

MATERIALITY ASSESSMENT 2019

Why this assessment?

In 2019, Arkema conducted its second materiality assessment, three years after a first exercise, with a wider geographical scope (the Group's three main regions: Europe, Asia, Americas) and a much wider stakeholder panel.

Thanks to this assessment, Arkema intends to:

- Confirm or identify, then prioritize relevant issues for Arkema and its stakeholders,
- Dialogue with its stakeholders (collecting their perception and expectations),
- Validate the relevance of CSR actions already underway and where appropriate identify other areas of progress.

Process and methodology

This materiality assessment was conducted in four phases:

1- A preparatory phase « issues definition »*, when was drawn up the mapping of Arkema's 28 most relevant CSR issues:

- 14 "historical" issues for which the stakeholders will estimate the Group's maturity on these issues. As an innovative way to conduct its materiality assessment and knowing their proven importance for the chemical sector, Arkema wanted to consult its stakeholders on the Group's maturity on these material issues, as part of its continuous improvement dynamic.
- 14 "rising" issues for which the stakeholders will estimate the importance of these issues. They were identified thanks to a prospective work on the long-term trends related to the evolution of the society.

* See definition of the issues in Appendix

HISTORICAL ISSUES PERCEPTION OF MATURITY		RISING ISSUES PERCEPTION OF IMPORTANCE	
1	Sustainable solutions driven by innovation	15	Developing a CSR culture
2	Responsible product stewardship	16	Responsible procurement and supplier CSR commitment
3	Collaborative innovation	17	Responsible personal data management
4	Prevention and management of industrial risks	18	Integration of digital technology into the company activities
5	Occupational health and safety	19	Integration of CSR criteria into the Group's mergers & acquisitions policy
6	Greenhouse gas emissions reduction and energy management	20	Consideration of circular economy challenges
7	Water and waste management	21	Taking climate change related risks for the company into account
8	Responsible governance	22	Reliable and educational communication on the characteristics and the proper use of products
9	Business ethics	23	Carbon offsetting and positive contribution to biodiversity
10	Transparency	24	Fair remuneration and social protection
11	Stakeholder dialogue	25	Well-being at work and work-life balance
12	Labor relations and respect of Human Rights within the company	26	Promoting the positive impact of products and solutions
13	Training and individual development	27	Taking into account new end-consumer expectations
14	Diversity and equal opportunities	28	Contribution of the company to social and economic dynamics on territories

2- A preparatory phase “stakeholder identification”, when was built the internal and external stakeholders list to consult:

- More than 2400 external stakeholders,
- More than 6000 employees.

The consultation has been done at Corporate level and in 6 countries, located in the Group's three main activity regions (France, Italy, United-States, Mexico, China, Malaysia), and more than 10 stakeholder categories have been consulted (customers, suppliers, research partners, financial community, shareholders, extra-financial rating agencies, employees, employees representative bodies, neighboring communities, civil society and NGO, medias, public authorities, professional organizations...)

3- A consultation phase through more than forty interviews (“qualitative” consultation), and an online survey (“quantitative” consultation) sent to many thousands of internal and external stakeholders.

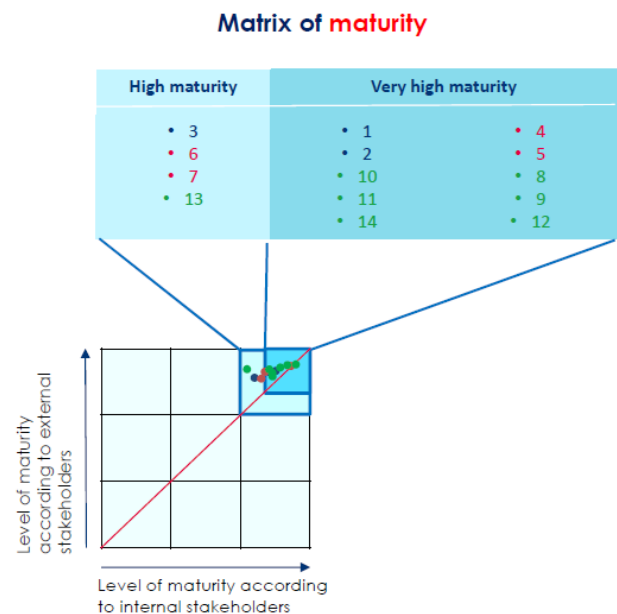
The survey's response rate was 26%, twice more than what is usually observed in this kind of survey.

4- A results' analysis and decision phase:

Results

Arkema's stakeholders evaluated the Group's maturity on its 14 historical issues into two levels:

HISTORICAL ISSUES PERCEPTION OF MATURITY	
1	Sustainable solutions driven by innovation
2	Responsible product stewardship
3	Collaborative innovation
4	Prevention and management of industrial risks
5	Occupational health and safety
6	Greenhouse gas emissions reduction and energy management
7	Water and waste management
8	Responsible governance
9	Business ethics
10	Transparency
11	Stakeholder dialogue
12	Labor relations and respect of Human Rights within the company
13	Training and individual development
14	Diversity and equal opportunities



Legend: Arkema's 3 CSR commitments.

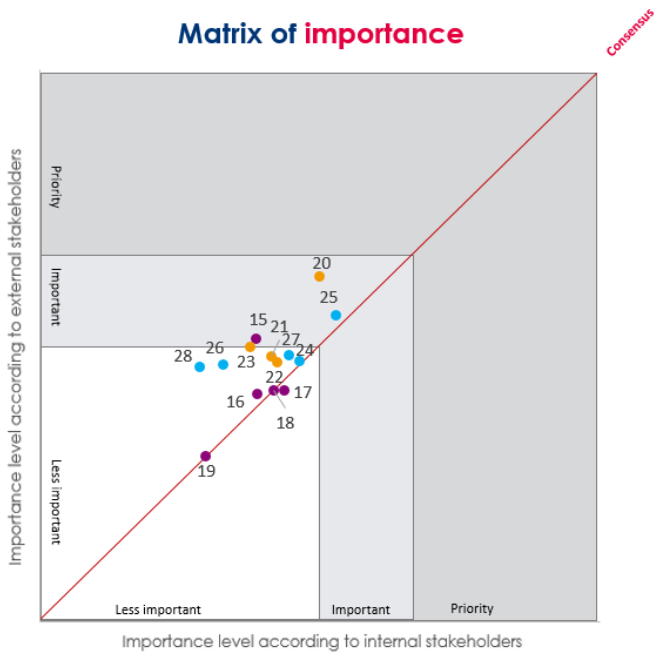
In blue: Sustainable Solutions driven by innovation

In red: Responsible Manufacturer

In green: Open Dialogue with stakeholders

The stakeholders have estimated the importance of the 14 rising issues:

RISING ISSUES PERCEPTION OF IMPORTANCE	
15	Developing a CSR culture
16	Responsible procurement and supplier CSR commitment
17	Responsible personal data management
18	Integration of digital technology into the company activities
19	Integration of CSR criteria into the Group's mergers & acquisitions policy
20	Consideration of circular economy challenges
21	Taking climate change related risks for the company into account
22	Reliable and educational communication on the characteristics and the proper use of products
23	Carbon offsetting and positive contribution to biodiversity
24	Fair remuneration and social protection
25	Well-being at work and work-life balance
26	Promoting the positive impact of products and solutions
27	Taking into account new end-consumer expectations
28	Contribution of the company to social and economic dynamics on territories



Legend:

Engage, with our teams and partners, in clear sustainability objectives...

... By further working to reduce our impacts and increase our contribution...

... In order to share the value created with all our stakeholders.

Decision

Given the results of the stakeholder consultation, the Group decided to rank the most material historical and rising issues into two levels of priority (priority and important), and two levels of action (maintenance or evolution).

PRIORITY	<p>MAINTAIN EXCELLENCE</p> <ul style="list-style-type: none"> Responsible product stewardship Occupational health and safety Prevention and management of industrial risks Business ethics Diversity and equal opportunities 	<p>SEIZE OPPORTUNITIES</p> <ul style="list-style-type: none"> Sustainable solutions driven by innovation Collaborative innovation Integration of digital technology into company activities Consideration of circular economy challenges incl. Water and waste management Greenhouse gas emissions and energy management Training and individual development Well-being and work-life balance
	<p>IMPORTANT</p> <p>MAINTAIN EFFORT</p> <ul style="list-style-type: none"> Integration of CSR criteria into the Group's mergers & acquisitions policy Responsible governance Labor relations and respect of Human Rights within the company Fair remuneration and social protection Transparency Responsible personal data management Contribution of the company to social and economic dynamics on territories Promoting the positive impacts of products and solutions 	<p>CONTINUE IMPROVING</p> <ul style="list-style-type: none"> Taking into account new end-consumer expectations Taking climate-change related risks for the company into account Carbon offsetting and positive contribution to biodiversity Developing a CSR culture Stakeholder dialogue incl. Reliable and educational communication on the characteristics and the proper use of products Responsible procurement and suppliers CSR commitment

Legend:

- Sustainable Solutions
- Responsible Manufacturer
- Open Dialogue (internal & external)
- In italics, the rising issues from the 2019 Materiality Assessment*

Illustrations of the decisions taken by the Group:



- Pursue and intensify collaborative innovation and partnership initiatives in various formats



- Execute in 2019-2020 the deployment plan of **Sales Portfolio Assessment Program related to sustainability**



- By the end of 2019, **update climate related targets** to go beyond achieved GHG reduction and respond to climate change challenges



- Build on existing practices and **intensify circular economy approach** to contribute to resources preservation and environmental footprint mitigation: specific global task force creation



- Reinforce **employee skills** on digital and Corporate Social Responsibility (CSR) and build a more **cross-cutting and in-depth approach to QWL**



- Consolidate **stakeholders dialogue at local level** with Common Ground, and at **global level** with yearly stakeholders panel meeting

External consultant

In order to ensure the reliability of the entire materiality assessment process, Arkema worked with the consulting firm “Des enjeux et des hommes / C3 Consensus” for support in implementing this assessment.

Appendix

Legend: Sustainable Solutions
 Responsible Manufacturer
 Open Dialogue (internal & external)

List of 14 historical issues

1. Sustainable solutions driven by innovation

Customer-oriented solutions that aim to meet the world's major sustainability challenges, both present and future, notably by innovating and taking product life cycles into account.

2. Responsible product stewardship

Within a chemical company, measures and policies that aim at reducing products' impacts on people's health and safety as well as on the environment, throughout their life cycle (product design, components' selection, industrial manufacturing and transportation, product use and end of life).

3. Collaborative innovation

Type of innovation that enables value-creating synergies between the company and different kinds of stakeholders (companies from other sectors, start-ups, researchers and universities, key actors in professional associations, etc.).

4. Prevention and management of industrial risks

Policies and measures aimed at preventing industrial risks - accidental or not- and reducing their negative social and environmental impacts. Industrial risks are linked to a company's production, transportation, loading/offloading and storage activities.

5. Occupational health and safety

Policies and measures that are set to promote the health, safety and well-being of all company employees and external workers who may work on its sites (contractors).

6. Greenhouse gas emissions reduction and energy management

Actions taken against climate change through the reduction of greenhouse gas emissions induced by the company's industrial activities, as well as the energy consumption required for these activities.

7. Water and waste management

Policies and measures that are set by the company to optimize its water consumption reduce and treat waste that is generated in its industrial activities and guarantee optimal water quality downstream.

8. Responsible governance

Organizations and rules that specify how the company is managed and controlled, to ensure it behaves responsibly on economic, environmental and social levels.

9. Business ethics

Policies and measures that relate to business integrity and conformity, fighting against corruption, respecting and promoting both Human Rights and fundamental freedoms along the company value-chain.

10. Transparency

Policies and tools set up by the company that enable to voluntarily share clear and trustworthy information with its internal and external stakeholders.

11. Stakeholder dialogue

Set of initiatives taken by the company, at the global and local level, to enable an open and continuous dialogue with all its stakeholders. This multidimensional dialogue aims to explain company activities, involved risks and results, take stakeholders' needs and expectations into account and instill trust, in order to create value for all parties.

12. Labor relations and respect of Human Rights within the company

Policies and measures that guarantee employee freedoms of association and expression, representation and negotiation rights, as well as their fundamental rights and freedoms within the company.

13. Training and individual development

Sets of measures that enable employee personal and professional development, as well as knowledge and skill improvement throughout their career, in order to ensure their employability and the company's competitiveness.

14. Diversity and equal opportunities

Policies and measures aiming to promote non-discrimination, professional equality and diversity (sex, age, disability, social or ethnic origin, religious affiliation, etc.) within the company.

List of 14 rising issues

15. Developing a CSR culture

Setting up CSR-centered educational initiatives and collaboration modalities, which are aimed at enriching employee knowledge and skills, making business and management practices evolve, in order to better integrate CSR into the company.

16. Responsible procurement and supplier CSR commitment

Policies and procedures aimed at ensuring company suppliers' and subcontractors' responsible business behavior by integrating CSR criteria (Human Rights and working conditions, business ethics, environment and sustainable procurement) into the way the business relationship is managed.

17. Responsible personal data management

Policies and procedures aimed at ensuring reliable and responsible personal data management, for employees, customers, suppliers and other business partners, as well as users.

18. Integration of digital technology into company activities

Development and integration of new tools into work methods, and organization and collaboration modes into the company's business lines and in customer, supplier and partner relationships, thereby enabling the company to fully seize digital technology opportunities.

19. Integration of CSR criteria into the company's mergers & acquisitions policy

Introducing CSR criteria in research, evaluation and negotiation processes that are related to mergers & acquisitions, consistently with the company's CSR performance.

20. Consideration of circular economy challenges

Integration into company policy of the global stakes of resource preservation and environmental impact reduction throughout the product life cycle. Developing circular economy solutions: renewable raw materials, waste reduction, valorization of by-products, lifespan product extension, recycling, etc.).

21. Taking climate-change related risks for the company into account

The company's ability to integrate climate-change related risks (exposition to extreme weather events, legislation, reputation, etc.) in its strategy and in its business practices. Company climate-change adaptation is also referred to as "climate resilience".

22. Reliable and educational communication on the characteristics and proper use of products

Communication efforts and initiatives to raise awareness on the proper use of company-marketed products with customers, specifiers and final consumers.

23. Carbon offsetting and positive contribution to biodiversity

Implementation of company initiatives aimed at extending its efforts in greenhouse gas emissions and other emissions reduction through compensation actions, in order to ultimately reach carbon neutrality and restore local natural ecosystems.

24. Fair remuneration and social protection

The company's contribution to the fight against inequalities by guaranteeing fair remuneration to employees, respecting fairness and impartiality rules and by offering social protection and pension solutions that will enable them to face social risks (old age, illness, disability, unemployment, family expenses, etc.).

25. Well-being at work and work-life balance

Consideration, by the company, of employee needs and expectations in terms of quality of work life (management methods, work environment and conditions, work schedule flexibility, etc.) and implementation of training schemes and suitable tools.

26. Promoting the positive impact of products and solutions

Implementation by the company of communication and educational actions aimed at all of its stakeholders, in order to better promote and disclose the positive and social impacts of its products and solutions throughout their life cycle.

27. Taking into account new end-consumer expectations

The company's ability to understand and take into account the evolution of final consumer expectations, purchasing habits and product use (examples: environmental impact, brand commitment, sharing economy, digital technology, etc.).

28. Contribution of the Group to social and economic dynamics on territories

The company's consideration of the expectations and interests of local communities and neighbors nearby its sites, and its active contribution to the economic, social and cultural dynamics on the territories where it is implanted (examples: local economy support, involvement in the education community, etc.).