FOLLOWING 2022 MATERIALITY ASSESSMENT, ARKEMA STRENGTHENS ITS COMMITMENT ON CLIMATE AND ACCELERATE ITS ACTION TO OFFER SUSTAINABLE SOLUTIONS

Arkema completed its new materiality assessment early 2022 with the objective to update and prioritize the company's most material CSR issues. The materiality assessment was undertaken by engaging key internal and external stakeholders, and applying the double materiality principle, in order to take a forward-looking perspective. The results of the new materiality assessment serve as input to update the CSR commitments, priorities, and targets.

Context

Arkema renews its materiality assessment every three years, with the objective to update and prioritize the company's most material CSR issues. This serves as a basis for the company to update its CSR strategy, governance, action plans and KPIs. After 2016 and 2019, Arkema completed its new materiality assessment early 2022. The company's most material issues are defined as such following three dimensions:

- Importance of the CSR topics for stakeholders,
- outside-in/business impacts (i.e. impact of the topics on the company),
- inside-out/ societal impacts (i.e. impact of the company on the topics).

The outside-in and inside-out impacts are assessed in line with the 'double materiality perspective', meaning that companies have to report about how sustainability issues affect their business and about their own impact on people and the environment as outlined by the European Commission.

The materiality assessment has been conducted in collaboration with Arkema's stakeholders through several means of consultations, including one-to-one interviews, workshops, a global survey and additional desk research. Stakeholders including customers, employees, public organizations, investors, local communities, suppliers and research partners, throughout the regions and markets in which Arkema operates were consulted in the process.

The materiality assessment was undertaken on the basis of a 6-months project. Under the responsibility of the Sustainable Development department, an internal project team representing various functions and regions was set up to guide the project and engage stakeholders. The project team was supported by Finch & Beak – Part of SLR, a third party consultant specialized in Sustainable Development. The whole process was overseen by a Steering Committee set up exclusively for the materiality assessment, and composed of the Executive Vice-President, Industry and CSR and the Executive Vice-President, Human Resources and Communication, both Executive Committee members, heads of business lines, regions, and departments across Arkema. The Steering Committee's objectives were to approve the process of the materiality assessment, to approve the list of material topics and external stakeholders to engage, and to validate the results of the materiality assessment. At last, Arkema Executive Committee has approved the update of the Group CSR policy, in particular the formalization of priorities and the evolution of associated indicators and targets.

Process

The materiality assessment was carried out through different stages.

Stage 1: material topics selection
The key material topics were assessed through internal interviews with 11 Heads of businesses, regions and departments and one member of the Board of Directors. This research was complemented with desk research on ESG reporting frameworks, ratings, standards and trend reports, a selection of Arkema's peers,

as well as Arkema's current initiatives, to ensure all potentially material topics were covered. The list of material topics was fine-tuned and the material topics definitions were sharpened in a workshop with the project team. This resulted in a list of **17 material topics**, which were validated by the Materiality Assessment Steering Committee.

Stage 2: consultation of stakeholders for prioritization of material topics and impact assessment
Once the list of material topics was established, stakeholder relevance on the topics and business impacts were assessed.

The stakeholder relevance was assessed through:
- 30 interviews with a selection of Arkema's external stakeholders (customers, public organizations, investors, local communities, suppliers, and research partners),
- a question in the Arkema Cares global engagement survey to assess the perspective of employees, for which 13 770 responses were collected, and
- an additional desk research on 26 of Arkema's external stakeholders (customers, public organizations, investors, and suppliers).

The material topics' impacts were assessed by Arkema management through three regional workshops (to capture the regional impacts related to Arkema's activities in Americas, Asia and Europe), and a global workshop (to capture impacts related to Arkema's activities from a corporate perspective). During each of these workshops, the outside-in and inside-out impacts related to the material topics were discussed, and then ranked. Capturing both the outside-in and inside-out impacts related to the topics was essential to ensure the materiality assessment is conducted in line with the double materiality perspective.

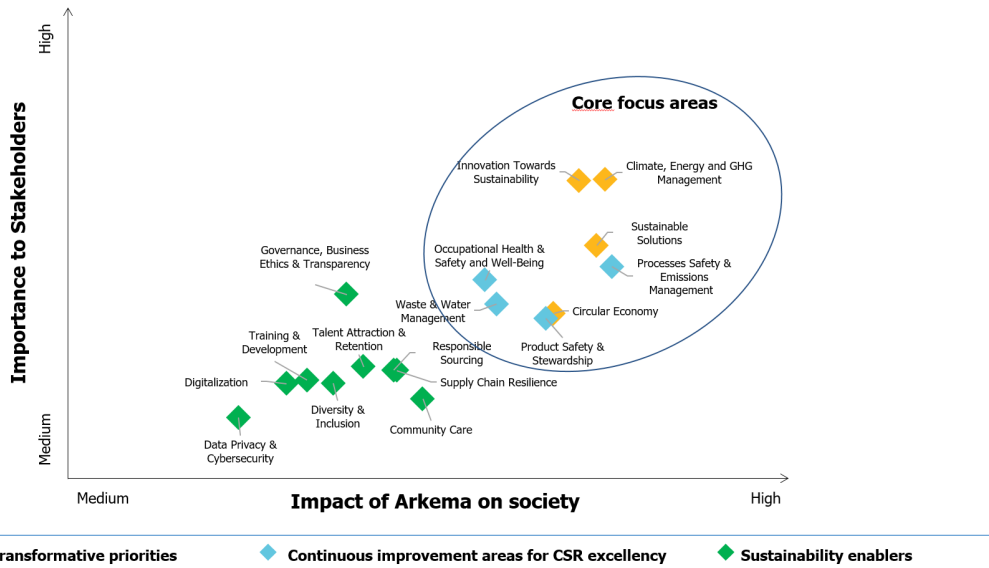Stage 3: visualization and categorization of material topics
Finally, the material topics were mapped into Arkema's new materiality matrix, and labelled according to different categories for focus and effective management. The topics have been plotted in the matrix according to (1) the evaluation by the stakeholders of the Importance of material topics, and (2) the assessment by the management of inside-out impacts, in line with GRI Standards.

Stage 4: CSR policy update approval by Arkema Executive Committee, in particular the formalization of priorities and the evolution of associated indicators and targets.

Results
As a result of this renewed materiality assessment, Arkema has identified 17 key material issues. These have a high score in terms of stakeholder relevance, inside-out/societal impacts and outside-in/business impacts. These were classified into three categories for focus and effective management:
- ◆ **Transformative priorities**:
  Material topics which are at the heart of Arkema's activities and enable the company to build long-term value and maintain a competitive edge in line with societal megatrends.
- ◆ **Continuous improvement areas for CSR excellency:**
  Material topics on which efforts should be maintained for continuous improvement and CSR excellency.
- ◆ **Sustainability enablers**:
  Material topics that put the company in the right position to address the core focus areas.

The materiality matrix showing Importance to Stakeholders (vertical axis, Medium to High) versus Impact of Arkema on society (horizontal axis, Medium to High).

Core focus areas

Topics plotted:
- Innovation Towards Sustainability
- Climate, Energy and GHG Management
- Sustainable Solutions
- Occupational Health & Safety and Well-Being
- Processes Safety & Emissions Management
- Governance, Business Ethics & Transparency
- Waste & Water Management
- Circular Economy
- Training & Development
- Talent Attraction & Retention
- Responsible Sourcing
- Product Safety & Stewardship
- Digitalization
- Supply Chain Resilience
- Diversity & Inclusion
- Community Care
- Data Privacy & Cybersecurity

Legend: ◆ Transformative priorities ◆ Continuous improvement areas for CSR excellency ◆ Sustainability enablers
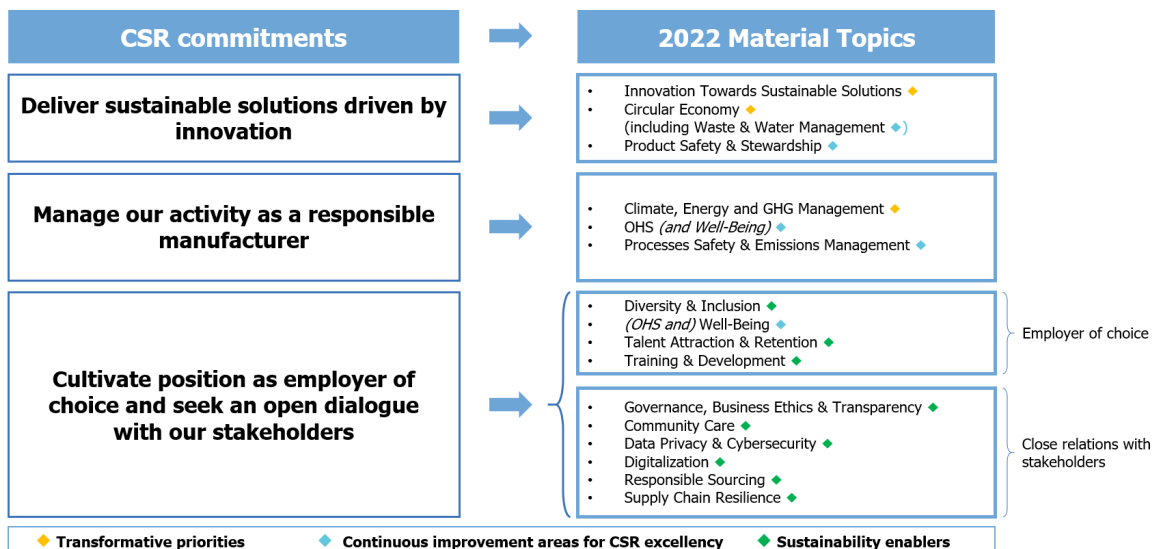
The outside-in impacts results (not represented in the materiality matrix) also confirm the selection of the core focus areas. Indeed, the top 6 topics identified to have the highest outside-in impacts are:
- Climate, Energy and GHG Management,
- Circular Economy,
- Sustainable Solutions,
- Innovation Towards Sustainability,
- Processes Safety & Emissions Management, and
- Product Safety and Stewardship.

In addition, the materiality assessment was well received by the external stakeholders who were invited for interviews. They provided good feedback on the relevance of the material topics for Arkema and on potential improvement points and showed renewed interest for further collaboration towards sustainability.

Consequences

The outcomes of the updated materiality assessment are closely aligned with Arkema's current CSR commitments. Still, to better integrate the focus areas identified with Arkema's CSR priorities, the commitment "Cultivate an open dialogue and close relations with our stakeholders" will evolve to be renamed "Cultivate position as employer of choice and seek an open dialogue with our stakeholders".

CSR commitments	2022 Material Topics
Deliver sustainable solutions driven by innovation	• Innovation Towards Sustainable Solutions ◆ • Circular Economy ◆ (including Waste & Water Management ◆) • Product Safety & Stewardship ◆
Manage our activity as a responsible manufacturer	• Climate, Energy and GHG Management ◆ • OHS *(and Well-Being)* ◆ • Processes Safety & Emissions Management ◆
Cultivate position as employer of choice and seek an open dialogue with our stakeholders	• Diversity & Inclusion ◆ • *(OHS and)* Well-Being ◆ • Talent Attraction & Retention ◆ • Training & Development ◆ — Employer of choice • Governance, Business Ethics & Transparency ◆ • Community Care ◆ • Data Privacy & Cybersecurity ◆ • Digitalization ◆ • Responsible Sourcing ◆ • Supply Chain Resilience ◆ — Close relations with stakeholders

Legend: ◆ Transformative priorities ◆ Continuous improvement areas for CSR excellency ◆ Sustainability enablers

Arkema will accelerate its efforts on its "Transformative priorities" which drive the evolution of the Group's business model.

- For "Innovation towards sustainable solutions[1] ", priority Is defined as "Develop and promote a range of solutions enabling sustainability"
- For "Circular Economy" which also includes "Waste and Water Management", priority is defined as "Further implement and enable circularity on our sites and along our value chain".

For these two first priorities, the Group will rely in particular on its five strategic Innovation platforms and on its Archimedes program, which consists in assessing its solutions portfolio vis-à-vis their contribution to the UN Sustainable Development Goals (SDGs), and will continue its actions in order to achieve its long-term target of 65% of ImpACT+ solutions.

- For "Climate, Energy and GHG Management" priority, the Group foresees to strengthen its commitments and to align its objectives with 1,5°C ambition of Paris agreement.

On "Continuous improvement areas for CSR excellency", Arkema will maintain its strong efforts on people health, safety and well-being, on prevention and management of industrial risks and on product safety and stewardship. Early 2022, the Group has already raised its long term objectives related to people and process safety.

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[1] regroup "Innovation towards sustainability" and "Sustainable Solutions"

Definitions of the material topics (by alphabetical order)

1. **Circular Economy:**
   Opting for circular designs, maximizing the use of renewable and/or recycled materials & packagings, optimising production processes and maintaining products and materials in the use-loop, all in order to reduce environmental footprint across the value chain.

2. **Climate, Energy and GHG Management:**
   Anticipating, adapting and mitigating the transition and physical climate-related risks such as GHG emission regulation, changes in market demand or extreme weather events affecting production. This includes innovating in low carbon emissions manufacturing process, reducing energy consumption and promoting renewable energy usage in Arkema's operations and across the value chain in line with the group's climate plan.

3. **Community Care:**
   Minimizing Arkema's impact on the communities in which the group operates reducing environmental footprint and engaging with the communities towards common understanding and value creation. This topic also includes giving back to society through trusted partnerships embedded in the corporate citizenship strategy and social and environmental initiatives.

4. **Data Privacy & Cybersecurity:**
   Actively protecting the security of the information systems against cybersecurity failure, and safeguarding stakeholders' data (i.e. customers, suppliers, employees' data). This also includes maintaining the business continuity plans and incident response procedures in place as safeguards in case of incidents.

5. **Digitalization:**
   Leveraging new digital technologies (such as automation tools, artificial intelligence, and virtual reality) towards digital excellence, customer interactions, new business models, and a collaborative workplace.

6. **Diversity & Inclusion**:
   Engaging and leveraging a diverse population, actively prohibiting discrimination and harassment, and ensuring fair and equitable treatment and access to opportunities for all Arkema employees.

7. **Governance, Business Ethics & Transparency:**
   Behaving ethically, showing integrity and being transparent in all aspects such as corruption & bribery, corporate governance, labor relations & human rights, and taxes.

8. **Innovation towards Sustainability**:
   Having strong R&D capabilities, engaging in collaborative innovation with customers and suppliers, and placing sustainability at the heart of the innovation strategy to create sustainable solutions that support global megatrends (such as increasing urbanization, resource scarcity, climate change and new technologies). Arkema's innovation focus is towards low carbon and more circular solutions, designing products for better use phase efficiency and developing frugal innovations ('use less, longer and smarter').

9. **Occupational Health and Safety & Well-Being:**
   Ensuring application of the highest safety standards to all of Arkema's locations and activities as well as instilling a safety culture to certify the occupational health and safety of Arkema's employees and contractors. This topic also addresses protecting the well-being of Arkema's people at work. Well-being at work relates to all aspects of working life, from the quality and safety of the physical environment to how workers feel about their work, their working environment, the climate at work and work organisation.

10. **Processes Safety & Emissions Management:**
Ensuring safe manufacturing processes to minimize industrial risks, spills and negative impacts on health, biodiversity and ecosystems. This topic also includes reducing emissions to the air, soil and water such as VOC and COD emissions as well as hazardous waste.

11. **Product Safety & Stewardship:**
Controlling and minimizing safety risks and adverse effects on health and the environment, that could be caused by the products throughout the value chain. This includes developing safer alternatives to hazardous substances, phasing out Substances of Very High Concern listed in the REACH regulation as well as properly labelling products and informing on chemical substances used.

12. **Responsible Sourcing:**
Safeguarding ethical and sustainable sourcing throughout the supply chain to ensure the respect of labor practices and human rights and the protection of the environment. This also includes having a a strong strategy for materials sourcing, increasing the use of low carbon materials, reducing the need of sourcing from non-renewable resources and engaging with suppliers and industry partners towards more long-term oriented and sustainable business practices.

13. **Supply Chain Resilience:**
Ensuring a strong, sustainable and agile supply chain, that reduces exposure to emerging risks (such as sourcing tension induced by the covid-19 pandemic, climate change and raw materials scarcity). This includes building long-term partnerships, seeking win-win solutions, collaborating towards innovative and sustainable solutions and favoring regional value chains when possible.

14. **Sustainable Solutions:**
Developing sustainable solutions and steering Arkema's portfolio toward the application of low-carbon and renewable materials (e.g. castor bean oil used to make a bio-source polymer), extension of product durability for customers, and the substitution of products with a lower environmental footprint (e.g. innovative alleviation materials). This topic also includes promoting how Arkema's products positively contribute to sustainable solutions for the group's customers.

15. **Talent Attraction & Retention:**
Ensuring the ability to attract and retain talents in order to execute the long-term business strategy. This includes ensuring employees' engagement, making use of strategic workforce planning to identify the right profile and skills needed, and strengthening the employer brand image to recruit the new workforce.

16. **Training & Development:**
Actively training and developing Arkema's people in order to execute the business strategy, remain a competitive company and nurture its core values. This topic includes supporting people's growth, internal mobility and promotion within Arkema, engaging with Arkema people to further embed a culture of sustainability within the company, training Arkema's people to collaborate with external stakeholders towards more sustainable ways of doing business, and reskilling where needed in order to maintain long-term employment.

17. **Waste & Water Management:**
Reducing and valorizing waste, limiting water supply and generation of wastewater within Arkema's operations. This topic also includes developing solutions to support Arkema's value chain partners in waste & water management in their own operations. This topic also includes enhancing waste recovery in Arkema's value chain (reduce, reuse, recycle or reimagining waste).