 27 February 2017.

Taking into account the achievements at 31 December 2017, the Board of Directors set out the variable compensation for 2017 as follows:

- **concerning the three quantifiable criteria** linked to the financial performance of the Group, the achievement rates by criterion are as follows:
 - 100% for EBITDA, whose weighting represents 55%, taking into account the excellent performance of the Group with EBITDA up 17% in 2017 at €1,391 million in an economic environment characterized by higher raw material prices and the strengthening of the euro in particular against US dollar. Arkema has consequently largely exceeded the objective announced in 2014 to achieve an EBITDA of €1.3 billion in 2017 versus €784 million in 2014 ;
 - 100% for recurring cash flow, whose weighting represents 27.5%. The recurring cash flow reached an excellent level again in 2017, totaling €629 million versus €477 million in 2016. This cash generation enabled the Group to significantly reduce its net debt down to €1,056 million (versus €1,482 million at the end of 2016). This performance reflects the further strict management of capital expenditure and working capital in a significantly less favorable raw material context; and
 - 100% for the contribution of new developments, whose weighting represents 27.5%. The Board of Directors took into account the commercial successes of the main innovation platforms such as 3D printing, materials for rechargeable batteries and photovoltaic cells, innovative solutions in consumer electronics and sport, lighter materials in automotive industries, several products enhancing the performance and insulation of houses among which large format tile adhesives and high thickness leveling screeds, adhesives for thinner diapers and encapsulation hot-melt in automotive industries, as well as diversification of the Group's downstream acrylics into higher value-added products and the reinforced presence of the Group at key strategic customers with high development potential.

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

- **concerning the qualitative criteria** relating for the most part to the implementation of the Group's strategy and operating priorities, the performance was once again deemed excellent at the end of a year 2017 marked by the successful integration of Den Braven and the implementation of first synergies, as well as the acquisition of XL Brands. 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 doubling of specialty molecular sieve production capacity at the Honfleur site in France, the ramp-up of PEKK in the United-States and the development of thiochemical in Malaysia. In addition, the Board of Directors noted the further strict management of fixed costs, working capital (with a ratio of working capital to sales historically low at 13.1 % versus 14.5% in 2016 excluding Den Braven acquired end 2016) and capital intensity (in 2017, capital

expenditure represented 5.2% of sales versus 5.6% in 2016). Lastly, the Group's safety record was maintained at a very good level (TRIR of 1.6 accident per million hours worked). 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 2017 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 2017 annual fixed compensation (€900,000) 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 18 May 2018 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.

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

As a result of the 2017 variable compensation, the component to build his retirement put in place since 7 June 2016 (when the supplementary defined benefit pension scheme from which the Chairman and CEO benefited was terminated) and due for 2017 amounts to 450,000 euros.

Annual compensation for 2018

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 2018; and
- the Chairman and Chief Executive Officer's variable compensation structure for 2018 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 previous years and linked to the Group's financial performance: EBITDA, recurring cash flow and contribution of new developments, representing a maximum of 110% of the annual fixed compensation. 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 mainly linked to (i) the implementation of the Group's long-term strategy by the Chairman and Chief Executive Officer and (ii) the day-to-day management of the Company. For 2018, the Board of Directors will focus in particular on the implementation of major industrial projects for the Group (the doubling of the thiochemical production capacity in Malaysia; the investment plan of around €300 million in specialty polyamides in Asia; the extension by 30% of Sartomer production capacities in China), in adhesives the further implementation of synergies between Bostik and Den Braven and the integration of XL Brands as well as the completion of bolt-on acquisitions, the adaptation to the raw material context, the start-up of the extension of PEKK and PVDF production capacities, the ramp-up of the digital transformation program, the further implementation of the divestment program and the progress made on the main ongoing or planned development projects which have not been yet announced by the Group. The Board of Directors will also monitor the consolidation of the safety performance at the very good current level, the management of fixed costs, the further progress on corporate social responsibility as well as the operational excellence initiatives and talent management. Within these qualitative criteria, around one third corresponds to quantifiable components.

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

In accordance with the applicable legal provisions, payment of the 2018 variable compensation will only take place subject to the approval by the Company shareholders' general meeting to be held in 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.

The Board of Directors also confirmed all other elements of the compensation of Thierry Le Hénaff and, in particular, the allocation of 30,000 performance shares as part of the 2018 performance share plan which will be granted in November 2018.

The Board of Directors also approved the proposed resolutions which will be submitted to the vote of the Company's shareholders' annual general meeting on 18 May 2018 in relation to these compensation components of the Chairman and Chief Executive Officer. All reports, summary table and draft resolutions will be included in Arkema's 2017 Reference Document.