Solvay Compensation Policy

Key principles.

The Remuneration Policy is set and prepared by the Compensation Committee in compliance with Legal requirements, alignment and with consideration of Shareholders engagement practices, Executive Compensation market practices and the Group's Strategic objectives.

Board of Directors compensation

Solvay SA directors are remunerated with fixed emoluments, the common basis of which is set by the Ordinary Shareholders' Meeting, and any complement thereto by the Board of Directors on the basis of Article 26 of the bylaws, which states that:

- "Directors shall receive emoluments payable from overhead costs; the Shareholders' Meeting shall determine the amount and terms of payment";
- "That decision shall stand until another decision is taken";
- "The Board of Directors shall be authorized to grant directors with special duties (the Chairman, vice-Chairmen, directors charged with day-to-day management, members of the Executive Committee) fixed emoluments in addition to those provided for in the above paragraph";
- "Each of the Directors responsible for day-to-day management is also entitled to variable compensation determined by the Board of Directors on the basis of their individual results and of the consolidated results of the Solvay Group";
- "The sums referred to in the two preceding sub-sections are also paid out of overhead costs".
- The Ordinary Shareholders' Meetings of June 2005 and May 2012 (for Board attendance fee) decided to set directors' pay, starting from the 2005 financial year, as follows:
    - an annual gross fixed compensation of €35,000 per director and additionally an individual attendance fee of €4,000 gross per Board meeting attended;
    - €4,000 gross for members of the Audit Committee and €6,000 gross for its Chairman for each meeting of the committee attended;

- €2,500 gross per member of the Compensation Committee, Nominations Committee and Financial Committee and €4,000 gross for the chairmen of these committees for each meeting attended, on the understanding that a director sitting on both the Compensation Committee and the Nominations Committee does not receive double compensation;
- no attendance fees for the Chairman of the Board, the Chairman of the Executive Committee and the executive directors taking part in these committees;

- For the Chairman of the Board, the Board of Directors used its authorization under Article 26 of the bylaws to grant an additional yearly fixed compensation of €250,000 gross, unchanged since 2012, by reason of the workload and the responsibility attached to this;
- Non-executive directors do not receive variable compensation linked to results or other performance criteria. More specifically, non- executive directors are not entitled to annual bonuses, stock options or performance share units, or to any supplemental pension scheme;
- The Company reimburses directors' travel and expenses for meetings and when they exercise their Board and Board Committee functions.

The Chairman of the Board is the sole non-executive director for whom the Group provides administrative support (including the provision of an office, use of the General Secretariat, and a car). The other non-executive directors receive logistical support from the General Secretariat as and when needed. The Company also provides customary insurance policies covering Board of Directors' activities in carrying out their duties.

The Compensation Committee has not made any changes in the current structure of the compensation packages for the Board Members and does not foresee any significant changes for 2020.

Executive Committee compensation

Solvay's compensation policy aims to ensure that its Executive Committee is rewarded according to its performance in contributing to Solvay's long-term objectives of becoming a more resilient, more sustainable, and more innovative multi-specialty Group with high added value and future looking perspective in alignment with the new strategy of the Group.

The Solvay Compensation Structure is designed in line with the following principles:

- Total compensation is designed to be competitive in the relevant market and sector, so as to attract, retain, and motivate high caliber executives needed to deliver the Group's strategy and drive business performance;

- Short-term and long-term variable compensation is tied directly to the achievement of strategic objectives to drive sustainable performance and recognize excellent results once delivered;

- Compensation decisions are compliant and equitable, and balance cost and value appropriately.

Compensation structure and policy

Solvay seeks to position itself at or around the relevant market median for Total Cash Target (sum of Base salary and Variable pay target amount) and benefits. Variable compensation, both short-term and long-term, is designed to provide an opportunity to receive top quartile pay if executives deliver superior performance.

Solvay's compensation structure for its Executive Committee is designed in accordance with the "pay-for-performance" approach approved by the Board of Directors, focusing on the Company's short-term and long-term performance. The level and structure of the compensation packages are aligned with market practices for similar functions at comparable companies.

Solvay's frame of reference for assessing relevant competitive practice is a selection of European chemical and industrial manufacturing companies whose international operations, annual revenues, and headcount are reasonably close to its own. The Company periodically reviews the composition of this peer group to ensure that it continues to reflect Solvay's strategic direction.

Fixed Compensation and Benefits

Base salary

The base salary reflects the individual's experience, skills, duties, and responsibilities, and the contribution of the individual and role within the Group. It is paid monthly.

Base salary is reviewed annually and may increase considering a number of factors, including:

(1) comparable salaries in appropriate comparator groups;

(2) changes within the scope of the role;

(3) changes in the Group's size and profile.

Pension and other benefits

The primary purpose of pension and insurance plans is to establish a level of security for Solvay executives and their dependents with respect to age, health, disability, and death. The benefits offered aim to be market-competitive, driving executive engagement and commitment in Solvay's business.

The Executive Committee members are entitled to retirement, death-in-service, and disability benefits on the basis of the provisions of the plans applicable in their home countries.

Other benefits, such as medical care, company cars or car allowances, as well as coverage of expenses related to expatriation and / or relocation due to Executive role, are also provided according to the rules applicable in the host country. The nature and magnitude of these other benefits are largely in line with median market practice.

Variable Compensation

Short Term Incentive Plan

Short-term incentives are linked partly to Group performance and partly to individual performance to drive and reward the overall annual performance of executives. Their short-term incentives have maximum award limits and are denoted as a multiple of their respective base salaries.

Performance is assessed on an annual basis using a combination of pre-determined Group and individual performance targets set at the start of the year, as approved by the Compensation Committee.

To better align our incentivization structure with the Company's new G.R.O.W. strategy and the priorities of the Group the Board of Directors on the recommendation of the Compensation Committee has approved the following structure to the STI Plan:

1. Payout of Short Term Incentive plan is dependent on the achievement of the Group at 60% of Total for the CEO and at 70% of Total for the other Members of the Executive Committee and respectively Individual performance weighted at 40% for CEO and at 30% of Total for the other Members of the Executive Committee.
2. Group's Performance in 2020 Financial year will be measured against:

   1. Organic EBITDA Growth weighted at 70% of the Group's performance with a minimum and maximum threshold as the most important financial priority for the year;
   2. Free Cash Flow conversion weighted at 20% of the Group's performance;
   3. Achievement of Solvay ONE Planet initiative weighted at 10% of Group performance.
3. Individual performance: measured against a set of pre-determined annual objectives, approved by the Board of Directors.

Metrics used to measure performance of the Group are being revised by the Board of the Directors for each financial year considering strategic objectives of the Group.

Long Term Incentive Plans

Long-term incentives consist of a 50/50 mix of stock options (SOP) and performance share units (PSU). Each annual LTI plan is subject to prior Board approval.

Board of Directors for the Executive Committee members retains the right to exercise discretion, both upwards and downwards, of 50% of the target for any new grant.

Such discretion is maintained to ensure the Board of Directors has the flexibility to adjust the award level in the event of unique circumstances and the 50:50 split principle between SOP and PSU grants will be respected.

Stock options

The Compensation policy offers a competitive LTI vehicle in a form of Stock Options mirroring Belgian market practice, a majority of the BEL 20 Index listed companies provide options to their executives. Under Belgian law, unlike other jurisdictions, taxes on stock options need to be paid by the executives at the time of grant. Therefore Solvay, like other Belgian companies, sets no additional performance criteria for determining the vesting of stock options, which nonetheless need to be held for three full calendar years (options become exercisable on the first day of the 4th year after the grant date) followed with four year exercise period.

The stock option plan gives each beneficiary the right to buy Solvay shares at a strike price corresponding to the fair market value of the shares upon grant. They will only generate a potential gain for the beneficiaries if the stock price rises. The use of stock options aims to incentivize Solvay's executives to work towards increase of share price through achieving robust sustainable returns for shareholders.

Every year, the Board of Directors determines the volume of stock options available for distribution, based on an assessment of the economic fair value at grant using the Black-Scholes model. The total volume of options available is then allocated to the top executives of the Company based on their individual contribution/position to delivering Solvay's long-term strategy.

Key features:

- Options are granted at the money (or fair market value);
- Options become exercisable for the first time after three full calendar years following grant;
- Options have a maximum term of eight years;
- Options are not transferable inter vivos;
- The plan includes a bad leaver clause.

Performance Share Units (PSU)

The PSU's ensures alignment with market best practices, helping Solvay to remain competitive to attract, retain, and motivate key executives.

The PSU's are settled in cash and vest after three years from the date of grant only if pre-set performance objectives are met at minimum threshold level. The minimum payout will vary from zero if the "threshold" target is not met, to maximum payout of 120% if "upper threshold target is achieved" performance is achieved.

Each year, the Board of Directors determines the budget available for distribution based on the average closing Solvay's share prices on the Euronext during the 30 days preceding the grant date. The total volume of PSU available is then allocated to executives of the Company based on their individual contribution/position to delivering Solvay's long-term strategy.

Key features of existing PSU program:

- The plan is purely cash-based and does not encompass any transfer of shares to beneficiaries. As such, it does not dilute the shareholders' interests;
- The vesting of the awards is based on meeting pre-set performance targets.

  For example Performance targets used in 2020 PSU plan:

  1. *Sustained underlying EBITDA growth[1] metric on year over year basis expressed as a % (40% of the award);*
  2. *ROCE % as a measurement of efficiency of capital employed as recommended by the investor community (40% of the award) to replace CFROI;*
  3. *Greenhouse Gas emission reduction (20% of the award) as a measurement towards Solvay long term sustainability commitment;*

[1] The Board of Directors with an intention has elected to use the Underlying EBITDA growth measurement as part of performance metrics for both Short Term Incentive and Performance Share Unit plans to emphasize the importance of the EBITDA growth as the key priority and driving force towards the financial sustainability and long term profitability of the Company so that short term gain is not delivered at a price of long term results.

- The performance period is measured over three years;
- Condition of employment up to achievement of performance targets;
- Payout in cash based on the value of average Solvay share price following the announcement of the Groups financial results for the 3rd performance year.
- The Performance Share Unit (PSU) plan contains a claw-back provision for a period of 3 years after the payout in case of erroneous results.

Metrics used are being revised for new grant years considering strategic objectives and priorities of the Group.

The Board of Directors assesses the achievement of the targets based on the audited results of the Group.

The Board of Directors may use discretion to also re-evaluate the targets set in cases of material change of perimeter or other unexpected circumstances. Where such discretion is applied by the Compensation Committee, which will not be used as a matter of routine, the rationale for the use of such discretion will be disclosed. Additionally, discretion, if used, would be subject to the award limit stated under the remuneration policy.

Duration of the contracts and arrangements with Directors and other executives:

According to the by-laws of the Company, the term of the Directors' mandate is 4 years maximum. They are eligible for re-election.

The term of the Executive Committee members is 2 years, renewable.

Explanation of significant changes

Compared to past following changes are being introduced in Compensation Policy 2020:

- Update of Performance metrics used in STI and PSU plans in alignment with the Group's new G.R.O.W. strategy and investor recommendations.

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